SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **2009-01-26** | Period of Report: **2008-06-30**
SEC Accession No. 0001437749-09-000035

(HTML Version on secdatabase.com)

FILER

KRONOS ADVANCED TECHNOLOGIES INC

CIK:**1108248**| IRS No.: **870440410** | State of Incorp.:**NV** | Fiscal Year End: **0630**
Type: **10KSB** | Act: **34** | File No.: **000-30191** | Film No.: **09545523**
SIC: **3564** Industrial & commercial fans & blowers & air purifing equip

Mailing Address
333 S STATE ST
PMB 111
LAKE OSWEGO OR 97034

Business Address
333 S STATE ST
PMB111
LAKE OSWEGO OR 97034
5035981900

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-KSB

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2008

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ____________

Commission file number ______________________________

KRONOS ADVANCED TECHNOLOGIES, INC.

(Name of small business issuer in its charter)

NEVADA	87-0440410
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

464 COMMON STREET, SUITE 301, BELMONT, MASSACHUSETTS 02478
(Address of Principal Executive Offices)

Issuer's telephone number (617) 364-5089

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

Title of each class	Name of each exchange on which registered

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

Common Stock, Par Value $0.001
Traded Pink Sheets

(Title of class)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Check whether the Issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act [ ]

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve 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 in the past ninety days. Yes [X] No [ ]

Check if there is no disclosure of delinquent files in response to Item 405 of Regulation S-B 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 or any amendment to this Form 10-KSB. [ ]

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

State issuer's revenues for its most recent fiscal year: $3,665,977.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past sixty days (see definition of affiliate in Rule 12b-2 of the Exchange Act.) $97,525 on an average bid price of $.0002.

Note: If determining whether a person if an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by court. Yes [ ] No [X]

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. The Registrant had 487,626,691 shares of Common Stock, par value $0.001 per share, outstanding on January 9, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1990).

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART I

ITEM 1. BUSINESS

GENERAL DESCRIPTION OF BUSINESS

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS. THIS FILING CONTAINS FORWARD-LOOKING STATEMENTS, INCLUDING STATEMENTS REGARDING, AMONG OTHER THINGS: (A) OUR PROJECTED SALES AND PROFITABILITY, (B) OUR GROWTH STRATEGIES, (C) ANTICIPATED TRENDS IN OUR INDUSTRY, (D) OUR FUTURE FINANCING PLANS, (E) OUR ANTICIPATED NEEDS FOR WORKING CAPITAL, AND (F) THE BENEFITS RELATED TO OUR OWNERSHIP OF KRONOS AIR TECHNOLOGIES, INC. IN ADDITION, WHEN USED IN THIS FILING, THE WORDS "BELIEVES", "ANTICIPATES". "INTENDS". "IN ANTICIPATION OF", "EXPECTS", AND SIMILAR WORDS ARE INTENDED TO IDENTIFY CERTAIN FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE BASED LARGELY ON OUR EXPECTATIONS AND ARE SUBJECT TO A NUMBER OF RISKS AND UNCERTAINTIES, MANY OF WHICH ARE BEYOND OUR CONTROL. ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS, INCLUDING, WITHOUT LIMITATION, THE RISKS OUTLINED UNDER "FACTORS AFFECTING KRONOS' BUSINESS AND PROSPECTS" AND MATTERS DESCRIBED IN THIS FILING GENERALLY. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS FILING WILL IN FACT OCCUR. WE DO NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY RELEASE THE RESULTS OF ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS THAT MAY BE MADE TO REFLECT ANY FUTURE EVENTS OR CIRCUMSTANCES.

OUR COMPANY

We are a Nevada corporation. Our principal executive offices are located at 464 Common Street, Suite 301, Belmont, Massachusetts, 02478. Our telephone number is (617) 364-5089. The address of our website is www.kronosati.com. Information on our website is not part of this filing.

CORPORATE HISTORY

Kronos Advanced Technologies, Inc. ("Kronos" or the "Company") was originally incorporated under the laws of the State of Utah on September 17, 1980, as Penguin Petroleum, Inc. Penguin Petroleum Inc.'s stockholders approved a name change on October 6, 1982, to Petroleum Corporation of America, Inc. On December 29, 1996, stockholders approved a reorganization whereby they exchanged their stock on a one-for-one basis with Technology Selection, Inc., a Nevada corporation. Technology Selection, Inc.'s shares began trading on the Over-the-Counter Bulletin Board on August 28, 1996, under the symbol "TSET". On November 19, 1998, Technology Selection, Inc. changed its name to TSET, Inc. Effective January 12, 2001, we began doing business as Kronos Advanced Technologies, Inc.; and, as of January 18, 2002, we changed our ticker symbol to "KNOS". Our recent activities have been focused on capitalizing on our investment in Kronos Air Technologies, Inc., a wholly owned subsidiary of Kronos, and we have not, to date, generated significant operating revenues. We have never been party to any bankruptcy, receivership, or similar proceedings and, other than noted above, have not been party to any material reclassification, merger, or consolidation not in the ordinary course of our business.

RECENT DEVELOPMENTS REGARDING KRONOS' SECURED LENDERS

On September 29, 2008, Kronos received a notice of event of default from AirWorks Funding LLLP ("AirWorks") with respect to the Secured Convertible Promissory Note (the "Promissory Note") due June 19, 2010, issued by the Company to AirWorks. The notice stated that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the principal amount of $3,551,735 plus interest. The Company requested funding from the senior lenders but was declined. The Company is evaluating the status of the alleged default.

As previously disclosed, in June 2007, the Company entered into a Funding Agreement with a group of lenders providing for a secured loan, at the discretion of the lenders, in the aggregate amount of up to $18,159,000. At the initial closing, the Company received an initial advance of $4,259,000 from AirWorks, RS Properties I LLC ("RS Properties") and various other lenders (the "Other Lenders"). RS Properties assigned to Hilltop Holding Company, LP, a Delaware limited partnership, ("Hilltop") its promissory note together with certain other rights and agreements relating thereto, including, without limitation, its rights and obligations under the Funding Agreement. Following the initial closing, the Company received an additional $2,533,000 in funding from AirWorks and Hilltop under the terms of the Funding Agreement and related notes, including the Promissory Note. Interest on the AirWorks and Hilltop notes became payable quarterly starting January 1, 2008. See "Secured Convertible Debt Transaction" below.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On December 31, 2007, AirWorks and Hilltop converted $731,440 of their promissory notes into shares of the Company's common stock. On April 1, 2008, the Company repaid (1) an aggregate of $628,000 of the principal of the AirWorks and Hilltop promissory notes and (2) the entire principal amount ($859,000) of the promissory notes issued to the Other Lenders. As a result of the foregoing, as of December 1, 2008, (a) the outstanding principal amount of the AirWorks Promissory Note was $3,426,135 and there was $567,035 of accrued interest and (b) the outstanding principal amount of the Hilltop promissory note was $1,147,425 and there was $60,022 of accrued interest. The Company has not received a notice of event of default with respect to the Hilltop promissory note.

The Company has been, and continues to be, in discussions with its secured lenders regarding the outstanding obligations under the AirWorks and Hilltop promissory notes, the alleged occurrence of an event of default, and the future operational plan of the Company. In connection with the foregoing and in light of the Company's financial condition (including with respect to certain other obligations of the Company), the Board of Directors has appointed an independent committee, consisting of James P. McDermott and M. J. Segal, to investigate the alleged event of default, analyze the current status of the Company, and review alternatives for maximizing the value of the Company's assets including the sale or license of such assets or the liquidation of the Company. The Company has a limited time to authorize a sale, as the period for forbearance by the secured lenders is under discussion. If a sale is not authorized and the secured lenders exercise their rights under their promissory notes, the secured lenders would receive the assets of the Company. Further, if the Company is able to consummate a strategic transaction or if the secured lenders foreclose on the Company's assets, there can be no assurance that there will be any assets or proceeds remaining after repayment of all amounts due to the secured lenders. The terms of the promissory notes to the secured lenders do not allow the Company to raise new funding to cure the alleged occurrence of an event of default without the consent of the secured lenders.

The Company received notification from James P. McDermott and M.J. Segal on the dates of December 22, 2008 and December 23, 2008 respectively, that Mr. McDermott and Mr. Segal have resigned from the Kronos Board of Directors.

In addition, the Company received correspondence from Frederic R. Gumbinner and Richard A. Sun, as second secured lien holders, concerning claims for late payments and subsequent related penalties with respect to outstanding loans by Mr. Gumbinner and Mr. Sun. The Company has responded that the obligation to its senior secured lien holders supercedes and takes priority to the claims of the second secured lien holders and the existing intercreditor agreements among the secured lenders sets for the applicable rights, obligations and responsibilities between the lenders.

BUSINESS STRATEGY

Kronos Advanced Technologies, Inc. was a product development and production company that attempted to develop and patent technology that among other things fundamentally change the way air is moved, filtered and sterilized. Fourteen of the Company's U.S. patent applications and three international patent applications have been allowed for issuance. To date, our ability to execute our strategy has been restricted by our limited amount of capital.

The Kronos technology has numerous valuable characteristics for applications in the indoor air quality market, including moving air and gases at high velocities while filtering odors, smoke and particulates and sterilizing air from bacteria and virus contamination. A number of the scientific claims of the Kronos technology have been tested by the U. S. and foreign governments, multi-national companies and independent testing facilities (see "Independent Testing – Product Claims Platform").

Effective June 20, 2008, the Employment Agreement of Daniel R. Dwight, the Company's former President and Chief Executive officer, was terminated pursuant to terms of the Severance Agreement and Advisory Agreement, dated May 16, 2008. Richard F. Tusing, the Company's Chief Operating Officer, was appointed acting president, Chief Financial Officer, Treasurer and Secretary of the Company.

On October 24, 2008, the Company terminated the employment of all of its employees except for Mr. Tusing and Igor Krichtafovitch, its Chief Technology Officer. As a result of the Company's financial condition, it has temporarily ceased substantially all of its operating activities. Kronos is focused on prioritizing its limited resources on either selling or licensing the Company's technology or liquidating the assets of the Company.

The Company did not file the Form 10-KSB within required deadlines, has filed a Form 12b-25 extension and is currently listed with trading on the Pink Sheets.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Technology Description and Benefits

The proprietary Kronos technology involves the management of corona discharge by applying high voltage management across paired electrical grids to create an ion exchange. Applications for efficient high voltage management, efficient corona discharge and ion exchange include but are not limited to:

- air movement, including dielectric fluid movement and propulsion;
- air purification, including particulate removal, bacteria and viral removal, biohazard destruction, and odor removal;
- temperature and environmental management, including space heating and cooling;
- microchip, MEMS and other electronics devices and components cooling;
- air management, including sorting and separation of air streams by particle content;
- sound generation, including high fidelity sound recreation and active noise cancellation;
- high voltage management, including development of high voltage power supplies and control of energy surges and electrical discharges;
- control of water and moisture content in air streams, including dehumidification and humidification; and
- water treatment, including water purification, ionization and water desalination.

Independent Testing - Product Claims Platform

A number of the scientific claims of the Kronos technology have been tested by the U. S. and foreign governments, multi-national companies and independent testing facilities. To date, independent laboratory testing has verified the filtration and sterilization capability of the Kronos technology. Summary results from select independent testing facilities are provided below. The tests were conducted in the U.S. unless otherwise indicated.

Filtration Testing Results:

- Environmental Health and Engineering - reduced particle matter by up to 47% compared to days when the Kronos air purifiers were not operating in the waiting room of a pediatric office while patients were present.
- Aerosol and Air Quality Research Laboratory - up to 99.8% filtration of 0.02 to 0.20 micron (20 to 200 nanometers) size particles;
- LMS Industries - removal of over 99.97% of 0.10 micron (100 nanometers) and above size particles using HVAC industry's ASHRAE 52.2 testing standard for filtration;
- MicroTest Laboratories - HEPA Clean Room Class 1000 quality particulate reduction; and
- Intertek - tobacco smoke elimination tests in accordance with ANSI/AHAM AC-1-1988 standard entitled "American National Standard Method for Measuring Performance of Portable Household Electric Cord-Connected Room Air Cleaners," which demonstrated a Clean Air Delivery Rate ("CADR") for the Kronos air purifier of over 300 for the larger size Kronos air purifier and 80 for the smaller size using consumer filtration testing standards for the Association of Home Appliance Manufacturers ("AHAM").

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Sterilization Testing Results:

- Environmental Health and Engineering (viral analysis by the University of Wisconsin Department of Pediatrics and Medicine):
  - collection and removal of a wide range of respiratory viruses, including influenza A, influenza B, human rhinoviruses, human coronavirus, respiratory syncytial virus, adenovirus, and bocavirus, from the waiting room of a pediatric office while patients were present.

- Scientific Institution of Health Care, Central Clinical Hospital #2 in Moscow (clinical trial):
  - 100% decontamination of bacteria (Staphylococcus aureus) in under one hour and 80% decontamination of general bacteria in under 24 hours from a 48m(3) hospital room while people were present.

- Pulmonary Department of Municipal Hospital #2 in Moscow (clinical trial):
  - 100% decontamination of bacteria (Staphylococcus aureus) in under five hours from a 66m(3) hospital room while four patients were present; and
  - 100% decontamination of mildew fungi in under two hours from a 113.2m(3) hospital room.

- Disinfection Research Institute Sterilization Laboratory in Moscow:
  - disinfected a room completely contaminated with Bacteriophage
  - a microorganism which lives in the E. Coli bacteria. (Bacteriophage is widely used in virus testing because the microorganism's biological structure and size share many functional similarities with a wide range of viruses); and
  - 100% decontamination of room infected with bacteria (Staphylococcus aureus strain 906 (S. aureus) and Bacillus cereus strain 96 (B. cereus)
  - S. aureus is a known cause of hospital-acquired infections, including skin lesions such as boils and furunculosis and more serious infections such as pneumonia and meningitis.

- Institute for Veterinary Medicine in the Ukraine - destroy and sterilize air which had been inseminated with Anthrax and E.coli spores;

- New Hampshire Materials Laboratory - up to 95% reduction of hazardous gases, including numerous carcinogens found in cigarette smoke;

- Battelle PNNL - 95% destruction of Bg (anthrax simulant); and

- Dr. Sergey Stoylar, a bacteriologist from the American Bacteriological Society - 100% destruction of Bacillus subtilis 168 (bacteria simulant).

Medical Product Approval

In September 2006, the Russian Research Institute of Medical Equipment approved EOL's Kronos-based Tree air purification device for use in hospitals and other healthcare facilities. The device received Category I approval, which means the product has met the strictest regulations required for a device to be used in operating rooms and other areas that require a sterile environment. In November 2006, following the Russian Research Institute approval, the Ministry of Health Care and Social Development of the Russian Federation issued a Registration Certificate that designates the Kronos-based Tree air purification device for medical use.

Market Segmentation

Kronos had an initial business development strategy to attempt to develop and produce products based on the Kronos technology to six distinct air quality market segments: (1) air movement and purification (residential, health care, hospitality, and commercial facilities); (2) embedded cooling and cleaning (electronic devices and medical equipment); (3) air purification for unique spaces (clean rooms, airplanes, automotive, and cruise ships); (4) specialized military (naval vessels, closed vehicles and mobile facilities); (5) industrial scrubbing (produce storage and diesel and other emissions); and (6) hazardous gas destruction (incineration and chemical facilities).

Kronos has granted an exclusive license to Tessera for ionic micro-cooling of integrated circuit devices or discrete electrical components. These contracts are described in more detail in the "Technology Application and Product Development" below.

Technology Application and Product Development

To best serve Kronos' targeted market segments, the Company was developing specific product applications across two distinct product application platforms. A Kronos device can be either used as a standalone product or can be embedded. Standalone products are self-

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

contained and only require the user to plug the Kronos device into a wall outlet to obtain air movement and filtration for their home, office or hotel room. Embedded applications of the Kronos technology require the technology be added into another system, such as a building ventilation system for more efficient air movement and filtration or into an electrical device such as computer or medical equipment to replace the cooling fan or heat sink.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Standalone Platform

Residential Products. In October 2007, Kronos executed a Letter of Intent for the development, manufacture and sale of air purification devices based upon Kronos' proprietary air movement and purification technology with a leading national retailer. Under the terms of the Letter of Intent, the retailer has paid Kronos $250,000 towards the development costs of the new products and would contribute marketing resources to assist in the product development process. In December 2007, Kronos completed design and developed an Alpha Prototype for the customer. In January 2008, the parties initiated negotiations of a definitive Product Development and Purchase Agreement. In February 2008, the retailer filed for bankruptcy. In March 2008, Kronos' contract manufacturing partner completed development of a Beta Prototype. During the fiscal year ended June 30, 2008, Kronos earned $250,000 in product development fees.

Medical Products. In December 2005, the Company executed a non-exclusive license agreement with EOL LLC, a Russian Federation company ("EOL"), for manufacturing and distributing Kronos-based commercial standalone products in Russia and other select Commonwealth of Independent States. The initial medical products are currently being marketed in Russia and Ukraine and marketing plans are being implanted in Kazakhstan, Moldova and Byelorussia. In November 2006, the Ministry of Health Care and Social Development of the Russian Federation issued a Registration Certificate for the product that designates the product for medical use. During the fiscal year ended June 30, 2007, Kronos earned $104,000 in revenue from the sale of power supplies, other electrical components and engineering services and from the royalty from the sale of finished products by EOL. During the fiscal year ended June 30, 2008, Kronos earned $55,000 in revenue from licensing fees.

In August 2006, the Russian Research Institute of Medical Equipment began the process for product certification of the EOL's Kronos-based Tree air purification device for use in medical facilities, including a successful clinical trial of EOL products in the Pulmonary Department of Municipal Hospital #2 in Moscow. In October 2006, Scientific Institution of Health Care, Central Clinical Hospital #2 in Moscow completed a second clinical trial. As a result of these clinical trials, the Russian Research Institute approved the Kronos-based Tree air purification device for use in hospitals and other healthcare facilities. The device received Category I approval, which means the product has met the strictest regulations required for a device to be used in operating rooms and other areas that require a sterile environment. In November 2006, following the Russian Research Institute approval, the Ministry of Health Care and Social Development of the Russian Federation issued a Registration Certificate that designates the Kronos-based Tree air purification device for medical use.

Commercial and Other Standalone Products. Utilizing our expanded product development resources, Kronos completed the initial design, development and production of a series of small multifunctional devices that can be used as space heaters, vaporizers, disinfectors, deodorizers and/or fans.

Embedded Platform

Microelectronics Cooling Products. In December 2004, Kronos and the University of Washington were awarded a Phase I grant for a research and technology development project entitled "Heat Transfer Technology for Microelectronics and MEMS" by the Washington Technology Center (the "WTC"). The objective of the project was to develop a novel energy-efficient heat transfer technology for cooling microelectronics. In January 2006, Kronos and the University of Washington conducted a successful bench scale demonstration of micron cooling of a MEMS chip. In June 2006, the Company and the University of Washington were awarded a Phase II grant for continued funding in its novel cooling system for microelectronics and computer chips. The WTC contributed $100,000 as a Phase II grant for the project. Kronos provided $35,000 in funding and $38,000 in in-kind services, including use of the Kronos Research and Product Development Facility. In June 2007, the Company and the University of Washington were awarded a Phase III grant for continued funding. This additional funding was utilized to support the development of prototype products and all Phase III deliverables were completed.

In March 2008, Kronos executed an Intellectual Property Transfer and License Agreement with Tessera Technologies, Inc. ("Tessera") for the transfer and license of certain intellectual property (IP) rights related to Kronos proprietary technologies to Tessera. Kronos initially received $3.5 million from Tessera in exchange for the transfer of select Kronos patents covering micro-cooling applications and for an exclusive license to the Kronos technology for the field of ionic micro-cooling of integrated circuit devices or discrete electrical components. Kronos retained the rights to use these patents for applications outside of the field of micro-cooling. Tessera has exercised its further right to acquire additional Kronos IP relating to micro-cooling applications for four quarterly payments of $0.5 million each beginning in July 1, 2008. Kronos received a payment of $0.5 million on July 1, 2008, a payment of $0.5 million on October 1, 2008, and an accelerated payment of $1.0 million on November 21, 2008, for the remaining payments due on January 1, 2009 and April 1, 2009. The receipt of this $2.0 million constitutes payment in full for the remaining micro-cooling related patents subject to the agreement with Tessera. The Company and Tessera have the option to continue to jointly develop new technologies in this field.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Residential Products. In October 2006, a leading global home appliance manufacturer committed to fund 20% of the cost for Kronos to manufacturer a silent kitchen range hood product. This next generation range hood device represented the culmination of more than twelve months of product design and development effort by Kronos to apply our technology to this unique embedded residential application. The product was shipped to the customer in October 2006. In January 2007, the prototype design was modified based on customer input and a revised unit was shipped to the customer. In addition to financial support, the customer has also provided Kronos with product components for Kronos testing and evaluation. In February 2007, a second global appliance manufacturer committed to purchase additional prototypes from Kronos. During the year ended June 30, 2007, Kronos earned $37,000 in revenue from the development of prototype devices for the residential range hood market place. In October 2007, Kronos shipped the additional prototypes to the customer for testing and evaluation. During the year ended June 30, 2008, Kronos earned $34,000 in product development fees. Due to a lack of funding, Kronos is no longer working on this project.

Commercial Products. In June 2006, the Company executed its first license for embedded applications of Kronos technology with DESA LLC ("DESA"). The agreement provides DESA the opportunity to embed the Kronos electrostatic air movement technology within fireplaces, hearth systems, zone heaters and mounted electric fans and heaters. In October 2006, DESA approved Kronos' designs for the first Kronos-based product and committed to the funding of the product development by Kronos. In January 2007, DESA committed additional funds for Kronos exploration of a second Kronos-based product application. By May 2007, various prototype configurations for each of the two product applications were under test and evaluation by Kronos and DESA. During the year ended June 30, 2008, Kronos and DESA developed a plan for product commercialization. Due to a lack of funding, Kronos is no longer working on this project.

In addition, Kronos has developed an air filtration and purification mechanism capable of performing to HEPA quality standards, while eliminating bacteria and viruses. The Company believes that Kronos devices could replace current HEPA filters with a permanent, easily cleaned, low-cost solution. Among the technical advantages of the Kronos technology over HEPA filters is the ability of the Kronos-based devices to eliminate the energy burden on air handling systems, which must generate high levels of backpressure necessary to move air through HEPA-based systems. Kronos-based devices enhance the air flow, while providing better than HEPA level filtration and purification. Kronos was seeking one or more strategic partners to commercialize, market and distribute Kronos based commercial embedded air filtration and purification devices; however, due to a lack of funding, the Company is no longer working on this project.

Market Segmentation

Kronos' initial business development strategy was to develop and produce products based on the Kronos technology to six distinct air quality market segments: (1) air movement and purification (residential, health care, hospitality, and commercial facilities); (2) embedded cooling and cleaning (electronic devices and medical equipment); (3) air purification for unique spaces (clean rooms, airplanes, automotive, and cruise ships); (4) specialized military (naval vessels, closed vehicles and mobile facilities); (5) industrial scrubbing (produce storage and diesel and other emissions); and (6) hazardous gas destruction (incineration and chemical facilities).

Patents and Intellectual Property

Kronos has received notification that fourteen of its patent applications have been allowed for issuance by the United States Patent and Trademark Office and six of its international patent applications have been allowed for issuance by the Canadian Intellectual Property Office, the Commonwealth of Australia Patent Office and the Mexican Institute of Industrial Property. These patents are considered utility patents which describe fundamental innovations in the generation, management and control of electrostatic fluids, including air movement, filtration and purification. Each of the patents contain multiple part claims for both general principles as well as specific designs for incorporating the Kronos technology into air movement, filtration and purification products. The patents provide protection for both specific product implementations of the Kronos technology, as well as more general processes for applying the unique attributes and performance characteristics of the technology.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

U.S. Patents

Date	U.S. Patent #	Patent Title	Description	Protection
August 2008	7,410,531	Method of Controlling Fluid Flow	an electrode array corona including an array of corona electrodes discharge electrodes and an array of acceleration flow	2025
August 2007	7,262,564	Alternative Geometries and Voltage Supply Management	geometry, voltage ratios and power requirements for improved operational performance	2024
July 2007	7,248,003	Electric Field Management	effective electric field management for reduced sparking	2025
October 2006	7,122,070	Method of and Apparatus for Electrostatic Fluid Acceleration	inertialess power supply for safe operation and spark prevention	2025
August 2006	7,157,704	Corona Discharge Electrode and Method of Operating	method of generating air flow and air cleaning with reduced amount of ozone by-product and with extended life-span of the electrodes	2023
July 2006	7,150,780	Electrostatic Air Cleaning Device	method for improving the efficiency of electrodes for filtering micron and sub-micron size particles	2024
May 2006	7,053,565	Electrostatic Fluid Accelerator - Power Management	effective powering of the electrodes for high level of air velocity	2024
November 2005	6,963,479	Electrostatic Fluid Accelerator - Advanced Geometries	advanced voltage management impacts air filtration and sterilization, air flow and ozone as well as safe operation and spark prevention	2023
August 2005	6,937,455	Spark Management Method and Device	analysis, detection and prevention of sparks in a high voltage field - creating safe, effective electrostatic technology products	2022
July 2005	6,919,698	Voltage Management for Electrostatic Fluid Accelerator	materials and geometry allowing for spark free operation and use of light weight, inexpensive materials as the electrodes	2023
May	6,888,314	Electrostatic Fluid	electrode design geometries	2022

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2005		Accelerator - Electrode Design Geometries	and attributes including micro channeling to achieve unique air movement and purification performance	
April 2004	6,727,657	Electrostatic Fluid Accelerator for and a Method of Controlling Fluid	synchronization of multiple stages of arrays - increasing air flow and air flow efficiency	2022
December 2003	6,664,741	Method of and Apparatus for Electrostatic Fluid Acceleration Control of a Fluid Flow	ratio of voltage for producing ion discharge to create air movement and base level filtration	2022
January 2003	6,504,308	Electrostatic Fluid Accelerator	electrode density core for producing ion discharge to create air movement and base level filtration	2019

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

International Patents

Kronos has received formal notification from the Canadian Intellectual Property Office, the Mexican Institute of Industrial Property, Commonwealth of Australia Patent Office, the Intellectual Property Office of New Zealand and the Ukrainian Patent Office indicating that six patents have been examined and allowed for issuance as patents. There are a number of other patent applications corresponding to Kronos' fourteen U.S. Patents that have been filed and are pending outside of the United States.

Kronos intends to continue to aggressively file patent applications in the U.S. and internationally. A number of additional patent applications have been filed for, among other things, the control and management of electrostatic fluid acceleration. These additional patent applications are either being examined or are awaiting examination by the Patent Office.

Intellectual Property Transfer

In March 2008, Kronos transferred U.S. Patents 6,919,698 and 7,157,704 and related foreign patents and patent applications to Tessera in conjunction with the execution of the Intellectual Property Transfer and License Agreement and the receipt of $3.5 million from Tessera. The Agreement provided Tessera the additional right to acquire U.S. Patents 6,504,308 and 6,888,314 and related foreign and patent applications upon the payment of an additional $2.0 million, which purchase was completed on November 21, 2008.

MILESTONES

Our primary business objectives have been to secure the funding to support the Company's effort to commercialize its proprietary technology while continuing to expand its research into new product applications. In the fiscal year ended June 30, 2008, the Company received $2.6 million in funding and bridge loan financing from investors with an investor option to fund an additional $14.0 million. . On April 1,2008 the Company repaid $0.6 million of the bridge loan from funds received from the initial Tessera purchase transaction to Airworks and Hilltop. Also on April 1, 2008 the Company repaid $0.9 million of principle and interest to Sands Brothers Venture Funds, all of which are affiliates of Laidlaw and Co. (UK) Ltd. (collectively "Critical Capital")See "Recent Development Regarding Kronos' Secured Lenders" for a discussion of additional developments regarding the financial condition of the Company and its secured financing arrangements.

Our second objective was to launch Kronos-based standalone consumer products. During the fiscal year ended June 30, 2008, despite the success of the Company in developing and testing a viable consumer product, the Company was not able to achieve its objective of having its residential, retail consumer products partner bring that product to market. The identified partner was unable to perform its obligation under the terms of the agreement.

Our third objective was to continue on our agreements with EOL. The Company provided technical services and electronics to EOL as EOL completed development of a medical air purifier and began selling the product into the hospital marketplace. The Company generated $55,000 in revenue during the fiscal year ended June 30, 2008, through the sale of Kronos proprietary electronics and from royalties from EOL sale of Kronos-based air purification devices in Russia and other select Commonwealth of Independent States. The Company provided technical support for embedded applications of Kronos technology with DESA by designing and building prototype devices for DESA in the embedded residential fireplace market.

In addition, during the year the Company:

(i) executed in March 2008, an Intellectual Property Transfer and License Agreement with Tessera Technologies, Inc. ("Tessera") for the transfer and license of certain intellectual property (IP) rights related to Kronos proprietary technologies to Tessera. Kronos initially received $3.5 million from Tessera in exchange for the transfer of select Kronos patents covering micro-cooling applications and for an exclusive license to the Kronos technology for the field of ionic micro-cooling of integrated circuit devices or discrete electrical components. Kronos retained the rights to use these patents for applications outside of the field of micro-cooling. Tessera has exercised its further right to acquire additional Kronos IP relating to micro-cooling applications for four quarterly payments of $0.5 million each beginning in July 1, 2008. Kronos received a payment of $0.5 million on July 1, 2008, a payment of $0.5 million on October 1, 2008, and an accelerated payment of $1.0 million on November 21, 2008, for the remaining payments due on January 1, 2009 and April 1, 2009. The receipt of this $2.0 million constitutes payment in full for the remaining micro-cooling related patents subject to the agreement with Tessera. The Company and Tessera have the option to continue to jointly develop new technologies in this field;

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(ii) executed on a Phase II award and a Phase III award from the Washington Technology Center in conjunction with the University of Washington and Intel Corporation for a research and development project based on a novel cooling system for microelectronics and computer chips;

(iii) continued to serve as a member and an industrial partner in the Federal Aviation Administration's (FAA) Air Transportation Airliner Cabin Environment Research Center of Excellence (ACER CoE); and

(iv) pursued new opportunities initiated by several leading global home appliance manufacturers for the development of select residential applications of our technology, including silent kitchen range hoods. These opportunities generated $37,000 in revenue during the fiscal year ended June 30, 2007, and an additional $34,000 in revenue in fiscal 2008.

The Company on June 20, 2008, terminated the Employment Agreement for Daniel R. Dwight, its former President and Chief Executive officer, pursuant to terms of the Severance Agreement, as attached. Additionally Kronos terminated all employees as of October 24, 2008, except for R. Tusing, its acting president, and Igor Krichtafovitch, the Company's Chief Technology Officer.

On September 29, 2008, Kronos received a notice of event of default from AirWorks Funding LLLP ("AirWorks") with respect to the Secured Convertible Promissory Note (the "Promissory Note") due June 19, 2010, issued by the Company to AirWorks. The notice stated that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the principal amount of $3,551,735 plus interest. The Company requested funding from the senior lenders but was declined. The Company is evaluating the status of the alleged default.

SECURED CONVERTIBLE DEBT TRANSACTION

In June 2007, Kronos entered into a Funding Agreement with a group of lenders providing for a loan, at the discretion of the lenders, in the aggregate amount of up to $18,159,000. At the initial closing, the Company received an initial advance of $4,259,000. After payment in full of the amounts due under an outstanding convertible debenture issued to Cornell Capital Partners and settlement agreement obligation to HoMedics and the expenses of the transaction, the remainder of $1,069,000 was used for working capital purposes.

The lenders are: (i) AirWorks Funding LLLP, a newly-formed limited partnership ("AirWorks"); (ii) Critical Capital Growth Fund, L.P. and various Sands Brothers Venture Funds, all of which are affiliates of Laidlaw and Co. (UK) Ltd. (collectively "Critical Capital") and (iii) Hilltop Holding Company, LP, a Delaware limited partnership, ('Hilltop").

The loan is secured by all of the Company's assets and is convertible into shares of the Company's common stock at a conversion price of $0.003 per share, subject to adjustment under certain circumstances. Future installments under the Funding Agreement, up to $13,900,000, may be advanced at the discretion of the lenders, even if not requested by the Company. Under the Funding Agreement and related notes, the Company pays interest at the rate of 12% per annum. On March 13, 2008, Critical Capital agreed to extend the maturity date of their note until April 30, 2008 and on April 1, 2008, the Company repaid Critical Capital the full principal amount and interest on the note. With respect to all other loan amounts, interest is payable quarterly starting January 1, 2008, and outstanding principal is due and payable June 19, 2010, unless earlier converted at the option of the lenders. Airworks, effective as of January 1, 2008, in agreement with the Company, agreed to defer payment of quarterly interest expenses for an unspecified period, until the Company received of Notice of Default by Airworks on September 29, 2008.

Also in connection with the Funding Agreement, several Kronos option and warrant holders delivered standstill agreements pursuant to which such holders agreed not to exercise their options or warrants before December 31, 2007. Several stockholders also entered into Voting Agreements with the lenders pursuant to which they agreed to vote, if and when proposed to shareholders, in favor of certain corporate governance and other matters specified therein.

On December 31, 2007, the Company issued 243,813,400 shares of Kronos Common Stock to Airworks and Hilltop following conversion of $731,440 of debt pursuant to terms of the Funding Agreements.

In accordance with the Funding Agreement, on April 14, 2008, the lenders exercised their right to designate a majority of the members of the Company's Board of Directors and five new additional Board members were appointed to the Kronos Board of Directors: Richard Perlman, Jack Silver, James Price, Marc Kloner and Barry Salzman. The Funding Agreement contains usual and customary representations and warranties and also contains certain covenants that prohibit the Company from undertaking certain actions without the consent of AirWorks, including additional funding.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On September 29, 2008, Kronos received a notice of event of default from AirWorks Funding LLLP ("AirWorks") with respect to the Secured Convertible Promissory Note (the "Promissory Note") due June 19, 2010, issued to by the Company to AirWorks. The notice states that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the amount of $3,551,735 plus interest.

The Kronos Board of Directors appointed an Independent Board Committee to address the Notice of Default. The Independent Board Committee, whose members are James McDermott and M. J. Segal continues to work with the lenders to determine an appropriate course of action in response to the receipt of the Notice of Default.

The Company received correspondence from Frederic R. Gumbinner and Richard A. Sun, as second secured lien holders, concerning claims for late payments and subsequent related penalties with respect to outstanding loans by Mr. Gumbinner and Mr. Sun. The Company has responded that the obligation to its senior secured lien holders supercedes and takes priority to the claims of the second secured lien holders and the existing intercreditor agreements among the secured lenders sets for the applicable rights, obligations and responsibilities between the lenders.

EMPLOYEES

As of October 24, 2008, Kronos and its subsidiaries had reduced it's staffing from fourteen to two full-time employees. Of the two full-time employees, one works in general management, and one in product development and research. None of the employees are represented by unions. There has been no disruption of operations due to a labor dispute.

FACTORS AFFECTING KRONOS' BUSINESS AND PROSPECTS

We are subject to various risks, which may have a material adverse effect on our business, financial condition and results of operations, and may result in a decline in our stock price. Certain risks are discussed below:

We do not have sufficient cash to continue operations and require significant additional financing to sustain our operations, and are exploring alternatives to sell, license or liquidate the assets of the Company.

At June 30 2008, and June 30, 2007, we had a working capital deficit of $2.1 million and $1.2 million, respectively. The Report of Independent Registered Public Accounting Firm for the year ended June 30, 2008, includes an explanatory paragraph stating that our recurring losses from operations and working capital deficiency raise doubt about our ability to continue as a going concern. For the fiscal years ended June 30, 2008, and 2007, we had an operating cash flow deficit of $0.2 million and $3.0 million and a cash balance of $872,000 and $364,000, respectively. Kronos is seeking alternatives to sell, license or liquidate partial or all of the Company's assets to satisfy secured lenders' obligations.

We do not have funds to satisfy secured loans and if the alleged event of default is enforced, the Company will have all assets foreclosed.

On September 29, 2008, Kronos received a notice of event of default from AirWorks Funding LLLP ("AirWorks") with respect to the Secured Convertible Promissory Note (the "Promissory Note") due June 19, 2010, issued by the Company to AirWorks. The notice stated that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the principal amount of $3,551,735 plus interest. The Company requested funding from the senior lenders but was declined. The Company is evaluating the status of the alleged default.

The Funding Agreement with the Company's secured lenders provides that in the event of default, the lenders have the right to seek foreclosure of all of the assets of the Company, including all intellectual property and patent rights, all physical goods and equipment and all contractual rights including license Agreements. In light of the Company's financial condition, if the Company is unable to negotiate an agreement with its secured lenders or is unable to consummate a strategic transaction, the secured lenders may enforce their rights under the Funding Agreement and all of the Company's remaining assets will be foreclosed and transferred to AirWorks and Hilltop.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

We have a limited operating history with significant losses and have terminated our operations.

We have a limited operating history and have not been able to establish any history of profitable operations. We incurred a net loss of $4.4 million for the fiscal year ended June 30, 2008, and a net loss of $2.35 million for the fiscal year ended June 30, 2007. As a result, at June 30, 2008, and June 30, 2007, we had an accumulated deficit of $37.8 million and $33.5 million, respectively. Our revenues and cash flows from operations have not been sufficient to sustain our operations. On October 24, 2008, the Company terminated all but two of its employees and ceased substantially all of its operating activities.

Existing stockholders will experience significant dilution from the issuance of shares under our secured financing or any equity financing.

The issuance of shares pursuant to the conversion of the AirWorks and Hilltop Secured Convertible Promissory Note, the exercise of stock options and warrants or any other future equity financing transaction will have a dilutive impact on our stockholders. As a result, our net income per share could decrease in future periods, and the market price of our common stock could decline.

Our failure to enforce protection of our intellectual property would have a material adverse effect on our business.

A significant part of our success depends in part on our ability to obtain and defend our intellectual property, including patent protection for our products and processes, preserve our trade secrets, defend and enforce our rights against infringement and operate without infringing the proprietary rights of third parties, both in the United States and in other countries. Our limited amount of capital impedes our current ability to protect and defend our intellectual property. The validity and breadth of our intellectual property claims in ion wind generation and electrostatic fluid acceleration and control technology involve complex legal and factual questions and, therefore, may be highly uncertain. Despite our efforts to protect our intellectual proprietary rights, existing copyright, trademark and trade secret laws afford only limited protection. Our industry is characterized by frequent intellectual property litigation based on allegations of infringement of intellectual property rights. Although we are not aware of any intellectual property claims against us, we may be a party to litigation in the future. We do not have sufficient funds to enforce protection of our intellectual property.

Possible future impairment of intangible assets would have a material adverse effect on our financial condition.

Our net intangible assets of approximately $1.5 million as of June 30, 2008, consist principally of purchased patent technology and marketing intangibles, which relate to the acquisition of Kronos Air Technologies, Inc. in March 2000 and to the acquisition of license rights to fuel cell, computer and microprocessor applications of the Kronos technology not included in the original acquisition of Kronos Air Technologies, Inc. in May 2003 and capitalized legal costs for securing patents. Intangible assets comprise 58% of our total assets as of June 30, 2008. Intangible assets are subject to periodic review and consideration for potential impairment of value. Among the factors that could give rise to impairment include a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, and projections or forecasts that demonstrate continuing losses associated with these assets. In the case of our intangible assets, specific factors that could give rise to impairment would be, but are not limited to, an inability to obtain patents, the untimely death or other loss of Dr. Igor Krichtafovitch, the lead inventor of the Kronos technology and Kronos Air Technologies Chief Technology Officer, or the ability to create a customer base for the sale Kronos-based products. Should an impairment occur, we would be required to recognize it in our financial statements. A write-down of these intangible assets could have a material adverse impact on our total assets, net worth and results of operations.

Our common stock is deemed to be "penny stock," subject to special requirements and conditions and may not be a suitable investment.

Our common stock is deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stocks:

- with a price of less than $5.00 per share;
- that are not traded on a national stock exchange;
- in issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenues of less than $6.0 million for the last three years.

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock by reducing the number of potential investors. This may make it

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

more difficult for investors in our common stock to resell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 2. PROPERTIES

Our principal executive office is located at 464 Common Street, Suite 301, Belmont, Massachusetts. The Company's Research and Product Development facility is located at 15241 NE 90th Street, Redmond, Washington. Kronos is committed through September 30, 2009, to annual lease payments on operating leases for 6,000 square feet of office/research and product development premises.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company may be subject to lawsuits in the normal course of business.

Thompson E. Fehr has filed a complaint in the state of Utah, in the Second Judicial District Court in Weber County, against Kronos with respect to prior services rendered to High Voltage Integrated, Inc. (HVI), based on unpaid patent counsel services totaling $47,130 by Fehr to HVI. Fehr has filed total damages claims of $444,900.00. The Company believes this complaint is without merit and is vigorously defending itself.

Daniel R. Dwight filed a lawsuit on October 17, 2008, in the state of Massachusetts, in Suffolk County Superior Court, against Kronos for lack of payments pursuant to the Severance Agreement dated May 16, 2008 for claims of $187, 437 plus interest and attorney fees.. The Company believes its obligations to its Secured Lenders supercede the payment obligations to Mr. Dwight and will vigorously defend itself.

Allstate Insurance Company, as subrogee of David Buell, filed a complaint in the state of Michigan against HoMedics, Inc. and Kronos with respect to damages related to a fire in the home of Mr. Buell, which resulted in $244,155 in damages. Under the terms of the Company's general liability insurance policy, this matter was addressed by the Company's insurance carrier, Argonaut Group, and settled during the year. Kronos executed a full release of this matter on December 12, 2007.

In addition, the Company received correspondence from Frederic R. Gumbinner and Richard A. Sun, as second secured lien holders, concerning claims for late payments and subsequent related penalties with respect to outstanding loans by Mr. Gumbinner and Mr. Sun. The Company has responded that the obligation to its senior secured lien holders supercedes and takes priority to the claims of the second secured lien holders and the existing intercreditor agreements among the secured lenders sets for the applicable rights, obligations and responsibilities between the lenders.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock trades on the Over-the-Counter Bulletin Board under the trading symbol "KNOS." Our high and low bid prices by quarter during fiscal 2008 and 2007 are presented as follows:

	FISCAL YEAR 2008	
	HIGH	LOW
First Quarter (July 2007 to September 2007)	$0.0195	$0.012
Second Quarter (October 2007 to December 2007)	$0.020	$0.013
Third Quarter (January 2008 to March 2008)	$0.019	$0.012
Fourth Quarter (April 2008 to June 2008)	$0.0145	$0.005
	FISCAL YEAR 2007	
	HIGH	LOW
First Quarter (July 2006 to September 2006)	$0.048	$0.019
Second Quarter (October 2006 to December 2006)	$0.024	$0.012
Third Quarter (January 2007 to March 2007)	$0.021	$0.006
Fourth Quarter (April 2007 to June 2007)	$0.028	$0.008

On January 9, 2008, the closing price of our common stock as reported on the Pink Sheets was $0.0002 per share. On January 9, 2008, we had approximately 2,500 beneficial stockholders of our common stock and 487,626,791 shares of our common stock were issued and outstanding.

DIVIDENDS

We have not declared or paid dividends on our common stock during fiscal 2008 or 2007 and do not plan to declare or pay dividends on our common stock during fiscal 2009. Our dividend practices are determined by our Board of Directors and may be changed from time to time. We will base any issuance of dividends upon our earnings (if any), financial condition, capital requirements, acquisition strategies, and other factors considered important by our Board of Directors. Nevada law and our Articles of Incorporation do not require our Board of Directors to declare dividends on our common stock. We expect to retain any earnings generated by our operations for the development and expansion of our business and do not anticipate paying any dividends to our stockholders for the foreseeable future.

RECENT SALES OF UNREGISTERED SECURITIES

Except as otherwise noted, all of the following shares were issued and options and warrants granted pursuant to the exemption provided for under Section 4(2) of the Securities Act of 1933, as amended, as a "transaction not involving a public offering“. Each such issuance was made pursuant to individual contracts, which are discrete from one another and are made only with persons who were sophisticated in such transactions and who had knowledge of and access to sufficient information about Kronos to make an informed investment decision. Among this information was the fact that the securities were restricted securities.

All investors participating in private placements for cash were "accredited investors" within the meaning of Regulation D. In addition, we note that there are several categories of recipients of these shares. These include officers and directors. Kronos does not believe that these categories of recipients should be integrated with each other under the concept of integration. Under Securities Act Release Nos. 4552 and 4434, these categories would not involve a single plan of financing and would not be considered to be made for the same general purpose. As a result, each category should be reviewed on its own. Given the small number of purchasers in these categories, Kronos believes that these transactions complied in all respects with Section 4(2). Kronos believes that this conclusion is true even if the transactions occurring within each category are integrated with other transactions occurring within six months or one year of a given transaction.

On April 27, 2007, we issued three year Convertible Promissory Notes to two accredited investors for $200,000 convertible into shares of Kronos common stock at $0.003 per share.

On June 18, 2007, we issued 80 million stock options to employees and directors. The ten-year options vest two-thirds upon issuance and one- third over the following twelve months and convert into shares of Kronos common stock at $0.016 per share.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On June 19, 2007, we issued three year Secured Convertible Promissory Notes to a group of institutional investors for up to $17.3 million convertible into shares of Kronos common stock at $0.003 per share. As of June 30, 2007, $3.4 million of the $17.3 million had been funded. As of December 31, 2007, an additional $1.430 million had been funded. On December 31, 2007, the Company issued 243,813,400 shares of Kronos Common Stock to Airworks and Hilltop following conversion of $731,440 of debt pursuant to terms of the Funding Agreements. As of March 31, 2008, an additional $.475 million had been funded. A bridge loan in the amount of $.628 million was issued between January 31, 2008 and March 31, 2008, which was repaid in full on April 1, 2008.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this filing. Certain statements within this Item and throughout this Annual Report on Form 10-KSB and the documents incorporated herein are "forward-looking statements“.

GENERAL

On September 29, 2008, Kronos Advanced Technologies, Inc. (“Kronos” or the “Company”) received a notice of event of default from AirWorks Funding LLLP (“AirWorks”) with respect to the Secured Convertible Promissory Note (the “Promissory Note”) due June 19, 2010, issued by the Company to AirWorks. The notice states that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the principal amount of $3,551,735 plus interest.

The Company has been, and continues to be, in discussions with its secured lenders regarding the outstanding obligations under the AirWorks and Hilltop promissory notes, the alleged occurrence of an event of default, and the future operational plan of the Company. In connection with the foregoing and in light of the Company’s financial condition (including with respect to certain other obligations of the Company), the Board of Directors has appointed an independent committee, consisting of James P. McDermott and M. J. Segal, to investigate the alleged event of default, analyze the current status of the Company, and review alternatives for maximizing the value of the Company’s assets including the sale or license of such assets or the liquidation of the Company. If a sale is not authorized and the secured lenders exercise their rights under their promissory notes, the secured lenders would have the right to foreclose upon the assets of the Company. Further, if the Company is unable to consummate a strategic transaction or if the secured lenders foreclose upon the Company’s assets, there can be no assurance that there will be any assets or proceeds remaining after repayment of all amounts due to the secured lenders. The terms of the promissory notes to the secured lenders do not allow the Company to raise new funding to cure the alleged occurrence of an event of default without the consent of the secured lenders.

The Company received notification from James P. McDermott and M.J. Segal on the dates of December 22, 2008 and December 23, 2008 respectively, that Mr. McDermott and Mr. Segal have resigned from the Kronos Board of Directors.

Kronos Advanced Technologies, Inc. was a product development and production company that has developed and patented technology that fundamentally changes the way air is moved, filtered and sterilized. Among the achievements of the Company over the past twelve months included the following:

- Business Development, Marketing and Sales:
  - earned $3,326,927 in revenue from Tessera for the transfer and license of certain intellectual property (IP) rights related to Kronos proprietary technologies to Tessera;
  - earned $339,000 in revenue from the sale of electronics, royalties from the sale of finished products and development contracts for embedded product applications;
  - initiated discussions with residential distributors of standalone air purifiers to consumers and health care product distributors to medical practitioners as the Company’s seeks to secure orders for the sale of Kronos developed and produced air purification products;
  - awarded a Washington Technology Center Phase III grant for developing a novel approach to cooling micro chips and completed all deliverables pursuant to the award.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- Operations:
    - expanded our product development resources, including the recruitment of a senior product development and engineering leader;
    - completed testing of efficient consumer standalone air purification products;
    - developed a viable standalone air purifier for the medical market with the Company's strategic partner, EOL;
    - developed prototype range hoods for two leading global appliance manufacturers;
    - developed prototype products with Company's strategic partner, DESA, for the embedded heater market;
    - completed design of a residential air purifier product and began negotiations with manufacturing and product distributors.
- Technology and Intellectual Property:
    - secured additional U.S. and international patents for our proprietary technology and made additional patent filings;
    - expanded our product claims platform to include independent verification of Kronos' technology's ability to decontaminate rooms infected with bacteria and viruses and sterilize air flows contaminated with anthrax and E.coli spores and Staphylococcus aureus and Bacillus cereus bacteria.

Recent Developments

AirWorks and Hilltop Secured Financing. In June 2007, Kronos entered into a Funding Agreement with AirWorks, RS Properties I LLC and various other lenders providing for a loan, at the discretion of the lenders, in the aggregate amount of up to $18,159,000. At the initial closing, the Company received an initial advance of $4,259,000. After the initial closing RS Properties assigned to Hilltop its promissory note together with certain other rights and agreements relating thereto, including, without limitation, its rights and obligations under the Funding Agreement. Following the initial closing, the Company received an additional $2,533,000 in funding from AirWorks and Hilltop under the terms of the Funding Agreement and related notes, including the Promissory Note. Interest on the AirWorks and Hilltop notes became payable quarterly starting January 1, 2008.

On December 31, 2007, AirWorks and Hilltop converted $731,440 of their promissory notes into shares of the Company's common stock. On April 1, 2008, the Company repaid (1) an aggregate of $628,000 of the principal of the AirWorks and Hilltop promissory notes and (2) the entire principal amount ($859,000) of the promissory notes issued to the other lenders. As a result of the foregoing, as of December 1, 2008, (a) the outstanding principal amount of the AirWorks Promissory Note was $3,426,135 and there was $567,037 of accrued interest and (b) the outstanding principal amount of the Hilltop promissory note was $1,147,425 and there was $60,022 of accrued interest.

Kronos received notice of alleged event of default by Airworks LLLP on September 29, 2008. The Company has formed an Independent Board Committee to address the actions the Company must make in response. The Independent Board Committee members are James McDermott and M. J. Segal. The Independent Board Committee has engaged the services of K&L Gates as independent counsel. See Part 1. Item 1. Business—Recent Developments Regarding Kronos' Secured Lenders.

The Company received notification from James P. McDermott and M.J. Segal on the dates of December 22, 2008 and December 23, 2008 respectively, that Mr. McDermott and Mr. Segal have resigned from the Kronos Board of Directors.

CRITICAL ACCOUNTING POLICIES

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

Allowance for Doubtful Accounts. We provide a reserve against our receivables for estimated losses that may result from our customers' inability to pay. These reserves are based on potential uncollectible accounts, aged receivables, historical losses and our customers' credit-worthiness. Should a customer's account become past due, we generally will place a hold on the account and discontinue further shipments and/or services provided to that customer, minimizing further risk of loss.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Valuation of Goodwill, Intangible and Other Long Lived Assets. We use assumptions in establishing the carrying value, fair value and estimated lives of our long-lived assets and goodwill. The criteria used for these evaluations include management's estimate of the asset's ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, the strategic significance of any identifiable intangible asset in our business objectives, as well as the market capitalization of Kronos. We have used certain key assumptions in building the cash flow projections required for evaluating the recoverability of our intangible assets. We have assumed revenues from the following applications of the Kronos technology: consumer stand-alone devices, assisted care/skilled nursing stand-alone devices, embedded devices in the hospitality industry and in specialized military applications. Expenses/cash out flows in our projections include sales and marketing, production, distribution, general and administrative expenses, research and development expenses and capital expenditures. These expenses are based on management estimates and have been compared with industry norms (relative to sales) to determine their reasonableness. We use the same key assumptions for our cash flow evaluation as we do for internal budgeting, lenders and other third parties; therefore, they are internally and externally consistent with financial statement and other public and private disclosures. We are not aware of any negative implications resulting from the projections used for purposes of evaluating the appropriateness of the carrying value of these assets. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on our estimate of the period that the assets will generate revenues or otherwise be used by Kronos. Factors that would influence the likelihood of a material change in our reported results include significant changes in the asset's ability to generate positive cash flow, loss of legal ownership or title to the asset, a significant decline in the economic and competitive environment on which the asset depends, significant changes in our strategic business objectives and utilization of the asset.

Valuation of Deferred Income Taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets is dependent on our ability to generate future taxable income, our ability to deduct tax loss carryforwards against future taxable income, the effectiveness of our tax planning and strategies among the various tax jurisdictions that we operate in, and any significant changes in the tax treatment received on our business combinations.

Revenue Recognition. We recognize revenue in accordance with Securities and Exchange Commission Staff Bulletin 104 ("SAB 104"). Further, Kronos Air Technologies recognizes revenue on the sale of custom-designed contract sales under the percentage-of-completion method of accounting in the ratio that costs incurred to date bear to estimated total costs. For uncompleted contracts where costs and estimated profits exceed billings, the net amount is included as an asset in the consolidated balance sheet. For uncompleted contracts where billings exceed costs and estimated profits, the net amount is included as a liability in the consolidated balance sheet. Sales are reported net of applicable cash discounts and allowances for returns.

Share-Based Compensation. We adopted SFAS No. 123R, “Share-Based Payment” (“SFAS No. 123R”), using the Modified Prospective Approach. Under the Modified Prospective Approach, the amount of compensation cost recognized includes: (i) compensation cost for all share-based payments granted before but not yet vested based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS No. 123”) and (ii) compensation cost for all share-based payments granted or modified based on the estimated fair value at the date of grant or subsequent modification date in accordance with the provisions of SFAS No. 123R.

RESULTS OF OPERATIONS

Consolidated Statements of Operations For the Years Ended June 30, 2008 and 2007.

Our net losses for each of the fiscal years ended June 30, 2008, and June 30, 2007, were $4,357,000 and $2,351,000 respectively. The increase in the net loss for the year ended June 30, 2008, as compared to the prior year, was principally the result of an increase in the accretion of amortization of note discount of $2,156,000 for the period ended June 30, 2008, compared to $34,000 for the period ended June 30, 2007, the gain on extinguishment of debt and warrant cancellation of $2,856,000 in Fiscal Year 2007 and additional interest in Fiscal Year 2007 of $247,000, is partially offset by the increase in revenues of $3,666,00, which includes revenues from Tessera of $3,327,000.

Revenue. Revenues were generated through sales of Patents and Patent rights, sales of electronics, royalties from the sale of finished Kronos-based products and sale of services for design and development of Kronos devices at Kronos Air Technologies, Inc. Revenues for the year ended June 30, 2008, were $3,666,000 compared with $160,000 in the prior year. Revenues in the fiscal year ended June 30, 2008, were primarily from our Tessera agreement.

Cost of Sales. Cost of sales for the year ended June 30, 2008, was $341,000 compared with $93,000 for the prior year. Cost of sales in the year ended June 30, 2008, primarily consisted of costs associated with the sale of intellectual property to Tessera.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Selling, General and Administrative Expenses. Selling, General and Administrative expenses for the year ended June 30, 2008, decreased $30,000 from the prior year to $4,877,000. The decrease was principally the result of a $842,000 decrease in equity compensation as the result of a decrease in non-cash compensation associated with the expensing of stock options and a decrease of $164,000 in general expenses, partially offset by a $551,000 increase in compensation and benefits due to additional staff added during the year. The Company also incurred $253,000 in restructuring costs during the year for expenses associated with the severance cost to the Company's former chief executive officer, and a research and development increase of $168,000, as the Company prioritized its limited resources on product development.

Gain on Extinguishment of Debt and Warrant Cancellation. The Company did not record a gain on extinguishment of debt and warrants during the year ended June 30, 2008. The non-cash gain on debt and warrant cancellation for the year ended June 30, 2007, was $2,856,000 and represented the settlement of the HoMedics debt and cancellation of 26.5 million warrants issued to HoMedics under the terms of the Settlement Agreement and General Release (refer to Note 13 to the Consolidated Financial Statements- Commitments and Contingencies).

Interest expense. Interest expenses for the year ended June 30, 2008, increased by $281,000 to $649,720 from $368,000 for the year ended June 30, 2007, as a result of the increase in principal outstanding to AirWorks and Hilltop.

Consolidated Balance Sheets as of June 30, 2008

Our total assets at June 30, 2008, were $2,580,000 compared with $2,111,000 at June 30, 2007. Total assets at June 30, 2008, and June 30, 2007, were comprised primarily of $1,547,000 and $1,723,000, respectively, of patents/intellectual property and $872,000 and $364,000, respectively, of cash. Total current assets at June 30, 2008, and 2007 were $1,023,000 and $381,000, respectively, while total current liabilities for those same periods were $3,080,000 and $1,589,000, respectively, creating a working capital deficit of $2,058,000 and $1,208,000 at each respective period end. Liabilities were reclassified from long term to short term debt as a result of the receipt of the notice of default. The working capital deficit at June 30, 2008, was primarily due to notes payable and accrued interest and at June 30, 2007, due to short term borrowings from Sands Brothers, accounts payable and notes payable to employees. Due to the alleged default of the Company's Note Payable, all related debt has been reclassified to current liabilities.

Stockholders' deficit as of June 30, 2008, was $500,000. The beneficial conversion feature associated with the issuance of convertible debt ($2,105,000), the sale and issuance of common stock for repayment of debt and services ($755,000) and the issuance of common options for compensation and services ($710,000) was partially offset by the $4,357,000 net loss for the twelve months ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have relied principally on the sale of common stock and secured debt and customer contracts for research and product development to finance our operations.

Net cash flow used in operating activities was $0.17 million for the year ended June 30, 2008. We were able to satisfy most of our cash requirements for this period from the proceeds of the convertible secured promissory notes with AirWorks, Hilltop and other lenders and the proceeds from the sale of intellectual property assets and patents to Tessera, Inc.

In June 2007, Kronos entered into a Funding Agreement with a group of lenders providing for a loan, at the discretion of the lenders, in the aggregate amount of up to $18,159,000. At the initial closing, the Company received an initial advance of $4,259,000. After payment in full of the amounts due under an outstanding convertible debenture issued to Cornell Capital Partners and settlement agreement obligation to HoMedics and the expenses of the transaction, the remainder of $1,069,000 was used for working capital purposes.

The lenders are: (i) AirWorks Funding LLLP, a newly-formed limited partnership ("AirWorks"); (ii) Critical Capital Growth Fund, L.P. and various Sands Brothers Venture Funds, all of which are affiliates of Laidlaw and Co. (UK) Ltd. (collectively "Sands") and (iii) RS Properties I LLC, a New York-based private investment company ("RS Properties"). Subsequently, RS Properties assigned to Hilltop Holding Company, LP, a Delaware limited partnership, ('Hilltop") its promissory note together with certain other rights and agreements relating thereto, including, without limitation, its rights and obligations under the Funding Agreement.

The loan is secured by all of the Company's assets and is convertible into shares of the Company's common stock at a conversion price of $0.003 per share, subject to adjustment under certain circumstances. Future installments under the Funding Agreement, up to $13,900,000, may be advanced at the discretion of the lenders, even if not requested by the Company. Under the Funding Agreement and related notes, the Company pays interest at the rate of 12% per annum. Of the total amount of the initial advance, interest is paid monthly starting July 1, 2007, on $859,000, which principal amount is due and payable December 31, 2007. Such amount may be converted into Kronos common stock at the option of the holder at the $0.003 conversion price only if not paid in full by December 31, 2007. On March 13, 2008, Critical Capital and Sands Brothers agreed to extend the maturity date of their note until April 30, 2008. On April 1, 2008, the Company repaid Critical Capital

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

and Sands Brothers the full principal amount and interest on the note. With respect to all other loan amounts, interest is paid quarterly starting January 1, 2008, and outstanding principal is due and payable June 19, 2010, unless earlier converted at the option of the lenders. Assuming that the maximum loan amount is advanced under the Funding Agreement and related notes and that the lenders convert the entire amount of the loan into Kronos common stock at the noted conversion price, the lenders would own approximately 93.3% of the Company's total equity on a fully diluted, as converted basis.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Also in connection with the Funding Agreement, several Kronos option and warrant holders delivered standstill agreements pursuant to which such holders agreed not to exercise their options or warrants before December 31, 2007. Several stockholders also entered into Voting Agreements with the lenders pursuant to which they agreed to vote, if and when proposed to shareholders, in favor of: (i) a slate of directors of the Company's board of directors as proposed by AirWorks; (ii) adjusting the size of the Company's board of directors such that upon the election of the slate of directors proposed by AirWorks, such directors hold a majority of the seats on the Company's board of directors; (iii) approving an amendment to the Company's articles of incorporation to increase the Company's authorized common stock to a number of shares necessary to allow the lenders to convert the entire amount of the financing into shares of common stock of the Company as provided in the Notes and the Funding Agreement; (iv) reincorporating the Company in Delaware; (v) a reverse stock split proposed by AirWorks or the Company's board of directors; and (vi) against any action or transaction that may reasonably be expected to impede, interfere with, delay, postpone or attempt to discourage the consummation of any of the foregoing. Such standstill and voting agreements, combined with the conversion into Kronos common stock of a sufficient amount of the initial advance under the Funding Agreement, would give the lenders voting control of the Company.

The Funding Agreement also gives the lenders the right to designate a majority of the members of the Company's Board of Directors. The Funding Agreement also contains usual and customary representations and warranties and covenants that prohibit the Company from undertaking certain actions without the consent of AirWorks.

On September 29, 2008, the Company received a notice of event of default from AirWorks with respect to the Secured Convertible Promissory Note due June 19, 2010 (the “Promissory Note”), issued to by the Company to AirWorks. The notice states that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note, and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the amount of $3,551,735 plus interest.

The Company has been, and continues to be, in discussions with its secured lenders regarding the outstanding obligations under the AirWorks and Hilltop promissory notes, the alleged occurrence of an event of default, and the future operational plan of the Company. In connection with the foregoing and in light of the Company’s financial condition (including with respect to certain other obligations of the Company), the Board of Directors has appointed an independent committee, consisting of James P. McDermott and M. J. Segal, to investigate the alleged event of default, analyze the current status of the Company, and review alternatives for maximizing the value of the Company’s assets including the sale or license of such assets or the liquidation of the Company. The Company has a limited time to authorize a sale, as the period for forbearance by the secured lenders is under discussion. If a sale is not authorized and the secured lenders exercise their rights under their promissory notes, the secured lenders would receive the assets of the Company. Further, if the Company is able to consummate a strategic transaction or if the secured lenders foreclose on the Company’s assets, there can be no assurance that there will be any assets or proceeds remaining after repayment of all amounts due to the secured lenders. The terms of the promissory notes to the secured lenders do not allow the Company to raise new funding to cure the alleged occurrence of an event of default without the consent of the secured lenders.

GOING CONCERN OPINION

The Report of Independent Registered Public Accounting Firm includes an explanatory paragraph to their audit opinions issued in connection with our 2008 and 2007 financial statements that states that we do not have significant cash or other material assets to cover our operating costs and debt obligations. Our receipt of the notice of event of default from Airworks and our inability to obtain additional funding will largely determine our ability to continue in business. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As a result of the Company’s financial condition, it has discontinued substantially all of its operating activities. Kronos is focused on prioritizing its limited resources on either selling or licensing the Company’s technology or liquidating the assets of the Company.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements appear beginning at page F-1.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KRONOS ADVANCED TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of June 30, 2008 and June 30, 2007	F-3
Consolidated Statements of Operations for the years ended June 30, 2008 and 2007	F-4
Consolidated Statement of Changes of Stockholders' Deficit for years ended June 30, 2008 and 2007	F-5
Consolidated Statements of Cash Flows for the years ended June 30, 2008 and 2007	F-6
Notes to Consolidated Financial Statements	F-7 to F-18

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors Kronos Advanced Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Kronos Advanced Technologies, Inc. and Subsidiary as of June 30, 2008, and 2007 and the related consolidated statements of operations, stockholders' equity/(deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kronos Advanced Technologies, Inc. and Subsidiary as of June 30, 2008, and 2007 and the results of their operations and their cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant losses and has a working capital deficiency as more fully described in Note 3. These issues among others raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Sherb & Co., LLP
Sherb & Co., LLP

New York, New York
December 15, 2008

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KRONOS ADVANCED TECHNOLOGIES, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2008	June 30, 2007
Assets		
Current Assets		
Cash	$871,970	$363,955
Accounts receivable, net of allowance of $20,000 at June 30, 2008	-	5,027
Other Current Assets	151,044	12,138
Total Current Assets	1,023,014	381,120
Property and Equipment	63,793	53,949
Less: Accumulated Depreciation	(52,550)	(47,401)
Net Property and Equipment	11,243	6,548
Other Assets		
Intangibles, net	1,546,493	1,723,150
Total Other Assets	1,557,736	1,723,150
Total Assets	$2,580,750	$2,110,818
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	$577,028	$359,019
Accrued expenses	323,751	125,000
Accrued expenses and payables to officers	6,303	22,699
Accrued interest expense	431,300	21,303
Notes payable, current portion	4,773,559	859,000
Notes payable to officers	110,484	202,307
Discount for Beneficial Conversion Feature	(3,314,620)	-
Deferred revenue	173,074	-
Total Current Liabilities	3,080,879	1,589,328
Long Term Liabilities		
Notes payable	-	3,600,000
Discount for Beneficial Conversion Feature	-	(3,365,845)
Total Long Term Liabilities	-	234,155
Total Liabilities	3,080,879	1,823,483
Stockholders' Equity(Deficit)		
Common stock, authorized 500,000,000 shares of $.001 par value Issued and outstanding – 487,626,691 and 242,342,803, respectively	487,627	242,343
Capital in excess of par value	36,837,962	33,513,598
Accumulated deficit	(37,825,718)	(33,468,606)
Total Stockholders' Equity(Deficit)	(500,129)	287,335
Total Liabilities and Stockholders' Equity(Deficit)	$2,580,750	$2,110,818

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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KRONOS ADVANCED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the years ended June 30,	
	2008	2007
Sales	$3,665,977	$160,478
Cost of sales	340,994	93,373
Gross Profit	3,324,983	67,105
Selling, General and Administrative expenses		
Compensation and benefits (includes $688,514 and $1,530,764 of equity compensation)	2,220,575	2,512,365
Restructuring	253,262	-
Professional services	958,851	948,212
Depreciation and amortization	448,257	479,282
Research and development	356,827	188,101
Insurance	113,456	112,819
Facilities	125,385	100,538
Other selling general and administrative expenses	400,537	565,485
Total Selling, General and Administrative expenses	4,877,150	4,906,802
Net Operating Loss	(1,552,167)	(4,839,697)
Other Income (Expense)		
Gain on Extinguishment of Debt and Warrant Cancellation	-	2,856,194
Accretion of Note Discount	(2,156,225)	-
Other Income	-	-
Interest Expense	(648,720)	(367,944)
Net Loss	$(4,357,112)	$(2,351,447)
Basic and Diluted Loss Per Share:		
Net Loss	$(0.01)	$(0.01)
Weighted Average Shares Outstanding - Basic and Diluted	366,819,276	200,022,410

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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KRONOS ADVANCED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY/(DEFICIT)

	Common Stock		Capital in Excess of Par	Accumulated	Total Stockholders' Equity/
	Shares	Amount	Value	Deficit	(Deficit)
Balance at June 30, 2006	144,499,657	$144,500	$27,828,241	$(31,117,159)	$(3,144,418)
Shares issued for cash	97,843,146	97,843	1,282,094		1,379,937
Stock options issued for employee services	-	-	1,268,600	-	1,268,600
Stock options issued for Board Service	-	-	22,137	-	22,137
Stock options issued for consulting services	-	-	240,027	-	240,027
Value of warrants issued during debt restructuring	-	-	(527,501)	-	(527,501)
Value of discount on beneficial conversion feature	-	-	3,400,000	-	3,400,000
Net loss for the year ended June 30, 2007	-	-	-	(2,351,447)	(2,351,447)
BALANCE at June 30, 2007	242,342,803	242,343	33,513,598	(33,468,606)	287,335
Shares issued for repayment of debt	243,813,000	243,813	487,628	-	731,441
Shares issued for services	1,470,888	1,471	22,056	-	23,527
Stock options issued for employee services	-	-	688,514	-	688,514
Stock options issued for Board Service	-	-	4,500	-	4,500
Stock options issued for consulting services	-	-	16,666	-	16,666
Value of discount on beneficial conversion feature	-	-	2,105,000	-	2,105,000
Net loss for the year ended June 30, 2008	-	-	-	(4,357,112)	(4,357,112)
BALANCE at June 30, 2008	487,626,691	$487,627	$36,837,962	$(37,825,718)	$(500,129)

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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

KRONOS ADVANCED TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(4,357,112)	$(2,351,446)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	448,257	479,282
Gain on debt restructuring	-	(2,856,222)
Accretion of Note Discount	2,156,225	-
Stock based compensation	709,681	1,530,765
Provision for Doubtful Accounts	20,000	-
Change In:		
Accounts receivable	(14,973)	4,973
Prepaid expenses and other assets	(138,906)	35,890
Deferred revenue	173,074	(20,000)
Accounts payable	241,536	252,132
Accrued expenses and other liabilities	592,352	(104,121)
Net cash used in Operating Activities	(169,866)	(3,028,747)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,844)	(2,194)
Disposition of Patents	197,322	-
Investment in patent protection	(463,774)	(173,127)
Net cash used in Investing Activities	(276,296)	(175,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock for cash		1,379,937
Proceeds from short-term borrowings	628,000	989,476
Repayments of short-term borrowings	(1,578,823)	(1,999,713)
Proceeds from long-term borrowings	1,905,000	3,600,000
Retirement and repayment of long-term debt	-	(1,000,000)
Net cash provided by Financing Activities	954,177	2,969,700
NET (DECREASE) INCREASE IN CASH	508,015	(234,368)
CASH		
Beginning of year	363,955	598,323
End of year	$871,970	$363,955
Supplemental schedule:		
Interest paid in cash	$262,342	$289,140
Taxes paid in cash	$-	$-
Supplemental schedule of non-cash investing and financing activities:		
Notes convertible into common stock	$731,440	$384,000
Discount related to notes payable – Beneficial Conversion Feature	$2,105,000	$3,400,000
Accounts payable converted to common stock	$23,527	$-

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

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Kronos Advanced Technologies, Inc. ("Kronos") is a Nevada corporation (the "Company"). The Company's shares began trading on the over-the-counter bulletin board exchange on August 28, 1996, under the symbol "TSET." Effective January 12, 2002, the Company began doing business as Kronos Advanced Technologies, Inc. and, as of January 18, 2002, it changed the Company ticker symbol to "KNOS" and is currently trading on the Pink Sheets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method. The Company's consolidated financial statements are prepared using the accrual method of accounting. The Company has elected a June 30 fiscal year end.

Principles of Consolidation. The consolidated financial statements of the Company include those of the Company and its subsidiary for the periods in which the subsidiary was owned/held by the Company. All significant intercompany accounts and transactions have been eliminated in the preparation of the consolidated financial statements. At June 30, 2008, the Company had only one subsidiary, Kronos Air Technologies, Inc.

Use of Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Company considers all highly liquid short-term investments, with a remaining maturity of three months or less when purchased, to be cash equivalents. The Company maintains cash and cash equivalents with high-credit, quality financial institutions. At June 30, 2008, the cash balances held at financial institutions were in excess of federally insured limits.

Accounts Receivable. The Company provides an allowance for potential losses, if necessary, on trade accounts receivables based on a review of the current status of existing receivables and management's evaluation of periodic aging of accounts. Accounts receivable are shown net of allowances for doubtful accounts of $20,000 and $0 at June 30, 2008, and June 30, 2007, respectively. The Company charges off accounts receivable against the allowance for losses when an account is deemed to be uncollectable.

Property and Equipment. Property and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, which range from three to seven years. Expenditures for major renewals and betterments that extend the original estimated economic useful lives of the applicable assets are capitalized. Expenditures for normal repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts, and any gain or loss is included in operations.

Fair Value of Financial Instruments. Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The carrying amounts of the Company's short-term financial instruments, including cash, other current assets, accounts payable, accrued expenses and notes payable approximate fair value at June 30, 2008 due to the relatively short period to maturity for these instruments.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Intangibles. The Company uses assumptions in establishing the carrying value, fair value and estimated lives of the Company's long-lived assets and goodwill. The criteria used for these evaluations include management's estimate of the assets' continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, the strategic significance of any identifiable intangible asset in its business objectives, as well as the market capitalization of the Company. Cash flow projections used for recoverability and impairment analysis use the same key assumptions and are consistent with projections used for internal budgeting, and for lenders and other third parties. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on the Company's estimate of the period that the assets will generate revenues or otherwise be used by Kronos. Factors that would influence the likelihood of a material change in the Company's reported results include significant changes in the assets' ability to generate positive cash flow, loss of legal ownership or title to the asset, a significant decline in the economic and competitive environment on which the asset depends, significant changes in the Company's strategic business objectives, and utilization of the asset.

Income Taxes. Income taxes are accounted for in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but no less than quarterly.

Research and Development Expenses. Costs related to research and development are charged to research and development expense as incurred.

Net Loss Per Share. Basic loss per share is computed using the weighted average number of shares outstanding. Diluted loss per share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options and warrants to purchase common stock, when their effect is dilutive.

Revenue Recognition. The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) 104, which requires evidence of an agreement, delivery of the product or services at a fixed or determinable price, and assurance of collection within a reasonable period of time. Further, Kronos Air Technologies recognizes revenue on the sale of the custom-designed contract sales under the percentage-of-completion method of accounting in the ratio that costs incurred to date bear to estimated total costs. For uncompleted contracts where costs and estimated profits exceed billings, the net amount is included as an asset in the balance sheet. For uncompleted contracts where billings exceed costs and estimated profits, the net amount is included as a liability in the balance sheet. Sales are reported net of applicable cash discounts and allowances for returns. Revenue from government grants for research and development purposes is recognized as revenue as long as the Company determines that the government will not be the sole or principal expected ultimate customer for the research and development activity or the products resulting from the research and development activity. Otherwise, such revenue is recorded as an offset to research and development expenses in accordance with the Audit and Accounting Guide, Audits of Federal Government Contractors. In either case, the revenue or expense offset is not recognized until the grant funding is invoiced and any customer acceptance provisions are met or lapse.

Stock, Options and Warrants Issued for Services. Issuances of shares of the Company's stock to employees or third parties for compensation or services is valued using the closing market price on the date of grant for employees and the date services are completed for non-employees. Issuances of options and warrants of the Companies stock are valued using the Black-Scholes option model.

Stock Options. In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123R, Share-Based Payment ("SFAS No. 123R"). This Statement is a revision of SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The Statement requires entities to recognize stock compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions). Kronos elected to implement the provisions of SFAS No. 123R in the fiscal year ended June 30, 2005.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued FASB Statement No. 157 "Fair Value Measurements". This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements; however, for some entities, the application of this statement will change current

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

practices. This statement is effective for financial statements for fiscal years beginning after November 15, 2007. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. Management believes this statement will have no impact on the financial statements of the Company once adopted.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

In February 2007, the FASB issued FASB Statement No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement, which is consistent with the FASB's long-term measurement objectives for accounting for financial instruments. This statement applies to all entities, including not-for-profit organizations. Most of the provisions of this statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. We do not expect the adoption of SFAS No. 159 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS 141(R)"), and SFAS No. 160, "Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" ("SFAS 160"). These new standards will significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. SFAS 141(R) is required to be adopted concurrently with SFAS 160 and is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. The Company is currently assessing the impact that SFAS 141(R) will have on its results of operations and financial position.

In March 2008, the FASB issued SFAS No. 161, " Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133", which requires additional disclosures about the objectives of the derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. SFAS No. 161 is effective for the Company beginning January 1, 2009. The Company believes that, for the foreseeable future, this statement will have no impact on its financial statements once adopted.

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 162, "The Hierarchy of Generally Accepted Accounting Principles." The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for non-governmental entities. We are currently evaluating the effects, if any, that SFAS No. 162 may have on our financial reporting.

NOTE 3 - REALIZATION OF ASSETS AND GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has sustained losses from operations in recent years, and such losses have continued through the current year ended June 30, 2008. In addition, the Company has used, rather than provided, cash in its operations. The Company has attempted during the period to use its resources to commercialize its technology and develop viable commercial products and to provide for its working capital needs.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuing basis, to maintain present financing and to succeed in its future operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management has taken the following steps with respect to its operating and financial requirements:

Tessera. In March 2008, Kronos executed an Intellectual Property Transfer and License Agreement with Tessera Technologies, Inc. ("Tessera") for the transfer and license of certain intellectual property (IP) rights related to Kronos proprietary technologies to Tessera. Kronos initially received $3.5 million from Tessera in exchange for the transfer of select Kronos patents covering micro-cooling applications and for an exclusive license to the Kronos technology for the field of ionic micro-cooling of integrated circuit devices or discrete electrical components. Kronos retained the rights to use these patents for applications outside of the field of micro-cooling. Tessera has exercised its further right to acquire additional Kronos IP relating to micro-cooling applications for four quarterly payments of $0.5 million each beginning in July 1, 2008. Kronos received a payment of $0.5 million on July 1, 2008, a payment of $0.5 million on October 1, 2008, and an accelerated payment of $1.0 million on November 21, 2008, for the remaining payments due on January 1, 2009 and April 1, 2009. The receipt of this $2.0 million constitutes payment in full for the remaining micro-cooling related patents subject to the agreement with Tessera. The Company and Tessera have the option to continue to jointly develop new technologies in this field.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EOL. In December 2005, Kronos executed a non-exclusive License Agreement with EOL LLC, a Russian Federation corporation ("EOL"). Based in Korolev, Moscow Region, Russia. EOL is leveraging the Kronos technology to produce, market, and distribute Kronos commercial air purification products, bacteriological and virus destruction devices in select Commonwealth of Independent States. The agreement comes after successful completion of multiple tests in Eastern Europe, which found the Kronos technology capable of decontaminating rooms infected with airborne viruses and bacteria. Under the terms of the five-year agreement, EOL is providing Kronos a fixed percentage royalty on every product sold, as well as upfront licensing and quarterly maintenance fees. The initial medical products are currently being marketed in Russia and marketing plans are being implanted in Ukraine, Kazakhstan, Moldova and Byelorussia. During the fiscal year ended June 30, 2008, Kronos earned $55,000 in revenue from the sale of power supplies, other electrical components and engineering services and from the royalty from the sale of finished products by EOL.

Global Appliance Manufacturers. In October 2006, a leading global home appliance manufacturer committed to fund 20% of the cost for Kronos to manufacturer a silent kitchen range hood product. This next generation range hood device represented the culmination of more than twelve months of product design and development efforts by Kronos to apply our technology to this unique embedded residential application. The product was shipped to the customer in October 2006. In January 2007, the prototype design was modified based on customer input and a revised unit was shipped to the customer. In addition to financial support, the customer has also provided Kronos with product components for Kronos testing and evaluation. In February 2007, a second global appliance manufacturer committed to purchase additional prototypes from Kronos for testing and evaluation. During the years ended June 30, 2008, Kronos earned $34,055 in revenue from the development of prototype devices for the residential range hood market place.

DESA. In June 2006, the Company executed its first license for embedded applications of Kronos technology with DESA LLC ("DESA"). The agreement provided DESA the opportunity to embed the Kronos electrostatic air movement technology within fireplaces, hearth systems, zone heaters and mounted electric fans and heaters for minimum license payments. In October 2006, DESA approved Kronos' designs for the first Kronos-based product and committed to the funding of the product development by Kronos. In January 2007, DESA committed additional funds for Kronos exploration of a second Kronos-based product application. By May 2007, various prototype configurations for each of the two product applications were under test and evaluation by Kronos and DESA. Kronos does not have the funds to continue to pursue DESA applications.

Washington Technology Center. In June 2007, the Washington Technology Center awarded the Company in conjunction with the University of Washington and Intel Corporation continued funding for a research and development project based on a novel cooling system for microelectronics and computer chips. This Phase III award follows the Company's Phase 1 and Phase II awards in December 2005 and June 2006, respectively.

NOTE 4 - OTHER CURRENT ASSETS

Other current assets consisted of the following at June 30,

	2008	2007
Lease deposits	$7,138	$7,138
Prepaid insurance	138,906	-
Prepaid Other	5,000	5,000
Prepaid and other current assets	$151,044	$12,138

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,

	2008	2007
Office furniture and fixtures	$55,537	$45,694
Machinery and equipment	8,255	8,255
	63,793	53,949
Less accumulated depreciation	(52,549)	(47,401)
Net property and equipment	$11,243	$6,548

Depreciation expense for the years ended June 30, 2008, and 2007 was $5,148 and $1,273 respectively.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 6 - INTANGIBLES

Intangible assets consisted of the following at June 30,

	2008	2007
Marketing intangibles	$587,711	$587,711
Purchased patent technology	2,669,355	2,669,355
Developed patent technology	1,205,980	939,528
	4,463,046	4,196,594
Less accumulated amortization	(2,916,553)	(2,473,444)
Net intangible assets	$1,546,493	$1,723,150

Purchased patent technology includes property that was acquired in the Kronos acquisition.

Intangible assets are being amortized on a straight line basis over 10 years. Amortization expense for the years ended June 30, 2008, and 2007 was $443,109 and $433,885, respectively.

Amortization of the Company's Intangible Assets shown above for the fiscal years ended June 30,

	2009	2010	2011	2012	2013
Marketing intangibles	$587,711	$587,711	$587,711	$587,711	$587,711
Purchased patent technology	2,669,355	2,669,355	2,669,355	2,669,355	2,669,355
Developed patent technology	1,205,980	1,205,980	1,205,980	1,205,980	1,205,980
	4,463,046	4,463,046	4,463,046	4,463,046	4,463,046
Less accumulated amortization	(3,362,856)	(3,720,212)	(3,899,581)	(4,078,950)	(4,236,142)
Net intangible assets	$1,100,190	$742,843	$563,465	$384,096	$226,904

NOTE 7 - ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30,

	2008	2007
Accrued professional services	$35,000	$75,390
Accrued compensation and other (1)	288,751	49,610
	$323,751	$125,000
Accrued interest on notes and to officers	437,603	44,002
	$761,354	$169,002

(1) **Includes $243,750 of restructuring costs expensed in the fourth quarter 2008 for severance to Mr. Dwight under terms of the agreement with the Company, see Note 14 Legal Proceedings.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 8 – CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE

The Company had the following obligations as of June 30,

	2008	2007
Obligations to AirWorks Funding LLLP (1)	$3,426,135	$2,480,000
Obligations to Hilltop LLP/RS Properties LP(1)	1,147,425	920,000
Discount for Beneficial Conversion Feature (2)	(3,314,620)	(3,365,845)
Obligations to Sands Brothers (3)	-	859,000
Obligations to Gumbinner and Sun (1)	200,000	200,000
Obligation to current employees (4)	110,484	202,307
	1,569,424	1,295,462
Less:		
Current portion	1,569,424	1,061,307
Total long term obligations net of current portion	$-	$234,155

(1) These notes bear interest at the rate of 12% are secured by the assets of the Company and convertible into shares of Kronos Common Stock at $0.0028 or are payable in full on June 19, 2010. On September 29, 2008, Kronos Advanced Technologies, Inc. (the "Company") received a notice of event of default from AirWorks Funding LLLP ("AirWorks") with respect to the Secured Convertible Promissory Note due June 19, 2010 (the "Promissory Note"), issued to by the Company to AirWorks, see Note 20 Subsequent Events.

(2) Under Generally Accepted Accounting Principles, the Company recorded a discount for the Beneficial Conversion Feature ("BCF") on the convertible debt issued to AirWorks and Hilltop LLP/RS Properties. The amount of the BCF discount was calculated using the Black-Scholes model. Because the maximum value of the BCF discount can not exceed the full value of the issued debt, the Company recorded the discount at the full value of the debt of $3,400,000 in 2007 and an additional BCF of $2,105,000 in 2008. The BCF recognized during 2008 was calculated for additional amounts of the notes received from Airworks and Hilltop, $1,905,000, along with the note to Gumbinner and Sun, $200,000. The Company is amortizing the BCF discount over the three year life of the debt. For the fiscal years ended June 30, 2008, and June 30 2007, the Company recorded a discount amortization of $2,156,225 and $34,155 respectively.

(3) These notes bear interest at the rate of 12% are secured by the assets of the Company and were paid in full on April 1, 2008.

(4) These notes bear interest at the rate of 12%. They represent obligation to current employees of the Company, which are due in full.

Payout of the Company's Notes Payable obligations listed above consisted of the following for the fiscal years ended June 30,

	2009
Obligations to AirWorks Funding LLLP	$3,426,135
Obligations to Hilltop LLP	1,147,425
Obligation to current employees	110,484
Obligations to Gumbinner and Sun	200,000
	$4,884,044

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 9 - LEASES

The Company has entered into a non-cancelable operating lease for facilities. Rental expense was approximately $83,400 and $73,128 for years ended June 30, 2008, and 2007 respectively. Effective October 1, 2005, Kronos is committed through September 30, 2009, to annual lease payments on operating leases for 6,000 square feet of office/research and product development premises.

	2009
Lease payments	$83,400

NOTE 10 - NET LOSS PER SHARE

As of June 30, 2008, there were outstanding options to purchase 90,259,775 shares of the Company's common stock and outstanding warrants to purchase 15,792,342 shares of the Company's common stock. These options and warrants have been excluded from the loss per share calculation, as their effect is anti-dilutive. As of June 30, 2007, there were outstanding options to purchase 89,065,771 shares of Kronos common stock and outstanding warrants to purchase 15,792,342 shares of Kronos common stock. These options and warrants have been excluded from the loss per share calculation, as their effect is anti-dilutive.

NOTE 11 - INCOME TAXES

The composition of deferred tax assets and the related tax effects are as follows at June 30:

	2008	2007
Benefit from carryforward of capital and net operating losses	$(8,138,840)	$(7,698,000)
Other temporary differences	(157,000)	(157,000)
Options issued for services	(806,000)	(551,000)
Less:		
Valuation allowance	9,101,840	8,406,000
Net deferred tax asset	$-	$-

The other temporary differences shown above relate primarily to impairment reserves for intangible assets, and accrued and deferred compensation. The difference between the income tax benefit in the accompanying statements of operations and the amount that would result if the U.S. Federal statutory rate of 34% were applied to pre-tax loss is as follows:

	June 30,			
	2008		2007	
	Amount	% of pre-tax Loss	Amount	% of pre-tax Loss
Benefit for income tax at:				
Federal statutory rate	$(1,481,000)	(34.0)%	$(1,360,000)	(34.0)%
State statutory rate	(87,000)	(2.0)%	(80,000)	(2.0)%
Non-deductible expenses	872,160	1.4%	105,000	1.46%
Increase in valuation allowance	695,840	34.6%	1,335,000	34.64%
	$-	0.0%	$-	0.0%

The non-deductible expenses shown above related primarily to the amortization of intangible assets and to the accrual of stock options for compensation using different valuation methods for financial and tax reporting purposes.

At June 30, 2008, the Company has approximately $19.4 million of unused Federal net operating losses, $2.3 million capital losses and $15.2 million state net operating losses available for carryforward to future years. The benefit from carryforward of such losses will expire in various years through 2026 and could be subject to limitations if significant ownership changes occur in the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 12 - STOCK OPTIONS AND WARRANTS

On February 12, 2002, the Board of Directors approved the TSET, Inc. Stock Option Plan under which Kronos' key employees, consultants, independent contractors, officers and directors are eligible to receive grants of stock options. Kronos has reserved and issued a total of 6,250,000 shares of common stock under the Stock Option Plan. Prior to that, the Company had no formal stock option plan but offered as special compensation to certain officers, directors and third party consultants the granting of non-qualified options to purchase Company shares at the market price of such shares as of the option grant date. The options generally have terms of three to ten years.

As of July 1, 2004, the Company elected to follow Statement of Financial Accounting Standards No. 123R, Share-Based Payment ("SFAS No. 123R") to recognize stock compensation expense for awards of equity instruments to employees based on the grant-date fair value of those awards (with limited exceptions).

On June 15, 2007, the Board of Directors approved the Kronos Advanced Technologies Stock Option Plan under which Kronos' key employees, consultants, independent contractors, officers and directors are eligible to receive grants of stock options. Kronos has reserved and issued a total of 100,000,000 shares of common stock under the Stock Option Plan. The options generally have terms of up to ten years.

The Company granted non-qualified stock options totaling 1,383,333 and 85,426,320 shares in the years ended June 30, 2008, and 2007, respectively. As of June 30, 2008 the Company currently had 88,462,000 stock options exercisable. The Company does not have sufficient authorized shares currently available to fulfill the exercise of these non-qualified stock options.

The Company has obtained Standstill Letter Agreements from most of the option and warrant holders. These agreements prevent the holders from exercising their right to convert said options or warrants until such time that the Company increases its number of authorized shares in order to be able to fulfill the exercise of these options or warrants. The balance of the options and warrants the Company cannot control the exercise of are subject to a derivative liability at the fair market value of these instruments. However, the fair market value of the said instruments was not material to the Company's financial statements at December 31, 2007, March 31, 2008 and June 30, 2008. As a result, no such derivative liability was recorded.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A summary of the Company's stock option activity and related information for the years ended June 30, 2008 and 2007 is as follows (in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price
Outstanding at June 30, 2006	22,783	0.240
Granted	85,426	0.018
Exercised	-	-
Cancelled	(19,144)	0.073
Outstanding as June 30, 2007	89,065	$0.063
Granted	1,384	0.021
Exercised	-	-
Cancelled	(189)	0.255
Outstanding as June 30, 2008	90,260	$0.063

A summary of options outstanding and exercisable at June 30, 2008 and 2007 is follows (in thousands, except per share amounts and years):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Options	Weighted Average Remaining Life (in years)	Weighted Average Exercise Price	Range of Exercise Prices	Options
June 30, 2008					
$0.71-$1.12	648	2.8	$0.82	$0.71-$1.12	648
$0.21-$0.70	1,030	3.4	$0.43	$0.21-$0.70	1,030
$0.00-$0.20	88,581	8.4	$0.02	$0.00-$0.20	86,784
June 30, 2007					
$0.71-$1.12	648	3.8	$0.82	$0.71-$1.12	648
$0.21-$0.70	1,157	4.0	$0.43	$0.21-$0.70	1,157
$0.00-$0.20	87,260	9.4	$0.02	$0.00-$0.20	20,845

A summary of the Company's stock warrant activity and related information for the years ended June 30, 2008, and 2007 is as follows (in thousands, except per share amounts):

	Warrants	Weighted Average Exercise Price
Outstanding at June 30, 2006	42,300	$0.12
Granted	-	-
Exercised	-	-
Cancelled	(26,508)	$0.10
Outstanding as June 30, 2007	15,792	$0.15
Granted	-	-
Exercised	-	-
Cancelled	-	-
Outstanding as June 30, 2008	15,792	$0.15

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In June 2007, Kronos entered into a Funding Agreement with a group of lenders providing for a loan, at the discretion of the lenders, in the aggregate amount of up to $18,159,000. At the initial closing, the Company received an initial advance of $4,259,000. After payment in full of the amounts due under an outstanding convertible debenture issued to Cornell Capital Partners and settlement agreement obligation to HoMedics and the expenses of the transaction, the remainder of $1,069,000 was used for working capital purposes.

The new lenders are: (i) AirWorks Funding LLLP, a newly-formed limited partnership ("AirWorks"); (ii) Critical Capital Growth Fund, L.P. and various Sands Brothers Venture Funds, all of which are affiliates of Laidlaw and Co. (UK) Ltd. (collectively "Sands") and (iii) RS Properties I LLC, a New York-based private investment company ("RS Properties"). Subsequently, RS Properties assigned to Hilltop Holding Company, LP, a Delaware limited partnership, ('Hilltop") its promissory note together with certain other rights and agreements relating thereto, including, without limitation, its rights and obligations under the Funding Agreement.

The loan is secured by all of the Company's assets and is convertible into shares of the Company's common stock at a conversion price of $0.003 per share, subject to adjustment under certain circumstances. Future installments under the Funding Agreement, up to $13,900,000, may be advanced at the discretion of the lenders, even if not requested by the Company. Under the Funding Agreement and related notes, the Company pays interest at the rate of 12% per annum. Of the total amount of the initial advance, interest is paid monthly starting July 1, 2007, on $859,000, which principal amount is due and payable December 31, 2007. Such amount may be converted into Kronos common stock at the option of the holder at the $0.003 conversion price only if not paid in full by December 31, 2007. On March 13, 2008, Critical Capital and Sands Brothers agreed to extend the maturity date of their note until April 30, 2008. On April 1, 2008, the Company repaid Critical Capital and Sands Brothers the full principal amount and interest on the note. With respect to all other loan amounts, interest is paid quarterly starting January 1, 2008, and outstanding principal is due and payable June 19, 2010, unless earlier converted at the option of the lenders. Assuming that the maximum loan amount is advanced under the Funding Agreement and related notes and that the lenders convert the entire amount of the loan into Kronos common stock at the noted conversion price, the lenders would own approximately 93.3% of the Company's total equity on a fully diluted, as converted basis.

Also in connection with the Funding Agreement, several Kronos option and warrant holders delivered standstill agreements pursuant to which such holders agreed not to exercise their options or warrants before December 31, 2007. Several stockholders also entered into Voting Agreements with the lenders pursuant to which they agreed to vote, if and when proposed to shareholders, in favor of: (i) a slate of directors of the Company's board of directors as proposed by AirWorks; (ii) adjusting the size of the Company's board of directors such that upon the election of the slate of directors proposed by AirWorks, such directors hold a majority of the seats on the Company's board of directors; (iii) approving an amendment to the Company's articles of incorporation to increase the Company's authorized common stock to a number of shares necessary to allow the lenders to convert the entire amount of the financing into shares of common stock of the Company as provided in the Notes and the Funding Agreement; (iv) reincorporating the Company in Delaware; (v) a reverse stock split proposed by AirWorks or the Company's board of directors; and (vi) against any action or transaction that may reasonably be expected to impede, interfere with, delay, postpone or attempt to discourage the consummation of any of the foregoing. Such standstill and voting agreements, combined with the conversion into Kronos common stock of a sufficient amount of the initial advance under the Funding Agreement, would give the lenders voting control of the Company.

The Funding Agreement also gives the lenders the right to designate a majority of the members of the Company's Board of Directors In accordance with the Funding Agreement, on April 14, 2008, the lenders exercised their right to designate a majority of the members of the Company's Board of Directors and five new additional Board members were appointed to the Kronos Board of Directors: Richard Perlman, Jack Silver, James Price, Marc Kloner and Barry Salzman. The Funding Agreement also contains usual and customary representations and warranties and covenants that prohibit the Company from undertaking certain actions without the consent of AirWorks.

Airworks, effective as of January 1, 2008, in agreement with the Company, agreed to defer payment of quarterly interest expenses for an unspecified period, until the Company received a Notice of Default by Airworks on September 29, 2008.

On September 29, 2008, Kronos received a notice of event of default from AirWorks with respect to the Secured Convertible Promissory Note due June 19, 2010 (the "Promissory Note"), issued to by the Company to AirWorks. The notice states that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the amount of $3,551,735 plus interest.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Daniel R. Dwight, former President and Chief Executive Officer, and the Company entered into an employment agreement effective as of November 15, 2001, and was terminated June 20, 2008. The Company and Mr. Dwight entered into a Severance Agreement dated May 16, 2008, in which the Company recorded $243,750 as a restructuring cost in the results for the year ended June 30, 2008. Richard F. Tusing, as of June 20, 2008, was appointed Acting President, Acting Chief Executive Officer, Chief Operating Officer, Secretary, Treasurer and Chief Financial Officer. The Company entered into an employment agreement with Mr. Tusing effective as of January 1, 2003. The initial term of Mr. Tusing's employment agreement is for two years and will automatically renew for successive one year terms unless Kronos or Mr. Tusing provide the other party with written notice within three months of the end of the initial term or any subsequent renewal term. The Board of Directors renewed Mr. Tusing's employment agreement on October 1, 2004, October 1, 2005, October 1, 2006, October 1, 2007, and October 1, 2008. Mr. Tusing's employment agreement provides for base cash compensation of $160,000 per year. Mr. Tusing will be entitled to fully participate in any and all 401(k), stock option, stock bonus, savings, profit-sharing, insurance and other similar plans and benefits of employment.

NOTE 14 – LEGAL PROCEEDINGS

Thompson E. Fehr has filed a complaint in the state of Utah, in the Second Judicial District Court in Weber County, against Kronos with respect to prior services rendered to High Voltage Integrated, Inc. (HVI), based on unpaid patent counsel services totaling $47,130 by Fehr to HVI. Fehr has filed total damages claims of $444,900. The Company believes this complaint is without merit and has completed actions to defend itself.

Daniel R. Dwight filed a lawsuit on October 17, 2008, in the state of Massachusetts, in Suffolk County Superior Court, against Kronos for lack of payments pursuant to the Severance Agreement dated May 16, 2008 for claims of $187, 437 plus interest and attorney fees. As of June 30, 2008, the Company has accrued $243,750 related to the severance payments due Mr. Dwight in accordance with the May 16, 2008 Severance Agreement. The Company believes its obligations to its Secured Lenders supercede the payment obligations to Mr. Dwight.

Allstate Insurance Company, as subrogee of David Buell, filed a complaint in the state of Michigan against HoMedics, Inc. and Kronos with respect to damages related to a fire in the home of Mr. Buell, which resulted in $244,155 in damages. Under the terms of the Company’s general liability insurance policy, this matter was addressed by the Company's insurance carrier, Argonaut Group, and settled during the year. Kronos executed a full release of this matter on December 12, 2007.

In addition, the Company received correspondence from Frederic R. Gumbinner and Richard A. Sun, as second secured lien holders, concerning claims for late payments and subsequent related penalties with respect to outstanding loans by Mr. Gumbinner and Mr. Sun. The Company has responded that the obligation to its senior secured lien holders supercedes and takes priority to the claims of the second secured lien holders and the existing intercreditor agreements among the secured lenders sets for the applicable rights, obligations and responsibilities between the lenders.

NOTE 15 - MAJOR CUSTOMERS

As of June 30, 2008, the Company had four major customers: Tessera, EOL, Bosch, and Sharper Image. Of the $3,665, 997 in revenue recorded in the year ended June 30, 2008, $3,326,922 or 91% was derived from Tessera.

NOTE 16 - SEGMENTS OF BUSINESS

The Company operates principally in one segment of business: the Kronos segment licenses, manufactures and distributes air movement and purification devices utilizing the Kronos technology. In the year ended June 30, 2008, the Company operated only in the United States of America.

NOTE 17 - RELATED PARTIES

As of June 30, 2008, the Company has outstanding obligations for past compensation to management of $110,484. These unpaid amounts currently accrue interest at the rate of 12% per annum.

NOTE 18 - STOCKHOLDERS' EQUITY/(DEFICIT)

During the fiscal year ended June 30, 2008, we issued 243,813,400 shares of Kronos Common Stock to Airworks and Hilltop following conversion of a portion of the promissory notes issued in connection with the related Funding Agreements and 1,470,488 shares of common stock to another party for services.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

During the year ended June 30, 2008, we recorded the remaining one-third expense associated with the 80 million stock options issued to employees and directors on June 18, 2007. The ten year options vested two thirds upon issuance on June 18, 2007 and one third during the following twelve month period. Options convert into shares of Kronos common stock at $0.016 per share.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

During the year ended June 30, 2008, we issued 1.3 million stock options to employees and directors and others. Of these ten year options, 550,000 options are fully vested and convert into shares of Kronos common stock at $0.016 per share. The remaining options, 833,333, vest over three years and convert into shares of Kronos common stock at $0.016 per share.

During the year ended June 30, 2008, we incurred $2,105,000 million of additional convertible debt. The beneficial conversion feature was valued at the full face value of the debt and recorded to the Company's paid in capital. The proceeds from this additional debt was used for working capital purposes.

During the fiscal ended June 30, 2007, we issued 97,843,146 shares of Kronos common stock to Cornell Capital Partners under our Standby Equity Distribution Agreement. The proceeds from the issuance of these shares were used for working capital purposes ($801,438) and to repay debt ($578,500).

On June 18, 2007, we issued 80 million stock options to employees and directors. The ten year options vest two thirds upon issuance and one-third over the following twelve months and convert into shares of Kronos common stock at $0.016 per share.

On June 19, 2007, we cancelled 26,508,658 warrants issued to HoMedics.

On June 19, 2007, we issued $3,400,000 million in convertible debt. The beneficial conversion feature was valued at the full face value of the debt and recorded to the Company's paid in capital.

NOTE 19 - SUBSEQUENT EVENTS (Unaudited)

On September 29, 2008, Kronos received a notice of event of default from AirWorks with respect to the Secured Convertible Promissory Note due June 19, 2010 (the "Promissory Note"), issued to by the Company to AirWorks. The notice states that (1) an Event of Default under Section 2.1(a) of the Promissory Note has occurred due to the failure of the Company to make interest payments on the Promissory Note and (2) the entire principal amount of, and the interest on, the Promissory Note is declared immediately due and payable in the amount of $3,551,735 plus interest.

The Company has been, and continues to be, in discussions with its secured lenders regarding the outstanding obligations under the AirWorks and Hilltop promissory notes, the alleged occurrence of an event of default, and the future operational plan of the Company. In connection with the foregoing and in light of the Company's financial condition (including with respect to certain other obligations of the Company), the Board of Directors has appointed an independent committee, consisting of James P. McDermott and M. J. Segal, to investigate the alleged event of default, analyze the current status of the Company, and review alternatives for maximizing the value of the Company's assets including the sale, license or liquidation of any or all of the assets of the Company.

The Company received notification from James P. McDermott and M.J. Segal on the dates of December 22, 2008 and December 23, 2008 respectively, that Mr. McDermott and Mr. Segal have resigned from the Kronos Board of Directors.

In March 2008, Kronos executed an Intellectual Property Transfer and License Agreement with Tessera Technologies, Inc. ("Tessera") for the transfer and license of certain intellectual property (IP) rights related to Kronos proprietary technologies to Tessera. Kronos initially received $3.5 million from Tessera in exchange for the transfer of select Kronos patents covering micro-cooling applications and for an exclusive license to the Kronos technology for the field of ionic micro-cooling of integrated circuit devices or discrete electrical components. Kronos retained the rights to use these patents for applications outside of the field of micro-cooling. Tessera has exercised its further right to acquire additional Kronos IP relating to micro-cooling applications for four quarterly payments of $0.5 million each beginning in July 1, 2008. Kronos received a payment of $0.5 million on July 1, 2008, a payment of $0.5 million on October 1, 2008, and an accelerated payment of $1.0 million on November 21, 2008, for the remaining payments due on January 1, 2009 and April 1, 2009. The receipt of this $2.0 million constitutes payment in full for the remaining micro-cooling related patents subject to the agreement with Tessera. The Company and Tessera have the option to continue to jointly develop new technologies in this field.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We are required to maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports 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 Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Acting Chief Executive Officer and Chief Financial Officer (one individual) as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-KSB for the year ended June 30, 2008 our management, under the supervision of our Acting Chief Executive Officer and Chief Financial Officer (one individual), conducted an evaluation of disclosure controls and procedures. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Based on that evaluation, our Acting Chief Executive Officer and Chief Financial Officer (one individual) concluded that our disclosure controls and procedures were effective as of the filing date of this Annual Report.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control structure and procedures over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) under the Exchange Act. Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2008 based on the framework set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on that evaluation, our Acting Chief Executive Officer and Chief Financial Officer (one individual) concluded that our internal control over financial reporting as of June 30, 2008 were effective.

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

Changes in Internal Control over Financial Reporting

Except as disclosed above, there were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our directors and executive officers and their ages as of January 9, 2008 are as follows:

NAME	AGE	POSITION
Richard F. Tusing	51	Director; Acting President, Acting Chief Executive Officer, Chief Operating Officer, CFO, Secretary, Treasurer
Richard E. Perlman	62	Director
James K. Price	50	Director
Jack Silver	65	Director
Marc Kloner	62	Director
Barry Salzman	46	Director

Richard F. Tusing, 51, has served as a Director of Kronos since October 2000 and as a Director of Kronos Air Technologies since January 2001 and was appointed Chief Operating Officer and Secretary on January 1, 2002, and Acting President, Acting Chief Executive Officer, on June 20, 2008 and Chief Financial Officer and Treasurer on January 9, 2009. Mr. Tusing has had extensive experience in developing new enterprises, negotiating the licensing of intellectual property rights, and managing technical and financial organizations, and has more than twenty years of business development, operations, and consulting experience in the technology and telecommunications industries. Prior to his services to Kronos, Mr. Tusing spent four years in executive management with several emerging technology companies, fourteen years in various managerial and executive positions with MCI Communications Corporation, and three additional years in managerial consulting. From 1982-1996, Mr. Tusing held multiple managerial and executive positions with MCI Communications Corporation. From 1994-1996, he served as MCI's Director of Strategy and Technology, managing MCI's emerging technologies division (having primary responsibility for evaluating, licensing, investing in, and acquiring third-party technologies deemed of strategic importance to MCI), and also oversaw the development of several early-stage and venture-backed software and hardware companies; in this capacity, Mr. Tusing managed more than 100 scientists and engineers developing state-of-the-art technologies. From 1992-1994, Mr. Tusing founded MCI Metro, MCI's entree into the local telephone services business and, as MCI Metro's Managing Director, managed telecommunications operations, developed financial and ordering systems, and led efforts in designing its marketing campaigns. From 1990-1992, he served as Director of Finance and Business Development for MCI's western region. From 1982-1990, Mr. Tusing held other management and leadership positions within MCI, including service as MCI's Pacific Division's Regional Financial Controller, Manager of MCI's Western Region's Information Technology Division, and led MCI's National Corporate Financial Systems Development Organization. Mr. Tusing received B.S. degrees in business management and psychology from the University of Maryland in 1979.

Richard E. Perlman, 62, became a Director in Kronos in April 2008. Mr. Perlman has been Chairman of the Board of Turbochef, Inc. since October 2003. He was formerly chairman of PracticeWorks, Inc. from March 2001 until its acquisition by The Eastman Kodak Company in October 2003. Mr. Perlman served as chairman and treasurer of AMICAS, Inc. (formerly VitalWorks Inc.) from January 1998 and as a director from March 1997 to March 2001, when he resigned from all positions with that company upon completion of the spin-off of PracticeWorks, Inc. from VitalWorks. From December 1997 until October 1998, Mr. Perlman also served as VitalWorks' chief financial officer. Mr. Perlman is the founder of Compass Partners, L.L.C., a merchant banking and financial advisory firm specializing in corporate restructuring and middle market companies, and has served as its president since its inception in May 1995. From 1991 to 1995, Mr. Perlman was executive vice president of Matthew Stuart & Co., Inc., an investment banking firm. Mr. Perlman received a B.S. in Economics from the Wharton School of the University of Pennsylvania and a Masters in Business Administration from the Columbia University Graduate School of Business.

James K. Price, 50, became a Director of Kronos in April 2008. Mr. Price has been the President and Chief Executive Officer and a director of Turbochef, Inc. since October 2003. From March 2001 until its acquisition by The Eastman Kodak Company in October 2003, Mr. Price was the president and chief executive officer and a director of PracticeWorks, Inc. Mr. Price was a founder of VitalWorks Inc. and served as its executive vice president and secretary from its inception in November 1996 to March 2001, when he resigned from all positions with VitalWorks upon completion of the spin-off of PracticeWorks from VitalWorks. Mr. Price served as an executive officer of American Medcare from 1993 and co-founded and served as an executive officer of International Computer Solutions from 1985, in each instance until American Medcare and International Computer Solutions merged into VitalWorks in July 1997. Mr. Price holds a B.A. in Marketing from the University of Georgia.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Jack Silver, 65, became a Director of Kronos in April 2008. Mr. Silver is the principal investor and manager of SIAR Capital, LLC, an independent investment fund that invests primarily in undervalued, emerging growth companies, and is the trustee of Sherleigh.

Marc Kloner, 62, became a Director of Kronos in April 2008. Mr. Kloner was an astronautical engineer with the NASA Jet Propulsion Laboratory prior to starting KComp, a microcomputer company in 1977. KComp was one of the founding companies of Infocure that went public in 1997. Mr. Kloner was instrumental in doing many mergers and acquisitions for Infocure and a spin off public dental computer company, Practiceworks. Additionally, Mr. Kloner also had one of the most successful dealerships for EcoQuest selling many tens of millions of dollars of air purifiers in a nationwide direct response radio campaign. Mr. Kloner received a Masters Degree in Aeronautical-Astronautical Engineering from Ohio State University.

Barry Salzman, 46, became a Director of Kronos in April 2008. Mr. Salzman is a 1987 graduate of Brooklyn Law School and member of the New York State Bar Association. From 1987 through 2007, Mr. Salzman worked in various roles for the Becker-Parkin Dental Supply Company. He served as President and CEO of the company from 1996 through 2007. In July 2007, Mr. Salzman lead the team that sold the company to the Henry Schein Corporation. Since 2007, Mr. Salzman has been a consultant on various projects including Kronos Air Technologies.

The Company received notification from James P. McDermott and M.J. Segal on the dates of December 22, 2008 and December 23, 2008 respectively, that Mr. McDermott and Mr. Segal have resigned from the Kronos Board of Directors, but served as Directors until these dates.

James P. McDermott, 46, became a Director of Kronos in July 2001. Mr. McDermott has over 25 years of financial and operational problem-solving experience. Mr. McDermott is a Managing Director at Alvarez & Marsal North American, LLC. From 2000 until joining Alvarez & Marsal, Mr. McDermott was Managing Director of Eagle Rock Group, LLC, a business advisory firm he co-founded. Mr. McDermott was also President and CEO of AF&L, Inc. and its subsidiaries. AF&L is a Senior Markets Insurer. From 1992 through 2000, Mr. McDermott held various managerial and executive positions with PennCorp Financial Group, Inc. and its affiliates. From 1998 through 2000, Mr. McDermott was Executive Vice-President and Chief Financial Officer of PennCorp Financial Group. While serving in this position, Mr. McDermott was one-third of the executive management team that was responsible for developing and implementing operational stabilization, debt reduction and recapitalization plans for the company. From 1995 through 1998, Mr. McDermott served as Senior Vice-President of PennCorp Financial Group. Mr. McDermott worked closely with the Audit Committee of the Board of Directors on evaluating the PennCorp's accounting and actuarial practices. In addition, Mr. McDermott was responsible for developing a corporate-wide technology management program resulting in technology convergence and cost savings to the company's technology budget. From 1994 through 1998, Mr. McDermott was a principal in Knightsbridge Capital Fund I, LP, a $92 million investment fund specializing in leverage-equity acquisitions of insurance and insurance-related businesses. Mr. McDermott was also the founding Chairman of the e-business Internet service provider, Kivex.com, and a senior manager of one of the world's leading public accounting firms, KPMG. Mr. McDermott received a B.S. in Business Administration from the University of Wisconsin, Madison.

M. J. Segal, 63, became a Director of Kronos in September 2003. Mr. Segal has over 35 years of corporate governance, entrepreneurial and investment banking expertise. Mr. Segal founded the investment banking firm of M.J. Segal Associates in 1987. Since 1992, the firm has specialized in researching private equity opportunities in both private and emerging growth public companies. The Segal Group caters primarily to institutional clients, private investment partnerships and professional money managers. After starting his career as a stockbroker and financial planner in 1966 with Philadelphia based New York Stock Exchange firm, Robinson & Company, Mr. Segal joined Josephthal & Co. Inc., a leading full-service investment banking and brokerage firm in New York. Mr. Segal has served as senior vice president of the congressionally charted National Corporation for Housing Partnerships in Washington, D C, and president of its investment banking subsidiary and has qualified as a NASD broker/dealer financial principal. Originally from Philadelphia, Mr. Segal attended the Wharton School of the University of Pennsylvania and is a graduate of The New York Institute of Finance.

DIRECTORS

Our Board of Directors consists of eight members. Directors serve for a term of one year and until their successors are elected and qualified. Pursuant to our Bylaws, a majority of directors may appoint a successor to fill any vacancy on the Board of Directors.

ADVISORY BOARD

We established an Advisory Board in July 2001 to assist management in the development of long-range business plans for our Company. Currently, William Poster and Charles Strang are the only Advisory Board Members.

Mr. Poster is a seasoned entrepreneur with a successful track record as a founder of several businesses which span five continents. Mr. Poster has experience in developing business opportunities in the United States, Europe, Asia and the Middle East. Mr. Poster recently stepped down as President of Computer Systems & Communications Corporation, a wholly-owned subsidiary of General Dynamics. Computer Systems &

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Communications Corporation is a cutting-edge communications and technology company that Mr. Poster founded and later sold to General Dynamics. Mr. Poster is currently a principal with Eagle Rock Advisors, LLC.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Mr. Strang is a former Kronos Director from January 2001 through December 2002. Mr. Strang was named National Commissioner of NASCAR (National Association for Stock Car Auto Racing, Inc.) in 1998 and continues to serve in that capacity. In 1989 Mr. Strang received President Bush's American Vocation Success Award; in 1992 was elected to the Hall of Fame of the National Marine Manufacturers Association; in 1990 was awarded the Medal of Honor of the Union for International Motorboating; and is a life member of the Society of Automotive Engineers. He also currently serves as a Director of the American Power Boat Association (the U.S. governing body for powerboat racing) and Senior Vice-President of the Union for International Motorboating (the world governing body for powerboat racing, with approximately sixty member nations).

COMMITTEES

On September 11, 2001, the Board of Directors established a Compensation Committee consisting of at least two independent members of the Board of Directors. The Compensation Committee is charged with reviewing and making recommendations concerning Kronos' general compensation strategy, reviewing salaries for officers, reviewing employee benefit plans, and administering Kronos' stock incentive plan, once adopted and implemented. Messrs. McDermott and Segal are the current members of the Compensation Committee. During the year the Compensation Committee held two meetings. Each member attended at least 75% of the meetings.

On September 10, 2003, the Board of Directors established an Audit Committee consisting of at least two independent members of the Board of Directors. The Audit Committee is charged with providing independent and objective oversight of the accounting functions and internal controls of the Company and its subsidiaries to ensure the objectivity of the Company's financial statements. Messrs. McDermott and Segal are the current members of the Audit Committee. During the year the Audit Committee held four meetings. Each member attended at least 75% of the meetings.

On October 3, 2008, the Board of Directors established an independent committee, consisting of James P. McDermott and M. J. Segal, to investigate the alleged event of the default claimed by Airworks, analyze the current status of the Company and propose a strategy for maximizing the value of the Company’s ongoing operations and assets, including the sale of the Company or its assets.

COMPENSATION OF DIRECTORS

Cash Compensation. Our Bylaws provide that, by resolution of the Board of Directors, each director may be reimbursed his expenses of attendance at meetings of the Board of Directors; likewise, each Independent director may be paid a fixed sum or receive a stated salary as a director. Independent, non-executive directors are entitled to receive $4,500 per quarter as compensation for their services as members of our Board of Directors. For the twelve month period ending June 30, 2008, Messrs. McDermott and Segal earned $18,000 each as cash compensation for their services as members of our Board of Directors.

Share Based Compensation. During the fiscal year ended June 30, 2008, Messrs. McDermott and Segal received no additional stock options as compensation for their services as members of our Board of Directors.

DIRECTOR COMPENSATION

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Non-Qualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (j)
James P. McDermott (1)	$18,000	--	--	--	--	--	$18,000
M. J. Segal (2)	$18,000	--	--	--	--	--	$18,000

(1) For the twelve months ended June 30, 2008, Mr. McDermott earned $18,000 as cash compensation.

(2) For the twelve months ended June 30, 2008, Mr. Segal earned $18,000 as cash Compensation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange commission initial reports of ownership and reports of changes in ownership of Common Stock and other of our equity securities. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish us copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required during the fiscal year ended June 30, 2008, all Section 16(a) filing requirements applicable to our officers and directors were complied with, except that due to administrative errors Mr. Silver, Mr. Perlman and AirWorks each were late in filing a Form 4.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth compensation for the fiscal year ended June 30, 2008, and June 30,2007 for our two named executive officers:

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long-Term Compensation			
Name and Principal Fiscal Position (a)	Year (b)	Salary $ (c)	Bonus $ (d)	Stock Awards $ (e)	Option Awards $ (f)	Non-Equity Deferred Compensation # (g)	All Other Compensation $ (h)	Total Compensation $ (i)
Daniel R.	2008	215,625	--	--	--	--	16,344	232,965
Dwight,	2007	225,000	--	--	520,000	--	16,344	761,344
Former President And Former Chief Executive Officer(1)								
Richard F.	2008	160,000	--	--	--	--	--	160,000
Tusing, Chief	2007	160,000	--	--	300,000	--	--	460,000
Operating Officer, acting Chief Executive Officer, acting President, Chief Financial Officer, Treasurer, and Secretary (2)								

(1) Mr. Dwight became President and Chief Executive Officer of Kronos effective October 16, 2001. He executed a two year employment contract on November 15, 2001. His contract was renewed on August 13, 2003, and again on August 15, 2004, August 15, 2005, August 15, 2006 and August 15, 2007, by the Board of Directors. Effective April 15, 2006, his annual salary is $225,000. On June 20, 2008, the Company terminated Mr. Dwight's employment.

(2) Mr. Tusing became Chief Operating Officer and Secretary of Kronos effective January 1, 2002. Mr. Tusing executed an employment contract effective January 1, 2003. The Board of Directors renewed Mr. Tusing's employment agreement on October 1, 2004, and again on October 1, 2005, and October 1, 2006, October 1, 2007 and October 1, 2008. His annual salary is $160,000. On June 20, 2008, Mr. Tusing additionally became the acting President, acting Chief Executive Officer, and on January 9, 2009 became the Chief Financial Officer and Treasurer.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

AGGREGATED OPTIONS/SAR EXERCISES
IN LAST FISCAL YEAR AND
FISCAL YEAR END OPTIONS/SAR VALUES(1)

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	VALUE OF NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END(1)	UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR END(2)
Daniel R. Dwight, Former President and Chief Executive Officer(3)	-0-	-0-	Exercisable: 26,000,000	-0-
Richard F. Tusing, Chief Operating Officer acting Chief Executive Officer, acting President, Chief Financial Officer, Treasurer and Secretary (4)	-0-	-0-	Exercisable: 15,000,000	-0-

(1) These grants represent options to purchase common stock. No SAR's have been granted.

(2) The value of the unexercised in-the-money options were calculated by determining the difference between the fair market value of the common stock underlying the options and the exercise price of the options as of June 30, 2007.

(3) Mr. Dwight became President and Chief Executive Officer of Kronos effective October 16, 2001, and was terminated on June 20, 2008.

(4) Mr. Tusing became Chief Operating Officer and Secretary of Kronos effective January 1, 2002, and became acting President and acting Chief Executive officer on June 20, 2008 and beacame the Chief Financial Officer and Treasurer on January 9, 2009.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

NAME	NO. OF SECURITIES UNDERLYING OPTIONS/SAR'S GRANTED (#)	% TOTAL OPTIONS/SAR'S GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE OR BASE PRICE ($ PER SHARE)	EXPIRATION DATE
Daniel R. Dwight Former President and Chief Executive	26,000,000	34.1%	$ 0.016	June 19, 2017
Richard F. Tusing Chief Operating Officer, acting Chief Executive Officer, acting President, Chief Financial Officer Treasurer, and Secretary	15,000,000	19.7%	$ 0.016	June 19, 2017

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

STOCK OPTION PLAN

On February 12, 2002, the Board of Directors approved the TSET, Inc. Stock Option Plan under which Kronos' key employees, consultants, independent contractors, officers and directors are eligible to receive grants of stock options. Kronos has reserved and issued a total of 6,250,000 shares of common stock under the Stock Option Plan. It is presently administered by Kronos' Board of Directors. Subject to the provisions of the Stock Option Plan, the Board of Directors has full and final authority to select the individuals to whom options will be granted, to grant the options and to determine the terms and conditions and the number of shares issued pursuant thereto.

On June 15, 2007, the Board of Directors approved the Kronos Advanced Technologies Stock Option Plan under which Kronos' key employees, consultants, independent contractors, officers and directors are eligible to receive grants of stock options. Kronos has reserved and issued a total of 100,000,000 shares of common stock under the Stock Option Plan. It is presently administered by Kronos' Board of Directors. Subject to the provisions of the Stock Option Plan, the Board of Directors has full and final authority to select the individuals to whom options will be granted, to grant the options and to determine the terms and conditions and the number of shares issued pursuant thereto.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	--	--	--
Equity compensation plans not approved by security holders	80,500,000	$0.016	19,800,000
Total	80,500,000		19,800,000

EMPLOYMENT AGREEMENTS

Richard F. Tusing, our Acting President and Acting Chief Operating Officer, and our Company entered into an employment agreement effective as of January 1, 2003. The initial term of Mr. Tusing's Employment Agreement is for two years and will automatically renew for successive one year terms unless Kronos or Mr. Tusing provide the other party with written notice within three months of the end of the initial term or any subsequent renewal term. The Board of Directors renewed Mr. Tusing's Employment Agreement on October 1, 2004, and again on October 1, 2005, October 1, 2006, October 1, 2007 and October 1, 2008. Mr. Tusing's employment agreement provides for base cash compensation of $160,000 per year. Mr. Tusing will be entitled to fully participate in any and all 401(k), stock option, stock bonus, savings, profit-sharing, insurance, and other similar plans and benefits of employment.

EXECUTIVE SEVERANCE AGREEMENTS

The employment agreement of Richard F. Tusing, our Chief Operating Officer and Acting President and Acting Chief Executive Officer, provides that, upon the occurrence of termination without cause or any transaction as defined as a “change of control” of Kronos that is not approved by the Board of Directors, Mr. Tusing shall receive his salary, pro-rata bonus and benefits for a period of time that is the greater of (i) one year or (ii) the remainder of Mr. Tusing’s employment term.

The Company executed a severance agreement and advisory agreement with Mr. Dwight dated May 16, 2008. Severance Agreement terms include payment of twenty-four bi-monthly payments of $9,375.00 and reimbursement of health, disability and life insurance premiums, for a twelve month period, Mr. Dwight provided a full release of “all known and unknown claims” that Mr. Dwight may have had “against the Company, all current and former parents, subsidiaries, related companies”. The Dwight Advisory Agreement enables the Company to engage Mr. Dwight for services, as may be mutually agreed, at a rate of $300 per hour plus pre-approved expenses. Mr. Dwight filed a lawsuit on October 17, 2008, in the state of Massachusetts, in Suffolk County Superior Court, against Kronos for lack of payments pursuant to the Severance Agreement dated May 16, 2008. The Company believes its obligations to its Secured Lenders supercede the payment obligations to Mr. Dwight.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

PRINCIPAL STOCKHOLDERS

The following table presents certain information regarding the beneficial ownership of all shares of common stock at January 9, 2009 for each named executive officer and director of our Company and for each person known to us who owns beneficially more than 5% of the outstanding shares of our common stock and our executive officers and directors as a group. The percentage ownership shown in such table is based upon the 487,626,690 common shares issued and outstanding at January 9, 2009, and ownership by these persons of options or warrants exercisable within sixty days of such date. Also included is beneficial ownership on a fully diluted basis showing all authorized, but unissued, shares of our common stock at January 9, 2009, as issued and outstanding. Unless otherwise indicated, each person has sole voting and investment power over such shares.

COMMON STOCK
BENEFICIALLY OWNED

NAME AND ADDRESS	6/30/2008 Shares	Percent of Class
Hilltop Holding LP	97,525,360	20.00%
111 Broadway		
New York, NY 10021		
Richard E. Perlman	14,662,593	3.01%
655 Madison Avenue		
New York, NY 10021		
James K. Price	15,789,615	3.24%
655 Madison Avenue		
New York, NY 10021		
Jack Silver	0	0.00%
111 Broadway		
New York, NY 10021		
Marc Kloner	39,969,187	8.20%
655 Madison Avenue		
New York, NY 10021		
Barry Salzman	12,945,844	2.65%
655 Madison Avenue		
New York, NY 10021		

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Daniel R. Dwight (1)	27,201,926	5.30%
464 Common Street		
Suite 301		
Belmont, MA 02478		
Richard F. Tusing (2)	15,852,758	3.15%
464 Common Street		
Suite 301		
Belmont, MA 02478		
James P. McDermott (3)	2,294,118	0.47%
464 Common Street		
Suite 301		
Belmont, MA 02478		
M.J. Segal (4)	1,500,000	0.31%
464 Common Street		
Suite 301		
Belmont, MA 02478		

(1) Includes options to purchase 26,000,000 shares of common stock that can be acquired up to June 16, 2017.
(2) Includes options to purchase 15,000,000 hares of common stock that can be acquired up to June 16, 2017.
(3) Includes options to purchase 2,000,000 hares of common stock that can be acquired up to June 16, 2017.
(4) Includes options to purchase 1,500,000 shares of common stock that can be acquired up to June 16, 2017.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We believe that all prior related party transactions have been entered into upon terms no less favorable to us than those that could be obtained from unaffiliated third parties. Our reasonable belief of fair value is based upon proximate similar transactions with third parties or attempts to obtain the consideration from third parties. All ongoing and future transactions with such persons, including any loans or compensation to such persons, will be approved by a majority of disinterested members of the Board of Directors.

On March 31, 2004, we entered into Promissory Notes with Richard F. Tusing in exchange for past due compensation, expenses and interest due for $485,883. The Notes bear a simple interest rate of 1% per month and call for aggregate monthly principal and interest payments of $8,989 for each month in which the Company's beginning cash balance equals or exceeds $200,000. Subject to certain conditions, including default, these notes become payable in full. In the event of a debt or equity financing, 20% of the proceeds derived from the financing will be used to pay down the outstanding interest and principal obligations. The Notes are due and payable in full.

On April 14, 2008, Richard Perlman became a Board member of the Company, pursuant to terms of the Airworks Funding LLLP Agreements dated June 19, 2007. Mr. Perlman is the principal for Airworks Funding, LLLP.

On April 14, 2008, Jack Silver became a Board member of the Company, pursuant to terms of the Hilltop Holding Company, LP (formerly RS Properties I LLC) Funding Agreement dated June 19, 2007. Mr. Silver is the principal for Hilltop Holding Company, LP.

On July 1, 2007, we entered into an Advisory Agreement with Barry Salzman for consulting services to the Company as related to general business matters, funding activities and customer relationship management. Mr. Salzman was compensated $20,833./month until the Agreement was terminated with notice, effective September 30, 2008.

On June 1, 2008, we entered into an Advisory Agreement with Marc Kloner, for consulting services to the Company as related to Sales and Marketing support services. Mr. Kloner was compensated $10,000.00/month for the period of June 1, 2008 through August 31, 2008, at which time the agreement was terminated.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 13. EXHIBITS

EXHIBIT NO.	DESCRIPTION	LOCATION
2.1	Articles of Merger for Technology Selection, Inc. with the Nevada Secretary of State	Incorporated by reference to Exhibit 2.1 to the Registrant's Registration Statement on Form S-1 filed on August 7, 2001 (the "Registration Statement")
3.1	Articles of Incorporation	Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on August 7, 2001
3.2	Bylaws	Incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed on August 7, 2001
4.1	2001 TSET Stock Option Plan	Incorporated by reference to Exhibit 4.1 to Registrant's Form 10-Q for the quarterly period ended March 31, 2002 filed on May 15, 2002
4.2	2007 Kronos Stock Option Plan	Provided Herewith
10.21	Indemnification Agreement, dated May 1, 2001, by and between TSET, Inc. and Daniel R. Dwight	Incorporated by reference to Exhibit 10.38 to the Registration Statement on Form S-1 filed on August 7, 2001
10.22	Indemnification Agreement, dated May 1, 2001, by and between TSET, Inc. and Richard F. Tusing	Incorporated by reference to Exhibit 10.39 to the Registration Statement on Form S-1 filed on August 7, 2001
10.23	Employment Agreement, effective February 11, 2001 by and between TSET, Inc. and Daniel R. Dwight	Incorporated by reference to Exhibit 10.55 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2002 filed on May 15, 2002
10.24	Master Loan and Investment Agreement, dated May 9, 2003, by and among Kronos Advanced Technologies, Inc., Kronos Air Technologies, Inc. and FKA Distributing Co. d/b/a HoMedics, Inc., a Michigan corporation ("HoMedics")	Incorporated by reference to the Registrant's 8-K filed on May 15, 2003
10.25	Secured Promissory Note, dated May 9, 2003, in the principal amount of $2,400,000 payable to HoMedics	Incorporated by reference to Exhibit 99.2 to the Registrant's 8-K filed on May 15, 2003

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.26	Secured Promissory Note, dated May 9, 2003, in the principal amount of $1,000,000 payable to HoMedics	Incorporated by reference to Exhibit 99.4 to the Registrant's 8-K filed on May 15, 2003
10.27	Security Agreement dated May 9, 2003, by and among Kronos Air Technologies, Inc. and HoMedics	Incorporated by reference to Exhibit 99.4 to the Registrant's 8-K filed on May 15, 2003
10.28	Registration Rights Agreement, dated May 9, 2003, by and between Kronos and HoMedics	Incorporated by reference to Exhibit 99.5 to the Registrant's 8-K filed on May 15, 2003
10.29	Warrant No. 1 dated May 9, 2003, issued to HoMedics	Incorporated by reference to Exhibit 99.7 to the Registrant's 8-K filed on May 15, 2003
10.30	Warrant No. 2 dated May 9, 2003, issued to HoMedics	Incorporated by reference to Exhibit 99.7 to the Registrant's 8-K filed on May 15, 2003

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.31	Promissory Note by and among Kronos Advanced Technologies, Inc., and Daniel R. Dwight	Incorporated by reference to Exhibit 10.67 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2004 filed on May 17, 2004
10.32	Promissory Note by and among Kronos Advanced Technologies, Inc., and Richard F. Tusing	Incorporated by reference to Exhibit 10.67 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2004 filed on May 17, 2004
10.33	Promissory Note by and among Kronos Advanced Technologies, Inc., and Igor Krichtafovitch	Incorporated by reference to Exhibit 10.67 to the Registrant's Form 10-Q for the quarterly period ended March 31, 2004 filed on May 17, 2004
10.34	Securities Purchase Agreement, dated October 15, 2004, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 99.5 to the Registrant's Form 8-K filed on November 12, 2004
10.35	Investor Registration Rights Agreement, dated October 15, 2004, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 99.6 to the Registrant's Form 8-K filed on November 12, 2004
10.36	Escrow Agreement, dated October 15, 2004, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 99.7 to the Registrant's Form 8-K filed on November 12, 2004
10.37	Amended and Restated Warrant No. 1, dated October 25, 2004, issued to FKA Distributing Co. d/b/a HoMedics, Inc.	Incorporated by reference to Exhibit 99.11 to the Registrant's Form 8-K filed on November 12, 2004
10.38	Amended and Restated Warrant No. 2, dated October 25, 2004, issued to FKA Distributing Co. d/b/a HoMedics, Inc.	Incorporated by reference to Exhibit 99.12 to the Registrant's Form 8-K filed on November 12, 2004
10.39	Warrant No. 3, dated October 25, 2004, issued to FKA Distributing Co. d/b/a HoMedics, Inc.	Incorporated by reference to Exhibit 99.13 to the Registrant's
10.40	Amended and Restated Registration Rights Agreement, dated October 25, 2004, by And between Kronos Advanced Technologies Inc., a Nevada corporation and FKA Distributing Co. d/b/a HoMedics, a Michigan corporation	Incorporated by reference to Exhibit 99.14 to the Registrant's Form 8-K filed on November 12, 2004

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.41	Termination Agreement dated March 28, 2005, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.63 to the Registrant's Form SB-2 filed on April 19, 2005
10.42	Standby Equity Distribution Agreement, dated April 13, 2005, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.64 to the Registrant's Form SB-2 filed on April 19, 2005
10.43	Registration Rights Agreement, dated April 13, 2005, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.65 to the Registrant's Form SB-2 filed on April 19, 2005
10.44	Escrow Agreement, dated April 13, 2005, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.66 to the Registrant's Form SB-2 filed on April 19, 2005
10.45	Placement Agent Agreement, dated April 13, 2005, by and between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.67 to the Registrant's Form SB-2 filed on April 19, 2005
10.46	Form of Equity-Back Promissory Note in the principal amount of $2,000,000 dated March 7, 2005 between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.68 to the Registrant's Form SB-2 filed on April 19, 2005

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.47	Form of Equity-Back Promissory Note in the principal amount of $2,000,000 dated June 22, 2005 between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.59 to the Registrant's Form 10-KSB filed on September 28, 2005
10.48	Form of Convertible Debenture in the principal amount of $1,645,476 dated December 13, 2006 between Kronos Advanced Technologies, Inc. and Cornell Capital Partners, LP	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 15, 2007
10.49	Kronos Advanced Technologies, Inc. Stock Incentive Plan	Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on June 22, 2007
10.50	Voting Agreement dated June 19, 2007 by and between the Company and Daniel Dwight, James McDermott, Milton Segal, Rich Tusing And Igor Krichtafovitch	Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on June 22, 2007
10.51	Voting Agreement dated June 19, 2007 by and between the Company and Richard Sun and Frederic Gumbinner	Incorporated by reference to Exhibit 9.1 to the Registrant's Form 8-K filed on June 22, 2007
10.53	Funding Agreement dated June 19, 2007 by and between the Company and Sand Brothers Venture Capital LLC, Sands Brothers Venture Capital II LLC, , Sands Brothers Venture Capital III LLC, and Sands Brothers Venture Capital IV LLC, (collectively, "Sands"); Critical Capital Growth Fund, L.P., ("CCGF"); Airworks Funding LLLP, ("AirWorks") and RS Properties I LLC, ("RSP", and together with Sands, CCGF and AirWorks, the "Lenders")	Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 22, 2007
10.54	Registration Rights Agreement dated June 19, 2007 by and among the Company and the Lenders	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on June 22, 2007
10.55	Security Agreement dated June 19, 2007	Incorporated by reference to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	by and among the Company and the Lenders	Exhibit 10.3 to the Registrant's Form 8-K filed on June 22, 2007
10.56	Patent Security Agreement dated June 19, 2007 by and among the Company and the Lenders	Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on June 22, 2007
10.57	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Daniel Dwight	Incorporated by reference to Exhibit 10.5 to the Registrant's Form 8-K filed on June 22, 2007
10.58	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Richard Tusing	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K filed on June 22, 2007
10.59	Standstill Letter Agreement dated June 19, 2007 by and among the Company and James McDermott	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K filed on June 22, 2007
10.60	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Eagle Rock Group LLC	Incorporated by reference to Exhibit 10.8 to the Registrant's Form 8-K filed on June 22, 2007
10.61	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Milton Segal	Incorporated by reference to Exhibit 10.9 to the Registrant's Form 8-K filed on June 22, 2007
10.62	Standstill Letter Agreement dated June 19, 2007 by and among the Company and J. Alexander Chriss	Incorporated by reference to Exhibit 10.10 to the Registrant's Form 8-K filed on June 22, 2007
10.63	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Igor Krichtafovitch	Incorporated by reference to Exhibit 10.11 to the Registrant's Form 8-K filed on June 22, 2007
10.64	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Karl Winkler	Incorporated by reference to Exhibit 10.12 to the Registrant's Form 8-K filed on June 22, 2007

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10.65	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Maciej Ziomkowski	Incorporated by reference to Exhibit 10.13 to the Registrant's Form 8-K filed on June 22, 2007
10.66	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Vladimir Gorobets	Incorporated by reference to Exhibit 10.14 to the Registrant's Form 8-K filed on June 22, 2007
10.67	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Vladimir Bibikov	Incorporated by reference to Exhibit 10.15 to the Registrant's Form 8-K filed on June 22, 2007
10.68	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Sergey Karpov	Incorporated by reference to Exhibit 10.16 to the Registrant's Form 8-K filed on June 22, 2007
10.69	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Vladislov Korolyov	Incorporated by reference to Exhibit 10.17 to the Registrant's Form 8-K filed on June 22, 2007
10.60	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Terence Tam	Incorporated by reference to Exhibit 10.18 to the Registrant's Form 8-K filed on June 22, 2007
10.61	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Jacob Oharah	Incorporated by reference to Exhibit 10.19 to the Registrant's Form 8-K filed on June 22, 2007
10.62	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Nels Jewell-Larsen	Incorporated by reference to Exhibit 10.20 to the Registrant's Form 8-K filed on June 22, 2007
10.63	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Richard Sun	Incorporated by reference to Exhibit 10.21 to the Registrant's Form 8-K filed on June 22, 2007
10.64	Standstill Letter Agreement dated June 19, 2007 by and among the Company and Frederic R. Gumbinner	Incorporated by reference to Exhibit 10.22 to the Registrant's Form 8-K filed on June 22, 2007
10.65	US$859,000 SCCGF Note dated June 19, 2007 issued by the Company to Sands and CCGF	Incorporated by reference to Exhibit 10.23 to the Registrant's Form 8-K filed on June 22, 2007
10.66	US$10,820,000 Note dated June 19, 2007	Incorporated by reference to

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	issued by the Company to AirWorks	Exhibit 10.24 to the Registrant's Form 8-K filed on June 22, 2007
10.67	US$6,480,000 Note dated June 19, 2007 issued by the Company to RSP	Incorporated by reference to Exhibit 10.25 to the Registrant's Form 8-K filed on June 22, 2007
10.68	Proxy date June 19, 2007 by and among the Company, Daniel R. Dwight, James McDermott, Milton Segal, Richard Tusing Igor Krichtafovitch, Richard A. Sun and Richard A. Sun, as attorney-in-fact for Fredric R. Gumbinner	Incorporated by reference to Exhibit 10.25 to the Registrant's Form 8-K filed on June 22, 2007
10.69	Salzman Advisory Agreement dated July 1, 2007	Provided Herewith
10.70	Dwight Severance Agreement, dated May 16, 2008	Provided Herewith
10.71	Kloner Advisory Agreement dated June 1, 2008	Provided Herewith
31.1	Certification of principal executive Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

31.2	Certification of principal financial Officer pursuant to U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Provided herewith
32	Certification by principal executive officer and principal accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Provided herewith

ITEM 14. PRINCIPAL ACCOUNTANT AND SERVICES

The firm Sherb & Co. LLP, independent registered public accounting firm, has audited our financial statements for the year ended June 30, 2008. The Board of Directors has appointed Sherb & Co. LLP to serve as our independent registered public accounting firm for the 2008 year-end audit and to review our quarterly financial reports for filing with the Securities and Exchange Commission during fiscal year 2008.

The following table shows the fees paid or accrued by us for the audit and other services provided by Sherb & Co. LLP for fiscal year 2008 and 2007.

	June 30, 2008	June 30, 2007
Audit Fees(1)	$75,000	$70,000
Tax & other		
Related Fees	14,185	14,670
Total	$89,185	$84,670

(1) Audit fees represent fees for professional services provided in connection with the audit of our annual financial statements and review of our quarterly financial statements and audit services provided in connection with other statutory or regulatory filings

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SIGNATURES

Pursuant to the requirements of Sections 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, thereto duly authorized.

Date: January 9, 2009.

KRONOS ADVANCED TECHNOLOGIES, INC.

By: *<u>/s/ Richard F. Tusing</u>*
Richard F. Tusing acting President, acting Chief Executive Officer, acting Principal Executive Officer, Chief Financial Officer, Principal Financial Officer, Chief Operating Officer, Treasurer, Secretary, and Director

Pursuant to the requirements of 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/ Richard F. Tusing	acting President, acting Chief Executive Officer, acting Principal Executive Officer, Chief Financial Officer, Principal Financial Officer, Chief Operating Officer, Treasurer, Secretary, and Director	January 9, 2009
/s/ Richard Perlman Richard Perlman	Director	January 9, 2009
/s/ James Price James Price	Director	January 9, 2009
/s/ Jack Silver Jack Silver	Director	January 9, 2009
/s/ Marc Kloner Marc Kloner	Director	January 9, 2009
/s/ Barry Salzman Barry Salzman	Director	January 9, 2009

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 4.2

**UNANIMOUS WRITTEN CONSENT OF DIRECTORS OF
KRONOS ADVANCED TECHNOLOGIES, INC.
A NEVADA CORPORATION,
IN LIEU OF A SPECIAL MEETING**

The undersigned, being all of the members of the Board of Directors (the "Board") of KRONOS ADVANCED TECHNOLOGIES, INC., a Nevada corporation (the "Corporation"), pursuant to the provisions of the Section 78.315 of the Nevada Revised Statutes, hereby adopts the resolutions set forth below, to have the same force and effect as if adopted at a formal meeting of the Corporation's Directors, duly called and held for the purpose of acting upon proposals to adopt such resolutions.

RESOLVED, that the KRONOS ADVANCED TECHNOLOGIES, INC. 2007 STOCK INCENTIVE PLAN (the "Plan"), a copy of which is attached to and made a part of this Consent, is hereby approved to be effective on the date of this Unanimous Consent; and it is further

RESOLVED, that the issuance of the Corporation's common stock pursuant to the terms of the Plan (the "Shares") is hereby confirmed, ratified and approved in all respects and that each officer of the Corporation is hereby authorized, empowered and directed to instruct the Corporation's transfer agent to issue such shares of common stock in accordance with the terms of the Plan; and it is further

RESOLVED, that the Board shall cause a Registration Statement on Form S-8 pertaining to the Shares to be filed with the Securities and Exchange Commission; and it is further

RESOLVED, that in addition to and without limiting the foregoing, each officer of the Corporation be and hereby is authorized to take, or cause to be taken, such further action, and to execute and deliver, or cause to be delivered, for and in the name and on behalf of the Corporation, all such instruments and documents as he may deem appropriate in order to effect the purpose or intent of the foregoing resolutions (as conclusively evidenced by the taking of such action or the execution and delivery of such instruments, as the case may be) and all action heretofore taken by such officer in connection with the subject of the foregoing recitals and resolutions be, and it hereby is, approved, ratified and confirmed in all respects as the act and deed of the Corporation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

IN WITNESS WHEREOF, the undersigned have executed this Unanimous Written Consent this ____ day of June, 2007.

DIRECTORS:

____
Daniel R. Dwight

____
James P. McDermott

____
M. J. Segal

____
Richard F.Tusing

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT A

KRONOS ADVANCED TECHNOLOGIES, INC.

2007 STOCK INCENTIVE PLAN

Establishment, Purpose and Types of Awards

Kronos Advanced Technologies, Inc., a Nevada corporation (the "Company"), hereby establishes the **KRONOS ADVANCED TECHNOLOGIES, INC. 2007 STOCK INCENTIVE PLAN** (the "Plan"). The purpose of the Plan is to promote the long-term growth and profitability of the Company by (a) providing key people with incentives to improve shareholder value and to contribute to the growth and financial success of the Company, and (b) enabling the Company to attract, retain and reward the best-available persons. The Plan permits the granting of stock options (including incentive stock options qualifying under Code Section 422 and nonqualified stock options), stock appreciation rights, restricted or unrestricted share awards, phantom stock, deferred share units, performance awards, other stock-based awards, or any combination of the foregoing.

Definitions

Under this Plan, except where the context otherwise indicates, the following definitions apply:

"Affiliate" **means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, the Company (including, but not limited to, joint ventures, limited liability companies, and partnerships). For this purpose, "control" shall mean ownership of fifty percent (50%) or more of the total combined voting power or value of all classes of stock or interests of the entity.**

"Applicable Law" **means the legal requirements relating to the administration of options and share-based plans under applicable U.S. federal and state laws, the Code, any applicable stock exchange or automated quotation system rules or regulations, and the applicable laws of any other country or jurisdiction where Awards are granted, as such laws, rules, regulations and requirements shall be in place from time to time.**

"Award" **means any stock option, stock appreciation right, stock award, phantom stock award, performance award or other stock-based award.**

"Board" **means the Board of Directors of the Company.**

"Cause" **for termination of a Participant's Continuous Service either has the meaning set forth in any employment-related written agreement between the Participant and the Company, or means that the Participant is terminated from employment or other service with the Company or an Affiliate for any of the following reasons after receiving both a specific written notice of the conduct that the Board considers "Cause" and a reasonable opportunity to cure such conduct (if it is reasonably capable of being cured): (i) the Participant's willful failure to substantially perform his or her duties and responsibilities to the Company or deliberate violation of a material Company policy; (ii) the Participant's commission of any material act or acts of fraud, embezzlement, dishonesty or other willful misconduct; (iii) the Participant's material unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Participant's willful and material breach of any of his or her obligations under any written agreement or covenant with the Company. The Board shall in its discretion determine whether or not a Participant is being terminated for Cause. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time, and the term "Company" will be interpreted herein to include any Affiliate or successor thereto, if appropriate.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Change in Control" **means: (i) the acquisition (other than from the Company) by any Person, as defined in this Section 2(f), of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act of fifty percent (50%) or more of (A) the then outstanding shares of the securities of the Company; or (B) the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of Directors (the "Company Voting Stock"); (ii) the closing of a sale or other conveyance of all or substantially all of the assets of the Company; or (iii) the effective time of any merger, share exchange, consolidation, or other business combination of the Company if immediately after such transaction persons who hold a majority of the outstanding voting securities entitled to vote generally in the election of directors of the surviving entity (or the entity owning one hundred percent (100%) of such surviving entity) are not persons who, immediately prior to such transaction, held the Company Voting Stock. For purposes of this Section 2(f), a "Person" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act other than: employee benefit plans sponsored or maintained by the Company and corporations controlled by the Company. Notwithstanding the foregoing, a "Change in Control" shall not include the consummation of the financing transaction as contemplated in the Funding Agreement and Secured Convertible Promissory Note with Airworks Funding LLLP, Sands Brothers Venture Capital LLC, and Critical Capital Growth Fund LP, as approved by the Board in June 2007.**

"Code" **means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.**

"Common Stock" **means shares of common stock of the Company, par value $0.01 per Share.**

"Consultant" **means any person, including an advisor, who is engaged by the Company or any Affiliate to render services and is compensated for such services.**

"Continuous Service" **means the absence of any interruption or termination of a Participant's service as an Employee, Director or Consultant. Continuous Service shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Committee, provided that such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; (iv) changes in status from Director to advisory director or emeritus status; or (iv) in the case of transfers between locations of the Company or between the Company, its Affiliates or their respective successors. Changes in status between a Participant's service as an Employee, Director and a Consultant will not constitute an interruption of Continuous Service.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Deferred Share Units" **means Awards pursuant to Section 10 of the Plan.**

"Director" **means a member of the Board, or a member of the board of directors of an Affiliate.**

"Disabled" **means a condition under which a Participant:**

is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or

is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, received income replacement benefits for a period of not less than three (3) months under an accident or health plan covering Employees of the Company.

"Eligible Person" **means any Consultant, Director or Employee.**

"Employee" **means any person whom the Company or any Affiliate classifies as an employee (including an officer) for employment tax purposes. The payment by the Company of a director's fee to a Director shall not be sufficient to constitute "employment" of such Director by the Company.**

"Exchange Act" **means the Securities Exchange Act of 1934, as amended.**

"Fair Market Value" **means, with respect to a share of the Common Stock for any purpose on a particular date, the value determined by the Administrator in good faith. However, if the Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act, and listed for trading on a national exchange or market, "Fair Market Value" means, as applicable, (i) either the closing price or the average of the high and low sale price on the relevant date, as determined in the Administrator's discretion, quoted on the American Stock Exchange; (ii) the last sale price on the relevant date quoted on the Nasdaq SmallCap Market; (iii) the closing high bid on the relevant date quoted on the Nasdaq OTC Bulletin Board Service or by the National Quotation Bureau, Inc. or a comparable service as determined in the Administrator's discretion; or (iv) if the Common Stock is not quoted by any of the above, the average of the closing bid and asked prices on the relevant date furnished by a professional market maker for the Common Stock, or by such other source, selected by the Administrator. If no public trading of the Common Stock occurs on the relevant date, then Fair Market Value shall be determined as of the next preceding date on which trading of the Common Stock does occur. For all purposes under this Plan, the term "relevant date" as used in this Section 2(q) shall mean either the date as of which Fair Market Value is to be determined or the next preceding date on which public trading of the Common Stock occurs, as determined in the Administrator's discretion.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Grant Agreement" **means a written document memorializing the terms and conditions of an Award granted pursuant to the Plan and shall incorporate the terms of the Plan. The Committee shall determine the form or forms of documents to be used, and may change them from time to time for any reason.**

"Grant Date" **has the meaning set forth in Section 16 of the Plan.**

"ISO" **means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code, as designated in the applicable Award Agreement.**

"Involuntary Termination" **means termination of a Participant's Continuous Service under the following circumstances occurring on or after a Change in Control: (i) termination without Cause by the Company or an Affiliate or successor thereto, as appropriate; or (ii) voluntary termination by the Participant within sixty (60) days following (A) a material reduction in the Participant's job responsibilities, provided that neither a mere change in title alone nor reassignment to a substantially similar position shall constitute a material reduction in job responsibilities; (B) an involuntary relocation of the Participant's work site to a facility or location more than fifty (50) miles from the Participant's principal work site at the time of the Change in Control; or (C) a material reduction in Participant's total compensation other than as part of an reduction by the same percentage amount in the compensation of all other similarly-situated Employees, Directors or Consultants.**

"Nonqualified Option" **means an Option not intended to qualify as an ISO, as designated in the applicable Award Agreement.**

"Option" **means any stock option granted pursuant to Section 7 of the Plan.**

"Participant" **means any holder of one or more Awards, or the Shares issuable or issued upon exercise of such Awards, under the Plan.**

"Performance Awards" **means Performance Units and Performance Compensation Awards granted pursuant to Section 13 of the Plan.**

"Performance Compensation Awards" **means Awards granted pursuant to Section 13(b) of the Plan.**

"Performance Unit" **means Awards granted pursuant to Section 13(a) of the Plan which may be paid in cash, in Shares, or such combination of cash and Shares as the Committee in its sole discretion shall determine.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Person" **means any natural person, association, trust, business trust, cooperative, corporation, general partnership, joint venture, joint-stock company, limited partnership, limited liability company, real estate investment trust, regulatory body, governmental agency or instrumentality, unincorporated organization or organizational entity.**

"Phantom Stock" **means Awards pursuant to Section 11 of the Plan.**

"Reporting Person" **means an officer, Director, or greater than ten percent (10%) shareholder of the Company within the meaning of Rule 16a-2 under the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.**

"Restricted Shares" **means Shares subject to restrictions imposed pursuant to Section 9 of the Plan.**

"Restricted Share Units" **means Awards pursuant to Section 9 of the Plan.**

"Rule 16b-3" **means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.**

"SAR" **or** "Share Appreciation Right" **means Awards granted pursuant to Section 8 of the Plan.**

"Securities Act" **means the Securities Act of 1933, as amended.**

"Share" **means a share of Common Stock, as adjusted in accordance with Section 15 of the Plan.**

"Ten Percent Holder" **means a person who owns stock representing more than ten percent (10%) of the combined voting power of all classes of stock of the Company or any Affiliate.**

"Unrestricted Shares" **means Shares awarded pursuant to Section 9 of the Plan.**

Administration

Administration of the Plan**. The Plan shall be administered by the Board or by such committee or committees as may be appointed by the Board from time to time (the Board, committee or committees hereinafter referred to as the "Administrator").**

Powers of the Administrator**. The Administrator shall have all the powers vested in it by the terms of the Plan, such powers to include authority, in its sole and absolute discretion, to grant Awards under the Plan, prescribe Grant Agreements evidencing such Awards and establish programs for granting Awards.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Administrator shall have full power and authority to take all other actions necessary to carry out the purpose and intent of the Plan, including, but not limited to, the authority to: (i) determine the eligible persons to whom, and the time or times at which Awards shall be granted; (ii) determine the types of Awards to be granted; (iii) determine the number of shares to be covered by or used for reference purposes for each Award; (iv) impose such terms, limitations, restrictions and conditions upon any such Award as the Administrator shall deem appropriate; (v) modify, amend, extend or renew outstanding Awards, or accept the surrender of outstanding Awards and substitute new Awards (provided however, that, except as provided in Section 7(d) of the Plan, any modification that would materially adversely affect any outstanding Award shall not be made without the consent of the holder); (vi) accelerate or otherwise change the time in which an Award may be exercised or becomes payable and to waive or accelerate the lapse, in whole or in part, of any restriction or condition with respect to such Award, including, but not limited to, any restriction or condition with respect to the vesting or exercisability of an Award following termination of any grantee's employment or other relationship with the Company; and (vii) establish objectives and conditions, if any, for earning Awards and determining whether Awards will be paid after the end of a performance period.

The Administrator shall have full power and authority, in its sole and absolute discretion, to administer and interpret the Plan and to adopt and interpret such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable.

Non-Uniform Determinations. **The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Grant Agreements evidencing such Awards) need not be uniform and may be made by the Administrator selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated. The Administrator's prior exercise of its discretionary authority shall not obligate it to exercise its authority in a like fashion thereafter.**

Limited Liability. **To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder.**

Indemnification. **To the maximum extent permitted by law and by the Company's charter and by-laws, the members of the Administrator shall be indemnified by the Company in respect of all their activities under the Plan.**

Effect of Administrator's Decision. **The Administrator shall have the discretion to interpret or construe ambiguous, unclear, or implied (but omitted) terms in any fashion it deems to be appropriate in its sole discretion, and to make any findings of fact needed in the administration of the Plan or Grant Agreements. All actions taken and decisions and determinations made by the Administrator on all matters relating to the Plan pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion and shall be conclusive and binding on all parties concerned, including the Company, its stockholders, any participants in the Plan and any other Employee, Consultant, or Director of the Company, and their respective successors in interest. The validity of any such interpretation, construction, decision or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly made in bad faith or materially affected by fraud.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Shares Available for the Plan; Maximum Awards

(a) Number of Shares Issuable. The total number of shares of Common Stock initially authorized to be issued under the Plan shall be 100,000,000. No more than 100,000,000 shares of Common Stock may be issued under the Plan as Incentive Stock Options. The foregoing share limits shall be subject to adjustment in accordance with Section 15(b). The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company.

(b) Shares Subject to Terminated Awards. Common Stock covered by any unexercised portions of terminated or forfeited Options (including canceled Options) granted under the Plan, Common Stock underlying any other Award that is terminated, forfeited or otherwise surrendered by the Participant without actual issuance of the shares may again be subject to new Awards under the Plan. Shares of Common Stock surrendered to or withheld by the Company in payment or satisfaction of the exercise price of an Option or tax withholding obligation with respect to an Award shall be available for the grant of new Awards under the Plan. In the event of the exercise of Stock Appreciation Rights, whether or not granted in tandem with Options, only the number of shares of Common Stock actually issued in payment of such Stock Appreciation Rights shall be charged against the number of shares of Common Stock available for the grant of Awards hereunder.

Participation

Participation in the Plan shall be open to all Employees, Consultants, advisors, sales representatives, officers and Directors of, and other individuals providing bona fide services to or for, the Company, or of any Affiliate of the Company, as may be selected by the Administrator from time to time. The Administrator may also grant Awards to individuals in connection with hiring, retention or otherwise, prior to the date the individual first performs services for the Company or an Affiliate provided that such Awards shall not become vested or exercisable prior to the date the individual first commences performance of such services. A Participant who has been granted an Award may be granted an additional Award or Awards if the Administrator shall so determine, if such person is otherwise an Eligible Person and if otherwise in accordance with the terms of the Plan. Notwithstanding the foregoing, nothing in this Plan shall prevent or limit the Company's authority and ability to grant Common Stock in the form of stock options, restricted stock, stock units or any other applicable award to any Employee, Consultant, Director or other individual providing services to or for the Company or any Affiliate that is not subject to and is outside of the terms of this Plan.

Awards

General**. The Administrator, in its sole discretion, establishes the terms of all Awards granted under the Plan. Awards may be granted individually or in tandem with other types of Awards. All Awards are subject to the terms and conditions provided in the Grant Agreement. The Administrator may permit or require a recipient of an Award to defer such individual's receipt of the payment of cash or the delivery of Common Stock that would otherwise be due to such individual by virtue of the exercise of, payment of, or lapse or waiver of restrictions respecting, any Award. If any such payment deferral is required or permitted, the Administrator shall, in its sole discretion, establish rules and procedures for such payment deferrals.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Replacement Awards. **Subject to Applicable Laws (including any associated Shareholder approval requirements), the Administrator may, in its sole discretion and upon such terms as it deems appropriate, require as a condition of the grant of an Award to a Participant that the Participant surrender for cancellation some or all of the Awards that have previously been granted to the Participant under this Plan or otherwise. An Award that is conditioned upon such surrender may or may not be the same type of Award, may cover the same (or a lesser or greater) number of Shares as such surrendered Award, may have other terms that are determined without regard to the terms or conditions of such surrendered Award, and may contain any other terms that the Administrator deems appropriate. In the case of Options and SARs, these other terms may not involve an exercise price that is lower than the exercise price of the surrendered Option or SARs unless the Company's shareholders approve the grant itself or the program under which the grant is made pursuant to the Plan.**

Option Awards

Types; Documentation. **The Administrator may in its discretion grant ISOs to any Employee and Nonqualified Options to any Eligible Person, and shall evidence any such grants in a Grant Agreement that is delivered to the Participant. Each Option shall be designated in the Grant Agreement as an ISO or a Nonqualified Option, and the same Grant Agreement may grant both types of Options, provided, however, that Awards of ISOs shall be limited to Employees of the Company or of any current or hereafter existing "parent corporation" or "subsidiary corporation", as defined in Code Sections 424(e) and (f), respectively, of the Company. At the sole discretion of the Administrator, any Option may be exercisable, in whole or in part, immediately upon the grant thereof, or only after the occurrence of a specified event, or only in installments, which installments may vary. Options granted under the Plan may contain such terms and provisions not inconsistent with the Plan that the Administrator shall deem advisable in its sole and absolute discretion.**

ISO $100,000 Limitation. **To the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as ISOs first become exercisable by a Participant in any calendar year (under this Plan and any other plan of the Company or any Affiliate) exceeds $100,000, such excess Options shall be treated as Nonqualified Options. For purposes of determining whether the $100,000 limit is exceeded, the Fair Market Value of the Shares subject to an ISO shall be determined as of the Grant Date. In reducing the number of Options treated as ISOs to meet the $100,000 limit, the most recently granted Options shall be reduced first. In the event that Section 422 of the Code is amended to alter the limitation set forth therein, the limitation of this Section 7(b) shall be automatically adjusted accordingly.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Term of Options. **Each Grant Agreement shall specify a term at the end of which the Option automatically expires, subject to earlier termination provisions contained in Section 7(e) hereof; provided, that, the term of any Option may not exceed ten (10) years from the Grant Date. In the case of an ISO granted to an Employee who is a Ten Percent Holder on the Grant Date, the term of the ISO shall not exceed five (5) years from the Grant Date.**

Exercise Price. **The exercise price of an Option shall be determined by the Administrator in its discretion and shall be set forth in the Grant Agreement, subject to the following special rules:**

ISOs. If an ISO is granted to an Employee who on the Grant Date is a Ten Percent Holder, the per Share exercise price shall not be less than one hundred ten percent (110%) of the Fair Market Value per Share on such Grant Date. If an ISO is granted to any other Employee, the per Share exercise price shall not be less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

Nonqualified Options. The per Share exercise price for the Shares to be issued pursuant to the exercise of a Nonqualified Option shall not be less than one hundred percent (100%) of the Fair Market Value per Share on the Grant Date.

Termination of Continuous Service. **The Administrator may establish and set forth in the applicable Grant Agreement the terms and conditions on which an Option shall remain exercisable, if at all, following termination of a Participant's Continuous Service. The Administrator may waive or modify these provisions at any time. To the extent that a Participant is not entitled to exercise an Option at the date of his or her termination of Continuous Service, or if the Participant (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Grant Agreement or below (as applicable), the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan and become available for future Awards. In no event may any Option be exercised after the expiration of the Option term as set forth in the Grant Agreement.**

The following provisions shall apply to the extent a Grant Agreement does not specify the terms and conditions upon which an Option shall terminate when there is a termination of a Participant's Continuous Service:

Termination other than Upon Disability or Death or for Cause. In the event of termination of a Participant's Continuous Service (other than as a result of Participant's death, disability, retirement or termination for Cause), the Participant shall have the right to exercise an Option at any time within ninety (90) days following such termination to the extent the Participant was entitled to exercise such Option at the date of such termination.

Disability. In the event of termination of a Participant's Continuous Service as a result of his or her being Disabled, the Participant shall have the right to exercise an Option at any time within one year following such termination to the extent the Participant was entitled to exercise such Option at the date of such termination.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Retirement. In the event of termination of a Participant's Continuous Service as a result of Participant's retirement, the Participant shall have the right to exercise the Option at any time within one (1) year following such termination to the extent the Participant was entitled to exercise such Option at the date of such termination.

Death. In the event of the death of a Participant during the period of Continuous Service since the Grant Date of an Option, or within thirty (30) days following termination of the Participant's Continuous Service, the Option may be exercised, at any time within one (1) year following the date of the Participant's death, by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the right to exercise the Option had vested at the date of death or, if earlier, the date the Participant's Continuous Service terminated.

Cause. If the Administrator determines that a Participant's Continuous Service terminated due to Cause, the Participant shall immediately forfeit the right to exercise any Option, and it shall be considered immediately null and void.

Reverse Vesting. **The Administrator in its sole and absolute discretion may allow a Participant to exercise unvested Options, in which case the Shares then issued shall be Restricted Shares having analogous vesting restrictions to the unvested Options.**

Buyout Provisions. **The Administrator may at any time offer to buy out an Option, in exchange for a payment in cash or Shares, based on such terms and conditions as the Administrator shall establish and communicate to the Participant at the time that such offer is made. In addition, but subject to any shareholder approval requirement of applicable law, if the Fair Market Value for Shares subject to an Option is more than thirty three percent (33%) below their exercise price for more than thirty (30) consecutive business days, the Administrator may unilaterally terminate and cancel the Option either (i) by paying the Participant, in cash or Shares, an amount not less than the Black-Scholes value of the vested portion of the Option, or (ii) subject to the approval of the shareholders of the Company, by irrevocably committing to grant a new Option, on a designated date more than six (6) months after such termination and cancellation of such Option (but only if the Participant's Continuous Service has not terminated prior to such designated date), on substantially the same terms as the cancelled Option, provided that the per Share exercise price for the new Option shall equal the per Share Fair Market Value of a Share on the date the new grant occurs.**

Stock Appreciation Rights

Stock Appreciation Rights. **The Administrator may from time to time grant to eligible participants Awards of Stock Appreciation Rights ("SARs"). A SAR entitles the grantee to receive, subject to the provisions of the Plan and the Grant Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one (1) share of Common Stock over (B) the base price per Share specified in the Grant Agreement, times (ii) the number of shares specified by the SAR, or portion thereof, which is exercised. Payment by the Company of the amount receivable upon any exercise of a SAR may be made by the delivery of Common Stock or cash, or any combination of Common Stock and cash, as determined in the sole discretion of the Administrator. If upon settlement of the exercise of a SAR a grantee is to receive a portion of such payment in Shares of Common Stock, the number of shares shall be determined by dividing such portion by the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional shares or whether such fractional shares shall be eliminated.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Termination of Employment or Consulting Relationship. **The Administrator shall establish and set forth in the applicable Grant Agreement the terms and conditions on which a SAR shall remain exercisable, if at all, following termination of a Participant's Continuous Service. The provisions of Section 7(e) above shall apply to the extent a Grant Agreement does not specify the terms and conditions upon which a SAR shall terminate when there is a termination of a Participant's Continuous Service.**

Buy-out. **The Administrator has the same discretion to buy-out SARs as it has to take such actions pursuant to Section 7(g) above with respect to Options.**

Restricted Shares and Restricted Share Units; Unrestricted Shares

Grants. **The Administrator may in its discretion grant restricted shares ("Restricted Shares") to any Eligible Person and shall evidence such grant in a Grant Agreement that is delivered to the Participant and that sets forth the number of Restricted Shares, the purchase price for such Restricted Shares (if any), and the terms upon which the Restricted Shares may become vested. In addition, the Company may in its discretion grant the right to receive Shares after certain vesting requirements are met ("Restricted Share Units") to any Eligible Person and shall evidence such grant in a Grant Agreement that is delivered to the Participant which sets forth the number of Shares (or formula, that may be based on future performance or conditions, for determining the number of Shares) that the Participant shall be entitled to receive upon vesting and the terms upon which the Shares subject to a Restricted Share Unit may become vested. The Administrator may condition any Award of Restricted Shares or Restricted Share Units to a Participant on receiving from the Participant such further assurances and documents as the Administrator may require to enforce the restrictions. In addition, the Committee may grant Awards hereunder in the form of unrestricted shares ("Unrestricted Shares"), which shall vest in full upon the date of grant or such other date as the Committee may determine or which the Committee may issue pursuant to any program under which one or more Eligible Persons (selected by the Committee in its discretion) elect to receive Unrestricted Shares in lieu of cash bonuses that would otherwise be paid.**

Vesting and Forfeiture. **The Administrator shall set forth in a Grant Agreement granting Restricted Shares or Restricted Share Units, the terms and conditions under which the Participant's interest in the Restricted Shares or the Shares subject to Restricted Share Units will become vested and non-forfeitable. Except as set forth in the applicable Grant Agreement or the Administrator otherwise determines, upon termination of a Participant's Continuous Service for any other reason, the Participant shall forfeit his or her Restricted Shares and Restricted Share Units; provided that if a Participant purchases the Restricted Shares and forfeits them for any reason, the Company shall return the purchase price to the Participant only if and to the extent set forth in a Grant Agreement.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Issuance of Restricted Shares Prior to Vesting. **The Company shall issue stock certificates that evidence Restricted Shares pending the lapse of applicable restrictions, and that bear a legend making appropriate reference to such restrictions. Except as set forth in the applicable Grant Agreement or the Administrator otherwise determines, the Company or a third party that the Company designates shall hold such Restricted Shares and any dividends that accrue with respect to Restricted Shares pursuant to Section 9(e) below.**

Issuance of Shares upon Vesting. **As soon as practicable after vesting of a Participant's Restricted Shares (or Shares underlying Restricted Share Units) and the Participant's satisfaction of applicable tax withholding requirements, the Company shall release to the Participant, free from the vesting restrictions, one (1) Share for each vested Restricted Share (or issue one (1) Share free of the vesting restriction for each vested Restricted Share Unit), unless a Grant Agreement provides otherwise. No fractional shares shall be distributed but shall be rounded up to the next full share at the election of the Administrator. Notwithstanding the foregoing, if the Administrator determines that an issuance of Shares at the time of vesting is not a "permissible distribution event" within the meaning of Section 409A of the Code, then the issuance of the Shares will be automatically deferred until the earliest date on which issuance of the Shares in unrestricted form will constitute a permissible distribution event pursuant to paragraphs (i), (ii), (iii), (v) or (iv) of Section 409A(a)(2)(A) of the Code.**

Dividends Payable on Vesting. **Whenever Shares are released to a Participant or duly-authorized transferee pursuant to Section 9(d) above as a result of the vesting of Restricted Shares or the Shares underlying Restricted Share Units are issued to a Participant pursuant to Section 9(d) above, such Participant or duly-authorized transferee shall also be entitled to receive (unless otherwise provided in the Grant Agreement), with respect to each Share released or issued, an amount equal to any cash dividends (plus, in the discretion of the Administrator, simple interest at a rate as the Administrator may determine) and a number of Shares equal to any stock dividends, which were declared and paid to the holders of Shares between the Grant Date and the date such Share is released from the vesting restrictions in the case of Restricted Shares or issued in the case of Restricted Share Units.**

Section 83(b) Elections. **A Participant may make an election under Section 83(b) of the Code (the "Section 83(b) Election") with respect to Restricted Shares. If a Participant who has received Restricted Share Units provides the Administrator with written notice of his or her intention to make Section 83(b) Election with respect to the Shares subject to such Restricted Share Units, the Administrator may in its discretion convert the Participant's Restricted Share Units into Restricted Shares, on a one-for-one basis, in full satisfaction of the Participant's Restricted Share Unit Award. The Participant may then make a Section 83(b) Election with respect to those Restricted Shares.**

Shares with respect to which a Participant makes a Section 83(b) Election shall not be eligible for deferral pursuant to Section 10 below.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Deferral Elections. **At any time within the thirty (30) day period (or other shorter or longer period that the Administrator selects) in which a Participant who is a member of a select group of management or highly compensated employees (within the meaning of the Code) receives an Award of either Restricted Shares or Restricted Share Units, the Administrator may permit the Participant to irrevocably elect, on a form provided by and acceptable to the Administrator, to defer the receipt of all or a percentage of the Shares that would otherwise be transferred to the Participant upon the vesting of such Award. If the Participant makes this election, the Shares subject to the election, and any associated dividends and interest, shall be credited to an account established pursuant to Section 10 hereof on the date such Shares would otherwise have been released or issued to the Participant pursuant to Section 9(d) above.**

The Administrator may grant Awards hereunder in the form of unrestricted shares ("Unrestricted Shares"), which shall vest in full upon the date of grant or such other date as the Administrator may determine or which the Administrator may issue pursuant to any program under which one or more Eligible Persons (selected by the Administrator in its discretion) elect to receive Unrestricted Shares in lieu of cash bonuses that would otherwise be paid.

Deferred Share Units

Elections to Defer. **The Administrator may permit any Eligible Person who is a Director, Consultant or member of a select group of management or highly compensated employees (within the meaning of the Code) to irrevocably elect, on a form provided by and acceptable to the Administrator (the "Election Form"), to forego the receipt of cash or other compensation (including the Shares deliverable pursuant to any Award other than Restricted Shares for which a Section 83(b) Election has been made), and in lieu thereof to have the Company credit to an internal Plan account (the "Account") a number of deferred share units ("Deferred Share Units") having a Fair Market Value equal to the Shares and other compensation deferred. These credits will be made at the end of each calendar quarter (or other period that the Administrator establishes prospectively) during which compensation is deferred. Unless, within five (5) business days after the Company receives an Election Form, the Company sends the Participant a written notice explaining why it is invalid, each Election Form shall take effect on the first day of the next calendar year (or on the first day of the next calendar month in the case of an initial election by a Participant who is first eligible to defer hereunder) after its delivery to the Company, subject to Section 9(g) regarding deferral of Restricted Shares and Restricted Share Units and to Section 13(e) regarding deferral of Performance Awards. Notwithstanding the foregoing sentence: (i) Election Forms shall be ineffective with respect to any compensation that a Participant earns before the date on which the Company receives the Election Form, and (ii) the Administrator may unilaterally make awards in the form of Deferred Share Units, regardless of whether or not the Participant foregoes other compensation.**

Vesting. **Unless a Grant Agreement expressly provides otherwise, each Participant shall be one hundred percent (100%) vested at all times in any Shares subject to Deferred Share Units.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Issuances of Shares. **The Company shall provide a Participant with one (1) Share for each Deferred Share Unit in five (5) substantially equal annual installments that are issued before the last day of each of the five (5) calendar years that end after the date on which the Participant's Continuous Service terminates, unless -**

the Participant has properly elected a different form of distribution, on a form approved by the Administrator, that permits the Participant to select any combination of a lump sum and annual installments that are completed within ten (10) years following termination of the Participant's Continuous Service, and

the Company received the Participant's distribution election form at the time the Participant elects to defer the receipt of cash or other compensation pursuant to Section 10(a), provided that (subject to any prospective changes that the Administrator communicates in writing to a Participant), the Participant may change such election through any subsequent election that (i) is delivered to the Administrator at least one (1) year before the date on which distributions are otherwise scheduled to commence pursuant to the Participant's election, and (ii) defers the commencement of distributions by at least five (5) years from the originally scheduled commencement date.

Fractional shares shall not be issued and shall be rounded up to the next full share at the election of the Administrator.

Crediting of Dividends. **Whenever Shares are issued to a Participant pursuant to Section 10(c) above, such Participant shall also be entitled to receive, with respect to each Share issued, a cash amount equal to any cash dividends (plus simple interest at a rate of five percent (5%) per annum, or such other reasonable rate as the Administrator may determine in a Grant Agreement), and a number of Shares equal to any stock dividends which were declared and paid to the holders of Shares between the Grant Date and the date such Share is issued.**

Emergency Withdrawals. **In the event a Participant suffers an unforeseeable emergency within the contemplation of this Section 10 and Section 409A of the Code, the Participant may apply to the Company for an immediate distribution of all or a portion of the Participant's Deferred Share Units. The unforeseeable emergency must result from a sudden and unexpected illness or accident of the Participant, the Participant's spouse, or a dependent (within the meaning of Section 152(a) of the Code) of the Participant, casualty loss of the Participant's property, or other similar extraordinary and unforeseeable conditions beyond the control of the Participant. Examples of purposes which are not considered unforeseeable emergencies include post-secondary school expenses or the desire to purchase a residence. In no event will a distribution be made to the extent the unforeseeable emergency could be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's nonessential assets to the extent such liquidation would not itself cause a severe financial hardship. The amount of any distribution hereunder shall be limited to the amount necessary to relieve the Participant's unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. The Administrator shall determine whether a Participant has a qualifying unforeseeable emergency and the amount which qualifies for distribution, if any. The Administrator may require evidence of the purpose and amount of the need, and may establish such application or other procedures as it deems appropriate.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Unsecured Rights to Deferred Compensation. **A Participant's right to Deferred Share Units shall at all times constitute an unsecured promise of the Company to pay benefits as they come due. The right of the Participant or the Participant's duly-authorized transferee to receive benefits hereunder shall be solely an unsecured claim against the general assets of the Company. Neither the Participant nor the Participant's duly-authorized transferee shall have any claim against or rights in any specific assets, shares, or other funds of the Company.**

Phantom Stock

The Administrator may from time to time grant Awards to eligible participants denominate in stock-equivalent units ("Phantom Stock") in such amounts and on such terms and conditions as it shall determine. Phantom Stock units granted to a participant shall be credited to a bookkeeping reserve account solely for accounting purposes and shall not require a segregation of any of the Company's assets. An Award of Phantom Stock may be settled in Common Stock, in cash, or in a combination of Common Stock and cash, as determined in the sole discretion of the Administrator. Except as otherwise provided in the applicable Grant Agreement, the grantee shall not have the rights of a stockholder with respect to any Shares of Common Stock represented by a Phantom Stock unit solely as a result of the grant of a Phantom Stock unit to the grantee.

Other Stock-Based Awards

The Administrator may from time to time grant other stock-based awards to eligible participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as it shall determine. Other stock-based awards may be denominated in cash, in Common Stock or other securities, in stock-equivalent units, in stock appreciation units, in securities or debentures convertible into Common Stock, or in any combination of the foregoing and may be paid in Common Stock or other securities, in cash, or in a combination of Common Stock or other securities and cash, all as determined in the sole discretion of the Administrator.

Performance Awards

Performance Units. **Subject to the limitations set forth in paragraph (c) hereof, the Administrator may in its discretion grant Performance Units to any Eligible Person and shall evidence such grant in a Grant Agreement that is delivered to the Participant which sets forth the terms and conditions of the Award. A Performance Unit is an Award which is based on the achievement of specific goals with respect to the Company or any Affiliate or individual performance of the Participant, or a combination thereof, over a specified period of time.**

Performance Compensation Awards. **Subject to the limitations set forth in paragraph (c) hereof, the Administrator may, at the time of grant of a Performance Unit, designate such Award as a "Performance Compensation Award" in order that such Award constitutes "qualified performance-based compensation" under Code Section 162(m), in which event the Administrator shall have the power to grant such Performance Compensation Award upon terms and conditions that qualify it as "qualified performance-based compensation" within the meaning of Code Section 162(m). With respect to each such Performance Compensation Award, the Administrator shall establish, in writing within the time required under Code Section 162(m), a "Performance Period", "Performance Measure(s)", and "Performance Formula(e)" (each such term being hereinafter defined). Once established for a Performance Period, the Performance Measure(s) and Performance Formula(e) shall not be amended or otherwise modified to the extent such amendment or modification would cause the compensation payable pursuant to the Award to fail to constitute qualified performance-based compensation under Code Section 162(m).**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that the Performance Measure(s) for such Award is achieved and the Performance Formula(e) as applied against such Performance Measure(s) determines that all or some portion of such Participant's Award has been earned for the Performance Period. As soon as practicable after the close of each Performance Period, the Administrator shall review and certify in writing whether, and to what extent, the Performance Measure(s) for the Performance Period have been achieved and, if so, determine and certify in writing the amount of the Performance Compensation Award to be paid to the Participant and, in so doing, may use negative discretion to decrease, but not increase, the amount of the Award otherwise payable to the Participant based upon such performance.

Limitations on Awards**. The maximum Performance Unit Award and the maximum Performance Compensation Award that any one (1) Participant may receive for any one (1) Performance Period shall be determined from time to time by the Administrator. The Administrator shall have the discretion to provide in any Grant Agreement that any amounts earned in excess of any such limitations will either be credited as Deferred Share Units, or as deferred cash compensation under a separate plan of the Company (provided in the latter case that such deferred compensation either bears a reasonable rate of interest or has a value based on one (1) or more predetermined actual investments). Any amounts for which payment to the Participant is deferred pursuant to the preceding sentence shall be paid to the Participant in a future year or years not earlier than, and only to the extent that, the Participant is either not receiving compensation in excess of any such limits for a Performance Period, or is not subject to the restrictions set forth under Section 162(b) of the Code.**

Definitions**.**

"Performance Formula" means, for a Performance Period, one (1) or more objective formulas or standards established by the Administrator for purposes of determining whether or the extent to which an Award has been earned based on the level of performance attained or to be attained with respect to one or more Performance Measure(s). Performance Formulae may vary from Performance Period to Performance Period and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

"Performance Measure" means one (1) or more of the following selected by the Administrator to measure Company, Affiliate, and/or business unit performance for a Performance Period, whether in absolute or relative terms (including, without limitation, terms relative to a peer group or index): basic, diluted, or adjusted earnings per share; sales or revenue; earnings before interest, taxes, and other adjustments (in total or on a per share basis); basic or adjusted net income; returns on equity, assets, capital, revenue or similar measure; economic value added; working capital; total shareholder return; and product development, product market share, research, licensing, litigation, human resources, information services, mergers, acquisitions, sales of assets of Affiliates or business units. Each such measure shall be, to the extent applicable, determined in accordance with generally accepted accounting principles as consistently applied by the Company (or such other standard applied by the Administrator) and, if so determined by the Administrator, and in the case of a Performance Compensation Award, to the extent permitted under Code Section 162(m), adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles.

Performance Measures may vary from Performance Period to Performance Period and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative.

"Performance Period" means one (1) or more periods of time (of not less than one (1) fiscal year of the Company), as the Administrator may designate, over which the attainment of one (1) or more Performance Measure(s) will be measured for the purpose of determining a Participant's rights in respect of an Award.

Deferral Elections. **At any time prior to the date that is at least six (6) months before the close of a Performance Period (or shorter or longer period that the Administrator selects) with respect to an Award of either Performance Units or Performance Compensation, the Administrator may permit a Participant who is a member of a select group of management or highly compensated employees (within the meaning of the Code) to irrevocably elect, on a form provided by and acceptable to the Administrator, to defer the receipt of all or a percentage of the cash or Shares that would otherwise be transferred to the Participant upon the vesting of such Award. If the Participant makes this election, the cash or Shares subject to the election, and any associated interest and dividends, shall be credited to an account established pursuant to Section 10 hereof on the date such cash or Shares would otherwise have been released or issued to the Participant pursuant to Section 13(a) or Section 13(b) above.**

Taxes

General. **As a condition to the issuance or distribution of Shares pursuant to the Plan, the Participant (or in the case of the Participant's death, the person who succeeds to the Participant's rights) shall make such arrangements as the Company may require for the satisfaction of any applicable federal, state, local or foreign withholding tax obligations that may arise in connection with the Award and the issuance of Shares. The Company shall not be required to issue any Shares until such obligations are satisfied. If the Administrator allows the withholding or surrender of Shares to satisfy a Participant's tax withholding obligations, the Administrator shall not allow Shares to be withheld in an amount that exceeds the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Default Rule for Employees. **In the absence of any other arrangement, an Employee shall be deemed to have directed the Company to withhold or collect from his or her cash compensation an amount sufficient to satisfy such tax obligations from the next payroll payment otherwise payable after the date of the exercise of an Award.**

Special Rules. **In the case of a Participant other than an Employee (or in the case of an Employee where the next payroll payment is not sufficient to satisfy such tax obligations, with respect to any remaining tax obligations), in the absence of any other arrangement and to the extent permitted under Applicable Law, the Participant shall be deemed to have elected to have the Company withhold from the Shares or cash to be issued pursuant to an Award that number of Shares having a Fair Market Value determined as of the applicable Tax Date (as defined below) or cash equal to the amount required to be withheld. For purposes of this Section 14, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined under the Applicable Law (the "Tax Date").**

Surrender of Shares. **If permitted by the Administrator, in its discretion, a Participant may satisfy the minimum applicable tax withholding and employment tax obligations associated with an Award by surrendering Shares to the Company (including Shares that would otherwise be issued pursuant to the Award) that have a Fair Market Value determined as of the applicable Tax Date equal to the amount required to be withheld. In the case of Shares previously acquired from the Company that are surrendered under this Section 14, such Shares must have been owned by the Participant for more than six months on the date of surrender (or such longer period of time the Company may in its discretion require).**

Income Taxes and Deferred Compensation. **Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards (including any taxes arising under Section 409A of the Code), and the Company shall not have any obligation to indemnify or otherwise hold any Participant harmless from any or all of such taxes. The Administrator shall have the discretion to organize any deferral program, to require deferral election forms, and to grant or to unilaterally modify any Award in a manner that (i) conforms with the requirements of Section 409A of the Code with respect to compensation that is deferred and that vests after December 31, 2004, (ii) that voids any Participant election to the extent it would violate Section 409A of the Code, and (iii) for any distribution election that would violate Section 409A of the Code, to make distributions pursuant to the Award at the earliest to occur of a distribution event that is allowable under Section 409A of the Code or any distribution event that is both allowable under Section 409A of the Code and is elected by the Participant, subject to any valid second election to defer, provided that the Administrator permits second elections to defer in accordance with Section 409A(a)(4)(C). The Administrator shall have the sole discretion to interpret the requirements of the Code, including Section 409A, for purposes of the Plan and all Awards.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Loans. **The Company or its Affiliate may make or guarantee loans to grantees to assist grantees in exercising Awards and satisfying any withholding tax obligations.**

Transfers, Adjustments and Change in Control Transactions

Transferability. **Except as otherwise determined by the Administrator, and in any event in the case of an ISO or a Stock Appreciation Right granted with respect to an ISO, no Award granted under the Plan shall be transferable by a grantee otherwise than by will or the laws of descent and distribution. Unless otherwise determined by the Administrator in accord with the provisions of the immediately preceding sentence, an Award may be exercised during the lifetime of the grantee, only by the grantee or, during the period the grantee is under a legal disability, by the grantee's guardian or legal representative.**

Adjustments for Corporate Transactions and Other Events.

Stock Dividend, Stock Split and Reverse Stock Split. In the event of a stock dividend of, or stock split or reverse stock split affecting, the Common Stock, (A) the maximum number of shares of such Common Stock as to which Awards may be granted under this Plan and the maximum number of shares with respect to which Awards may be granted during any one (1) fiscal year of the Company to any individual, as provided in Section 4 of the Plan, and (B) the number of shares covered by and the exercise price and other terms of outstanding Awards, shall, without further action of the Board, be adjusted to reflect such event unless the Board determines, at the time it approves such stock dividend, stock split or reverse stock split, that no such adjustment shall be made. The Administrator may make adjustments, in its discretion, to address the treatment of fractional shares and fractional cents that arise with respect to outstanding Awards as a result of the stock dividend, stock split or reverse stock split.

Non-Change in Control Transactions. Except with respect to the transactions set forth in Section 15(b)(i), in the event of any change affecting the Common Stock, the Company or its capitalization, by reason of a spin-off, split-up, dividend, recapitalization, merger, consolidation or share exchange, other than any such change that is part of a transaction resulting in a Change in Control of the Company, the Administrator, in its discretion and without the consent of the holders of the Awards, shall make (A) appropriate adjustments to the maximum number and kind of shares reserved for issuance or with respect to which Awards may be granted under the Plan, in the aggregate and with respect to any individual during any one fiscal year of the Company, as provided in Section 4 of the Plan; and (B) any adjustments in outstanding Awards, including but not limited to modifying the number, kind and price of securities subject to Awards.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Change in Control Transactions. In the event of any transaction resulting in a Change in Control of the Company, outstanding Options and SARs under this Plan will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof. In the event of such termination, the holders of Options and SARs under the Plan will be permitted, for a period of at least twenty (20) days prior to the effective time of the Change in Control, to exercise all portions of such Awards that are then exercisable or which become exercisable upon or prior to the effective time of the Change in Control; provided, however, that any such exercise of any portion of such an Award which becomes exercisable as a result of such Change in Control shall be deemed to occur immediately prior to the effective time of such Change in Control.

Pooling of Interests Transactions. In connection with any business combination authorized by the Board, the Administrator, in its sole discretion and without the consent of the holders of the Awards, may make any modifications to any Awards, including but not limited to cancellation, forfeiture, surrender or other termination of the Awards, in whole or in part, regardless of the vested status of the Award, but solely to the extent necessary to facilitate the compliance of such transaction with requirements for treatment as a pooling of interests transaction for accounting purposes under generally accepted accounting principles.

Unusual or Nonrecurring Events. The Administrator is authorized to make, in its discretion and without the consent of holders of Awards, adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events affecting the Company, or the financial statements of the Company or any Affiliate, or of changes in applicable laws, regulations, or accounting principles, whenever the Administrator determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

Substitution of Awards in Mergers and Acquisitions**. Awards may be granted under the Plan from time to time in substitution for awards held by employees, officers, consultants or directors of entities who become or are about to become employees, officers, consultants or directors of the Company or an Affiliate as the result of a merger or consolidation of the employing entity with the Company or an Affiliate, or the acquisition by the Company or an Affiliate of the assets or stock of the employing entity. The terms and conditions of any substitute Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the substitute Awards to the provisions of the awards for which they are substituted.**

Time of Granting of Awards

The date of grant ("Grant Date") of an Award shall be the date on which the Administrator makes the determination granting such Award or such other date as is determined by the Administrator, provided that in the case of an ISO, the Grant Date shall be the later of the date on which the Administrator makes the determination granting such ISO or the date of commencement of the Participant's employment relationship with the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Modification of Awards and Substitution of Options

Modification, Extension and Renewal of Awards. **Within the limitations of the Plan, the Administrator may modify an Award to accelerate the rate at which an Option or SAR may be exercised (including without limitation permitting an Option or SAR to be exercised in full without regard to the installment or vesting provisions of the applicable Grant Agreement or whether the Option or SAR is at the time exercisable, to the extent it has not previously been exercised), to accelerate the vesting of any Award, to extend or renew outstanding Awards, or to accept the cancellation of outstanding Awards to the extent not previously exercised either for the granting of new Awards or for other consideration in substitution or replacement thereof. Notwithstanding the foregoing provision, no modification of an outstanding Award shall materially and adversely affect such Participant's rights thereunder, unless either the Participant provides written consent or there is an express Plan provision permitting the Administrator to act unilaterally to make the modification.**

Substitution of Options. **Notwithstanding any inconsistent provisions or limits under the Plan, in the event the Company or an Affiliate acquires (whether by purchase, merger or otherwise) all or substantially all of outstanding capital stock or assets of another corporation or in the event of any reorganization or other transaction qualifying under Section 424 of the Code, the Administrator may, in accordance with the provisions of that Section, substitute Options for options under the plan of the acquired company provided (i) the excess of the aggregate fair market value of the shares subject to an option immediately after the substitution over the aggregate option price of such shares is not more than the similar excess immediately before such substitution and (ii) the new option does not give persons additional benefits, including any extension of the exercise period.**

Term of Plan

The Plan shall continue in effect for a term of ten (10) years from its effective date as determined under Section 22 below, unless the Plan is sooner terminated under Section 19 below.

Amendment and Termination of the Plan

Authority to Amend or Terminate. **Subject to Applicable Laws, the Board may from time to time amend, alter, suspend, discontinue or terminate the Plan.**

Effect of Amendment or Termination. **No amendment, suspension, or termination of the Plan shall materially and adversely affect Awards already granted unless either it relates to an adjustment pursuant to Section 15 above, or it is otherwise mutually agreed between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Notwithstanding the foregoing, the Administrator may amend the Plan to eliminate provisions which are no longer necessary as a result of changes in tax or securities laws or regulations, or in the interpretation thereof.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Conditions Upon Issuance of Shares

Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with Applicable Law, with such compliance determined by the Company in consultation with its legal counsel.

Reservation of Shares

The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

Effective Date

Effective Date; Termination Date. **This Plan shall become effective on the date of its approval by the Board; provided that this Plan shall be submitted to the Company's shareholders for approval, and if not approved by the shareholders in accordance with Applicable Laws (as determined by the Administrator in its discretion) within one (1) year from the date of approval by the Board, this Plan and any Awards shall be null, void and of no force and effect. Awards granted under this Plan before approval of this Plan by the shareholders shall be granted subject to such approval, and no Shares shall be distributed before such approval. No Award shall be granted under the Plan after the close of business on the day immediately preceding the tenth (10th) anniversary of the effective date of the Plan, or if earlier, the tenth (10th) anniversary of the date this Plan is approved by the shareholders. Subject to other applicable provisions of the Plan, all Awards made under the Plan prior to such termination of the Plan shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.**

Governing Law

The validity, construction and effect of the Plan, of Grant Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Grant Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with applicable federal laws and the laws of the State of Nevada, without regard to its conflict of laws principles.

Other Applicable Laws And Regulations

U.S. Securities Laws. **This Plan, the grant of Awards, and the exercise of Options and SARs under this Plan, and the obligation of the Company to sell or deliver any of its securities (including, without limitation, Options, Restricted Shares, Restricted Share Units, Deferred Share Units and Shares) under this Plan shall be subject to all Applicable Law. In the event that the Shares are not registered under the Securities Act, or any applicable state securities laws prior to the delivery of such Shares, the Company may require, as a condition to the issuance thereof, that the persons to whom Shares are to be issued represent and warrant in writing to the Company that such Shares are being acquired by him or her for investment for his or her own account and not with a view to, for resale in connection with, or with an intent of participating directly or indirectly in, any distribution of such Shares within the meaning of the Securities Act, and a legend to that effect may be placed on the certificates representing the Shares.**

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Other Jurisdictions. **To facilitate the making of any grant of an Award under this Plan, the Administrator may provide for such special terms for Awards to Participants who are foreign nationals or who are employed by the Company or any Affiliate outside of the United States of America as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. The Company may adopt rules and procedures relating to the operation and administration of this Plan to accommodate the specific requirements of local laws and procedures of particular countries. Without limiting the foregoing, the Company is specifically authorized to adopt rules and procedures regarding the conversion of local currency, taxes, withholding procedures and handling of stock certificates which vary with the customs and requirements of particular countries. The Company may adopt sub-plans and establish escrow accounts and trusts as may be appropriate or applicable to particular locations and countries.**

No Shareholder Rights

Neither a Participant nor any transferee of a Participant shall have any rights as a shareholder of the Company with respect to any Shares underlying any Award until the date of issuance of a share certificate to a Participant or a transferee of a Participant for such Shares in accordance with the Company's governing instruments and Applicable Law. Prior to the issuance of Shares pursuant to an Award, a Participant shall not have the right to vote or to receive dividends or any other rights as a shareholder with respect to the Shares underlying the Award, notwithstanding its exercise in the case of Options and SARs. No adjustment will be made for a dividend or other right that is determined based on a record date prior to the date the stock certificate is issued, except as otherwise specifically provided for in this Plan.

No Employment Rights

Nothing in the Plan or in any Grant Agreement thereunder shall confer any right on an individual to continue in the service of the Company or shall interfere in any way with the right of the Company to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under the Plan.

No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a grantee or any other person. To the extent that any grantee or other person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Compliance with Section 409A of The Code

The Company intends that all Options granted under the Plan not be considered to provide for the deferral of compensation under Section 409A of the Code and that any other Award that does provide for such deferral of compensation shall comply with the requirements of Section 409A of the Code and, accordingly, this Plan shall be so administered and construed. Further, the Company may modify the Plan and any Award to the extent necessary to fulfill this intent.

* * * * *

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.69

ADVISORY AGREEMENT

This Advisory Agreement (the "Agreement") is made and entered into as of July 1, 2007 ("Effective Date"), between Kronos Advanced Technologies, Inc. ("Kronos"), a Nevada corporation and Barry Salzman, an individual resident in the State of New York ("Advisor").

Recitals

WHEREAS, Kronos desires Advisor to provide certain services as described herein and is willing to compensate Advisor, subject to the covenants, conditions and limitations set forth in this Agreement; and

WHEREAS, Advisor has special knowledge and other background experience relevant to the field and is willing to provide certain services subject to the covenants, conditions and limitations of this Agreement.

Agreement

In consideration of the foregoing recitals and the mutual covenants hereinafter provided, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged and intending to be legally and equitably bound hereby, the parties agree as follows:

I. Scope and Limitations of Engagement.

1. Kronos appoints Advisor. Kronos hereby appoints Advisor and Advisor hereby accepts such appointment, on a non-exclusive basis, to provide certain services ("Services") as described in Attachment A ("Statement of Work"). The Statement of Work may be modified or amended by mutual written consent of Kronos and Advisor.

2. Independent Status of Advisor. Advisor shall, at all times during the Term of this Agreement, be an independent contractor hereunder, rather than a co-venturer, agent, employee, or representative of Kronos. Advisor shall be responsible for Advisor's taxes, shall not be required to work on a continuing daily basis or any specific work schedule, and shall not be provided with office space or administrative support by Kronos. Advisor is permitted to engage in other businesses and ventures during the Term of this Agreement. Advisor shall be solely responsible for complying with all laws, rules, and regulations applicable to its services hereunder. Kronos shall not be liable for any injury (including death) to Advisor or others, workmen's compensation, employer's liability, social security, withholding tax, or other taxes of similar nature for or on behalf of Advisor or any other person, persons, firms or corporations consulted by Advisor in carrying out this Agreement. It is understood, however, that should Kronos be held liable for any social security, withholding or other taxes of a similar nature on behalf of Advisor, then Kronos shall have the right to recover an equivalent amount from Advisor or deduct such amount from any compensation due to Advisor pursuant to this Agreement.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

3. Confidentiality. The Advisor acknowledges that during the Term of this Agreement, the Advisor may be given access to or may become acquainted with Confidential Information (as hereinafter defined) and/or trade secrets of Kronos. Subject to the exceptions set forth below and permitted uses of Confidential Information in connection with the provision of services pursuant to this Agreement, the Advisor acknowledges that the Confidential Information and/or trade secrets of Kronos as such may exist from time to time, are valuable, confidential, special and unique assets of Kronos, expensive to produce and maintain and essential for the operation of its business. The Advisor hereby agrees that he shall not, during the Term of this Agreement and for a period of five (5) years thereafter, directly or indirectly, communicate, disclose or divulge to any Person, as defined below, or use for its benefit or the benefit of any Person, in any manner any Confidential Information or trade secrets of Kronos acquired before or during the Term of this Agreement, or any other Confidential Information concerning the conduct and details of the businesses of Kronos, except as may be required for the Advisor to perform the services hereunder and otherwise to comply with the terms and conditions and intent of this Agreement and by law, or to enforce the Advisor's rights hereunder. As used in this Section, "Confidential Information" of Kronos means any and all information (verbal and written) relating to Kronos or any of its subsidiaries or any of its affiliates, or any of their respective activities, including, but not limited to, information relating to trade secrets, personnel lists, financial information, research projects, services used, pricing, software, software code, technical memoranda, designs and specifications, new products and services, comparative analyses of competitive products, technology, know-how, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. Confidential Information shall not include information that, at the time of disclosure, (a) is known or available to the general public by publication (including, without limitation, the public disclosure of information pursuant to Kronos's reporting obligations under applicable federal and state securities laws) or otherwise through no act or failure to act on the part of the Advisor in violation of this Section I(3), (b) became known or was derived by the Advisor by some demonstrable means other than as a result of the Advisor's access thereto, (c) was rightfully received from a third party without similar restrictions and without breach of this Agreement or any other agreement, or (d) was independently developed by the Advisor without any utilization of the Confidential Information. The Advisor shall not be liable for any disclosure of Confidential Information made pursuant to a valid and enforceable judicial or governmental order (a "Mandated Disclosure") not sought by the Advisor for the purpose of circumventing his obligations hereunder; provided, however, that the Advisor's obligations under this Section I (3) shall be deemed satisfied if, promptly upon the Advisor's receipt of a subpoena or other written notice seeking disclosure of Confidential Information, the Advisor shall provide written notice to Kronos of any attempt to obtain the Mandated Disclosure and in any event prior to any disclosure of Confidential Information pursuant thereto, and reasonably cooperates with Kronos in the event that Kronos elects to legally contest and avoid the Mandated Disclosure.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

II. Intellectual Property.

1. Advisor covenants and agrees that any works of authorship, work product, materials, copyrights, discoveries, improvements, inventions and/or patent rights and anything else that Advisor may make or acquire, either solely or jointly with others, which result from Advisor's contact with Kronos personnel and operation or from Advisor's work for Kronos, during the Term of this Agreement or while engaged upon the advisory work under this Agreement, and for six (6) months thereafter ("Works"), shall be the exclusive property of Kronos and agrees to assign, and by these presents does hereby assign and transfer all his entire right, title and interest in and to such inventions, improvements and patent rights to Kronos, its successors and assigns, and Advisor agrees upon the request of Kronos to execute and deliver all documents and perform such acts necessary or advisable to secure to Kronos, its successors and assigns or its nominee without payment of additional consideration therefor other than the payment for said advisory services as herein provided, the entire right, title and interest in and to said discoveries, improvements and inventions, including applications for and/or letters patent of the United States and countries foreign thereto provided the cost of preparing such papers, assignments and applications for letters patent and the prosecution and maintenance of said applications for and/or letters patent and all proceedings and litigation is borne by Kronos or its nominee. Both parties agree that any obligation Advisor may now have to assign inventions to Kronos is not waived or changed by terms of this Agreement.

2. Advisor agrees that any and all information including know-how and trade secrets that may be imparted to him by Kronos as well as Advisor's advice, recommendations and opinions resulting from such advisory service shall be maintained confidential and secret and Advisor shall not use or disclose said information to others except officials and duly authorized employees and representatives of Kronos, without prior written consent and approval of Kronos.

3. Advisor shall at all times during and after the Term of this Agreement, upon the request and the expense of Kronos, execute and deliver any and all papers, and do any and all lawful acts that may be necessary or desirable in the opinion of Kronos including but not limited to:

a. To obtain letters patent, both domestic and foreign on said inventions;

b. To secure, establish and maintain title in Kronos, its successors and assigns, to said inventions, applications and letters patent, including making such title of lawful and public record;

c. To cooperate fully with Kronos, both during and after the Term of this Agreement, with respect to the procurement, perfection of title, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to developments or inventions; to sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Kronos may deem necessary or desirable in order to protect its rights and interests in any development or invention. If Kronos is unable, after reasonable effort, to secure Advisor's signature on any such papers, any executive officer of Kronos shall be entitled to execute any such papers as his agent and attorney-in-fact, and Advisor hereby irrevocably designates and appoints each executive officer of Kronos as his agent and attorney-in-fact to execute any such papers on Advisor's behalf, and to take any and all actions as Kronos may deem necessary or desirable in order to protect its rights and interests in any development or invention, under the conditions described in this sentence.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

d. To defend, establish or otherwise preserve the validity of said letter patent against any and all infringers.

4. Advisor shall promptly disclose to Kronos or its designees, in writing, all inventions (regardless of whether such inventions are related to the business, products or services of Kronos or any of its affiliated companies) made or conceived, either solely or jointly with others, during the term of this Agreement and for six (6) months thereafter.

5. Advisor shall within two (2) days after written request by Kronos turn over to Kronos all plans, notes, blueprints, designs, models, laboratory notebooks, etc., relating to inventions conveyed or covered by this Agreement, and Advisor hereby assigns, sells, transfers and sets over unto Kronos all right, title and interest in and to said plans, notes, blueprints, designs, models, laboratory notebooks, etc.

III. Compensation.

1. Advisors Fee. Kronos shall pay to Advisor and Advisor shall receive from Kronos the Advisor's Fee as described in the Statement of Work. Any compensation payable to any person other than the Advisor in connection with the provision of the Advisor's services hereunder shall be paid out of the compensation described in this Section III. The compensation to be paid in accordance with the Statement of Work is the sole compensation to be paid by Kronos in connection therewith.

2. Expense Reimbursement. Kronos shall reimburse pre-approved travel or other pre-approved expenses incurred by Advisor in connection with services to be rendered by Advisor pursuant to this Agreement, as expressly agreed in advance and writing by Kronos. Pre-approved travel and pre-approved other expenses will be reimbursed within thirty (30) business days from receipt of expense documentation.

IV. Advisors Warranties, Representations and Additional Covenants.

1. Full Authority. Advisor warrants and represents to Kronos that: (i) Advisor has the full unrestricted right to enter into this Agreement, (ii) by entering into this Agreement, Advisor is not violating or otherwise contravening any agreement to which Advisor is bound or any applicable law; and (iii) no person must consent to the execution and performance of this Agreement by Advisor.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2. Fraud and Bad Acts. Advisor represents and warrants to Kronos that Advisor is not now, and covenants that Advisor shall not in the future be, a Person (i) subject to an order of any regulator under applicable law, or (ii) convicted within the previous ten (10) years of a felony.

3. Compliance with all laws. Advisor covenants with Kronos that Advisor shall comply with all applicable laws in connection with the execution and performance of this Agreement.

4. Full Disclosure to Kronos. Without limiting any other provision of this Agreement, Advisor agrees to fully disclose all activities in which Advisor is engaged other than pursuant to this Agreement.

V. Term and Termination.

1. The term of this Agreement is one year from the Effective Date (the "Term").

2. This Agreement may be terminated immediately by Kronos, without notice, in the event that Advisor commits a material breach of this Agreement.

3. In the absence of breach by Advisor, Kronos may terminate this Agreement upon ten (10) days prior written notice to Advisor. In this event, Advisor shall be entitled to all compensation pursuant this Agreement which has been earned.

4. Advisor may terminate this Agreement upon ten (10) days prior written notice to Kronos.

VI. Miscellaneous.

1. Binding Effect and Survival of Rights. This Agreement will benefit and bind the parties and their respective personal representatives, executors, administrators, heirs, legatees, devisees, successors and assigns.

2. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Agreement will be in writing addressed as follows:

If to Kronos:

Kronos Advanced Technologies, Inc.
464 Common Street, Suite 301
Belmont, MA 02478
Telephone: 617.364.5087
Attention: Daniel R. Dwight, President
and Chief Executive Officer

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

If to Advisor:

Barry Salzman
655 Madison Avenue
New York, NY
Telephone: 1. (212) 888-8100

Any such notice, demand, request or communication will be deemed to have been given and received for all purposes under this Agreement: (a) on the date of delivery when delivered in person; (b) on the date of transmission when delivered by facsimile transmission (provided such transmission is confirmed by transmission receipt and such notice is promptly confirmed by some other means described herein); and/or (c) on the next business day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; provided, however, if the day such notice, demand, request or communication will be deemed to have been given and received as aforesaid is not a business day, such notice, demand, request or communication will be deemed to have been given and received on the next business day.

Any party to this Agreement may change such parties address for the purpose of notice, demands, requests and communications required or permitted under this Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

3. Interpretation. The parties acknowledge to each other that each party has reviewed and participated in the negotiation of this Agreement. Accordingly, the normal rule of construction to the effect that any ambiguities are resolved against the drafting party will not be employed in the interpretation of this Agreement.

4. Incorporation. The Recitals, all exhibits and schedules attached hereto, or to be attached hereto, and all other agreements and instruments referred to herein are hereby incorporated by reference into this Agreement as fully as if copied herein verbatim.

5. Further Assurances. The parties further agree that, upon request, they will do such further acts and deeds and will execute, acknowledge, deliver and record such other documents and instruments as may be reasonably necessary from time to time to evidence, confirm or carry out the intent and purpose of this Agreement.

6. Lawful Authority. Each party executing this Agreement hereby represents and warrants to all other parties that they have been fully authorized to execute and deliver this Agreement.

7. Attorneys Fees. If any legal action or other proceeding (including arbitration pursuant to this Agreement) is brought for the enforcement of this Agreement, or because of any alleged dispute, breach, default or misrepresentation in connection with any provisions of this Agreement, the prevailing party will be entitled to recover reasonable attorneys fees, court costs and all reasonable expenses, even if not taxable or assessable as court costs (including, without limitation, all such fees, costs and expenses incident to appeal) incurred in that action or proceeding in addition to any other relief to which such party may be entitled.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

8. Waivers and Consents.

(i) Each and every waiver of any provision of this Agreement must be in writing and signed by each party whose interests are adversely affected by such waiver.

(ii) Unless otherwise expressly provided in a waiver, no such waiver granted in any one instance will be construed as a continuing waiver applicable in any other instance.

(iii) No waiver by any party to this Agreement to or of any breach or default by any other party to this Agreement in the performance by such other party of its obligations hereunder will be deemed or construed to be a waiver of any breach or default of any other party of the same or any subsequent obligations hereunder.

(iv) Subject to applicable statutes of limitation, the failure on the part of any party to this Agreement to complain of any act or failure to act of any other party to this Agreement or to declare such other party in default, irrespective of how long such failure continues, shall not constitute a waiver by the non-defaulting party of its rights hereunder.

(v) Each and every consent by any party to this Agreement must be in writing signed by the party to be bound thereby. No consent will be deemed or construed to be a consent to any action except as described in such writing.

9. Section Headings. The Section headings contained in this Agreement are for reference purposes only and will not affect the interpretation of this Agreement.

10. Governing Law. This Agreement will be governed in all respects, including validity, interpretation and effect by, and will be enforceable in accordance with, the internal laws of the State of Nevada without regard to conflicts of laws principles.

11. Severability. If any provision of this Agreement is held to be unlawful, invalid or unenforceable under present or future laws effective during the term hereof, such provision will be fully severable, and this Agreement will be construed and enforced without giving effect to such unlawful, invalid or unenforceable provision. Furthermore, if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision void, and the other which would render the provision valid, then the provision will have the meaning which renders it valid.

12. Counterpart Execution. This Agreement may be executed in multiple counterparts, each one of which will be deemed an original, but all of which will be considered together as one and the same instrument. Further, in making proof of this Agreement, it will not be necessary to produce or account for more than one (1) such counterpart. Provided all parties have signed at least one counterpart, the execution by a party of a signature page hereto will constitute due execution and will create a valid, binding obligation of the party so signing, and it will not be necessary or required that the signatures of all parties appear on a single signature page hereto.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

13. Amendments. Each and every modification and amendment of this Agreement must be in writing and except as otherwise provided herein, signed by all the parties hereto.

14. Entire Agreement. This Agreement contains the entire agreement between the parties regarding the subject matter hereof. Any prior agreements, discussions or representations not expressly contained in this Agreement will be deemed to be replaced by the provisions hereof, and no party has relied on any such prior agreements, discussions or representations as an inducement to the execution hereof.

15. Rules of Construction. (a) All terms in this Agreement in the singular and plural will have comparable meanings when used in the plural and vice-versa unless otherwise specified; (b) the words hereof, herein, hereunder and words of similar import when used in this Agreement, will refer to this Agreement as a whole and not any particular provision of this Agreement and all references to articles, sections and subdivisions thereof are to this Agreement unless otherwise specified; (c) the words include, includes and including will be deemed to be followed by the phrase without limitation; (d) all pronouns and any variations thereof will be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the individual, individuals, entity or entities may require; (e) all references to documents, contracts, agreements or instruments will include any and all supplements and amendments thereto; and (f) all accounting terms not specifically defined herein will be construed in accordance with generally accepted accounting principles or generally accepted auditing standards then applied in the United States.

16. Forum Selection. ADVISOR AND KRONOS DO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE SOLE AND EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND DO FURTHER IRREVOCABLY AND UNCONDITIONALLY STIPULATE AND AGREE THAT THE FEDERAL COURTS IN THE STATE OF NEW YORK OR THE STATE COURTS OF NEW YORK WILL HAVE JURISDICTION TO HEAR AND FINALLY DETERMINE ANY DISPUTE, CLAIM, CONTROVERSY OR ACTION ARISING OUT OF OR CONNECTED (DIRECTLY OR INDIRECTLY) WITH THIS AGREEMENT THAT IS NOT SUBJECT TO ARBITRATION, OR TO ENTER A JUDGMENT CONSISTENT WITH ANY ARBITRATION AWARD. ADVISOR AND KRONOS FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY AND ALL OBJECTIONS OR DEFENSES TO SAID JURISDICTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT SERVICE UPON ANY PARTY HERETO SHALL BE MADE BY DELIVERY VIA PRIORITY OVERNIGHT DELIVERY (E.G., FEDEX) AND BY FACSIMILE OF A COPY OF SUCH PROCESS TO THE ADDRESS OF SUCH PARTY FOR NOTICES TO SUCH PARTY AS SET FORTH IN THIS AGREEMENT LETTER (OR SUCH DIFFERENT ADDRESS AT SUCH PARTY WILL HEREAFTER SPECIFY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT). THE FOREGOING CONSENT, IN ADVANCE, TO THE JURISDICTION OF THE AFOREMENTIONED COURTS AND THE AFOREMENTIONED METHOD OF SERVICE ARE MATERIAL INDUCEMENTS FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

17. Personal Nature of Undertaking. Advisor acknowledges that the engagement of Advisor's services hereunder by Kronos is personal to Advisor, and such services shall not be delegated or assigned to any other Person or Advisor without Kronos' express prior written consent, which may be withheld in Kronos' sole and absolute discretion.

IN WITNESS WHEREOF, the parties have executed this Advisors Agreement effective as of the date signed by the parties, as shown below.

Kronos Advanced Technologies:

By:___________________________________
Daniel R. Dwight
Title: President and Chief Executive Officer

Advisor:

By:______________________________________
Name: Barry Salzman

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ATTACHMENT A

Project: Advisory consultation to the Company on general business matters, funding and customer relationships.

Advisory Fee: $20,833 / month

Limitation: The Advisor is not an Officer or Director of the Company and is limited solely to an advisory role to the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.70

SEVERANCE AGREEMENT AND GENERAL RELEASE

THIS SEVERANCE AGREEMENT AND GENERAL RELEASE (this "Agreement"), dated as of May 16, 2008, is made and entered into by and between Kronos Advanced Technologies, Inc., a Nevada corporation (the "Company"), and Daniel R. Dwight, an individual resident of the State of Massachusetts ("Dwight").

WHEREAS, Dwight is a stockholder, officer, director and employee of the Company;

WHEREAS, Dwight is a party to the following agreements with the Company: Employment Agreement, dated November 15, 2001 ("Employment Agreement"); a Promissory Note, dated March 31, 2004 made by the Company in favor of Dwight ("Note"); Stock Option Agreement, dated June 19, 2007 ("Stock Option Agreement"); and Indemnification Agreement, dated August 11, 2000 ("Indemnification Agreement");

WHEREAS, the Company has informed Dwight that his role as President and Chief Executive Officer is being terminated effective June 20, 2008 ("Termination Date"), which is a termination for "Good Reason" under the Employment Agreement;

WHEREAS, in connection with the foregoing, Dwight and the Company desire to evidence in writing the terms and conditions of such termination.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants, agreements, and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. EMPLOYMENT TERMINATION. Dwight will take his five (5) weeks of accrued vacation beginning on May 19, 2008 and continuing until June 20, 2008. Dwight's Company employment will end on June 20, 2008 ("Termination Date") and by executing this Agreement, Dwight resigns as an officer and director of the Company effective as of the date hereof. During his employment, Dwight participated in certain Company-provided benefits, and he also purchased his own health, life and disability insurance benefits through third-party insurance companies, for which he was reimbursed by the Company ("Third-Party Benefit Plans"). As of the Termination Date, any entitlement Dwight had or might have had under a Company-provided benefit plan shall cease, except as required by law. The Termination Date shall be the qualifying event under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). Dwight understands that his rights and continued participation in those Company-sponsored plans will be governed by the terms of such plans, and that Dwight generally will become ineligible for those plans on the Termination Date. Thereafter, Dwight will be able to purchase continued coverage under certain of such Company-provided plans and to continue his current health and other benefits with his existing Third-Party Benefit Plans; provided, however, that to the extent Dwight purchases continuation coverage under certain of Company-provided and/or continues his benefits under his Third-Party Benefit Plans, the Company shall reimburse Dwight for such coverage on a monthly basis during the 12-month period after the Termination Date within thirty (30) days of Dwight's written reimbursement request for such benefits. By executing this Agreement both parties acknowledge and agree that the Employment Agreement is hereby terminated and of no further force and effect; provided, however, that the parties acknowledge and agree that Sections 4 (Confidentiality/Covenant Against Unfair Competition), 5 (Company Property) and 8 (Indemnification) thereof shall survive such termination and remain in full force and effect in accordance with the terms thereof. Dwight agrees that all provisions of that certain Voting Agreement dated as of June 20, 2007, by and among Dwight, the Company and the other parties thereto ("Voting Agreement") shall continue to be in full force and effect after the Termination Date.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2. PAYMENTS AND BENEFITS.

(a) Severance Payment. The Company shall pay to Dwight twenty-four equal severance payments each in the amount of Nine Thousand Three Hundred Seventy-Five Dollars ($9,375.00), minus applicable federal, state, and local tax withholdings, the first payment of which shall be paid on the first regularly scheduled payroll period following the Termination Date, and each subsequent payment shall be paid immediately thereafter in accordance with the Company's regular payroll procedures until the entire severance payment is paid in full. At the appropriate time, as required by law, the Company shall issue an IRS Form W-2 reflecting such payments. Such payments will not be taken into account in determining Dwight's rights or benefits under any other program.

(b) Loan Repayment. Within ten (10) days of the execution of this Agreement by all parties, the Company shall repay to Dwight the aggregate amount of the outstanding principal and all accrued interest on the Note as of the date hereof, which is Fifty Nine Thousand Nine Hundred Eighty-Six and 29/100 Dollars ($59,986.29). Upon receipt of payment of the Note in full, Dwight shall return to the Company for cancellation all documentation, including, without limitation, the Note and any other document, evidencing indebtedness owed by the Company to Dwight.

3. RELEASE.

(a) Dwight releases (*i.e.*, gives up) all known and unknown claims that Dwight presently has (i.e., has as of the date hereof) against the Company, all current and former parents, subsidiaries, related companies, partnerships, joint ventures, or other affiliates, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this section, and their successors ("Released Parties"), except claims that the law does not permit Dwight to waive by signing this Agreement. For example, Dwight is releasing all common law contract, tort, or other claims he might have, as well as all claims he might have under the WARN Act, the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Americans With Disabilities Act (ADA), the Employee Retirement Income Security Act of 1974 ("ERISA"), and similar state or local laws. Notwithstanding the forgoing, Dwight is not releasing any rights or claims related to indemnification, which rights are set forth in Section 8 of the Employment Agreement and the Indemnification Agreement.

(b) The Company hereby acknowledges and agrees that as of the Termination Date it has no knowledge of any claims it may have against Dwight.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

4. COOPERATION REQUIRED. If requested by the Company after May 16, 2008 and until the date that is six (6) months after the date hereof, Dwight shall cooperate with the Company or any affiliate for up to twenty (20) hours per month in effecting a smooth transition of his responsibilities to others ("Transition Services"). The first eight (8) hours in each month that Dwight works performing Transition Services shall be at no cost to the Company, but to the extent Dwight works more than eight (8) hours in any month performing any such Transition Services and/or provides other consulting services as may be requested by the Company (i.e., consulting services that are not Transition Services), he will be paid an hourly rate of Three Hundred Dollars ($300) for each such hour that he works. The parties have evidenced such intent and terms in that certain Consulting Agreement executed by the parties simultaneously herewith.

5. MUTUAL NON-DISPARAGEMENT. Dwight agrees not to criticize, denigrate, or otherwise disparage the Company, any other Released Party, or any of the Company's products, processes, experiments, policies, practices, standards of business conduct, or areas or techniques of research. Similarly, the Company, including its employees, agrees not to criticize, denigrate, or otherwise disparage Dwight. In the event that a prospective employer or third-party contacts the Company for a reference about Dwight, the Company agrees that it will only provide such prospective employer or third-party with the dates of Dwight's employment with the Company and the positions he held with the Company. Dwight shall direct any such prospective employer to contact Richard Tusing or Barry Salzman.

6. OTHER REPRESENTATIONS AND PROMISES. Dwight and the Company acknowledge and agree as follows:

(a) The Company agrees to pay all of Employee's attorneys' fees (up to a maximum amount of Three Thousand Dollars ($3,000)) incurred in connection with the review and negotiation of this Agreement and all other agreements and/or documents executed herewith.

(b) This Agreement is the entire agreement relating to Dwight's service with the Company and any claims or future rights that Dwight might have with respect to the Company and the Released Parties, except for the equity interest agreements (e.g., Stock Option Agreement and Voting Agreement) described in the attached Exhibit 6(k), the Note, the surviving provisions of the Employment Agreement as set forth herein, the Indemnification Agreement and a Consulting Agreement executed simultaneously herewith, each of which shall remain in full force and effect in accordance with their terms.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(c) Neither party relied on any representations that were not in this Agreement when executing this Agreement.

(d) Dwight has not suffered any job-related wrongs or injuries, such as any type of discrimination, for which Dwight might still be entitled to compensation or relief in the future. Upon the Company's full payment of the Note and Dwight's outstanding business expense reimbursement request(s), which total One Thousand One Hundred Thirty-Eight and 50/100 Dollars ($1,138.50), Dwight will have been paid all wages, compensation, benefits, expenses and other amounts that the Company or any Released Party should have paid Dwight through the date hereof.

(e) This Agreement is not an admission of wrongdoing by the Company or any other Released Party.

(f) Dwight is intentionally releasing claims that he does not know that he might have and that, with hindsight, he might regret having released. Dwight has not assigned, transferred or otherwise given away any of the claims he is releasing.

(g) If the Company or Dwight successfully asserts that any provision in this Agreement is void, the rest of the Agreement shall remain valid and enforceable unless the other party to this Agreement elects to cancel it.

(h) If Dwight initially did not think any representation he is making in this Agreement was true or if Dwight initially was uncomfortable making it, Dwight resolved all his doubts and concerns before signing this Agreement. Dwight has carefully read this Agreement, fully understands what it means, is entering into it knowingly and voluntarily, and confirms that all Dwight's representations in this Agreement are true. The consideration period described in the box above Dwight's signature started when Dwight first was given this Agreement, and Dwight waives any right to have it restarted or extended by any subsequent changes to this Agreement. The Company would not have given Dwight the payments or benefits he is getting in exchange for this Agreement but for his representations and promises he is making by signing it.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(i) Dwight shall return to the Company all files, memoranda, documents, records, copies of the foregoing, Company-provided credit cards, keys, building passes, security passes, access or identification cards, and any other property of the Company or any Released Party in Dwight's possession or control; provided, however, that the Company has requested that Dwight continue to maintain and store certain of the Company's business documents, including, but not limited to, the Company's key filings, financial documents, and Company contracts (maintained in 25 filing cabinets at Dwight's home office) as well as certain of the Company's prototype and test equipment until it can arrange for the transfer of these documents. The Company agrees that it shall not hold Dwight personally liable for the maintenance and safekeeping of these documents and the Company will incur all of the expenses associated with the transfer of these documents. Dwight shall keep these documents available to the Company at all times that these documents are maintained and stored by Dwight (subject to Dwight's travel schedule, which will require that he not be physically present at the home office on a regular basis and, as a result, may require a reasonable period of time for Dwight to respond to any request(s) by the Company for documents). If the Company requests that Dwight store these documents beyond June 30, 2008, the Company shall pay to Dwight a monthly storage fee of $1,500 which shall be paid to Dwight on a monthly basis and which fee shall be prorated for any period of storage of less than twenty-eight (28) days. Dwight shall clear all expense accounts, repay everything he owes to the Company or any Released Party, pay all amounts he owes on Company-provided credit cards or accounts (such as cell phone accounts), and cancel or personally assume any such credit cards or accounts. As of the date of the execution of this Agreement, the parties acknowledge and agree that Dwight does not owe any such amounts to the Company. Dwight shall not incur any expenses, obligations, or liabilities on behalf of the Company.

(j) By executing this Agreement, Dwight, to the maximum extent permitted by law, irrevocably assigns to the Company all of his rights to all Subject Inventions. "Subject Invention" means any Invention that was conceived or first practiced by Dwight, alone or in a joint effort with others, at any time prior to the execution hereof, which (1) may be reasonably expected to be used in a product of the Company, or a product similar to a Company product, (2) results from work that Dwight performed as part of his duties as an employee for the Company, (3) is in an area of technology which is the same as or substantially related to the areas of technology with which Dwight was employed during his time as an employee of the Company, (4) is useful, or which Dwight reasonably expects may be useful, in any manufacturing or design process of the Company, or (5) utilizes any Confidential Information or Trade Secrets. "Invention" means any discovery, whether or not patentable, including, without limitation, any process, method, formula, technique, machine, manufacture, composition of matter, algorithm or computer program, trade secrets, works of authorship, mask work, circuit, layout, idea, design, know-how and data, as well as improvements thereto.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(k) Dwight hereby represents and warrants to the Company that Exhibit 6(k) attached hereto sets forth a true, correct and complete list of all of the type and amount of equity interests in the Company owned, directly or indirectly, by Dwight, including, without limitation, all interests convertible into equity in the Company, and in the case of the options to acquire shares of the Company's capital stock owned, directly or indirectly, by Dwight, the grant date, exercise price, vesting date, and expiration date of such options, each of which shall remain in full force and effect in accordance with their respective terms.

(l) The Company acknowledges and agrees that it shall immediately take all necessary steps to change the Company's general phone number on any public documents, including any and all SEC filings, which currently lists Dwight's home office number.

(m) The parties agree that they will take all necessary steps to transfer the access to the Kronos Advanced Bank account from Dwight to Richard Tusing as soon as practicable, but no later than the Termination Date.

7. MISCELLANEOUS.

(a) No Waiver. The failure of any party to this Agreement to enforce at any time, or for any period of time, any one or more of the terms of this Agreement shall not be a waiver of such terms or conditions or of such party's right thereafter to enforce each and every term and condition of this Agreement.

(b) Choice of Law. This Agreement shall be interpreted and enforced in accordance with the laws of Massachusetts.

(c) Legal Fees and Expenses. In the event that either party brings a lawsuit to enforce their respective contractual rights under this Agreement, the Promissory Note, the Indemnification Agreement or the Consulting Agreement, the prevailing party shall be entitled to recover all legal fees and expenses associated with prosecuting such claim(s).

(d) No Presumption Against Drafter. This Agreement has been drafted through a cooperative effort by both parties, and neither party shall be considered the drafter of this Agreement so as to give rise to any presumption or convention regarding construction of this document.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

DWIGHT MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS AGREEMENT. BEFORE SIGNING THIS AGREEMENT, DWIGHT SHOULD READ IT CAREFULLY AND, IF HE CHOOSES, DISCUSS IT WITH HIS ATTORNEY. DWIGHT SHOULD TAKE AS MUCH TIME AS HE NEEDS TO CONSIDER THIS AGREEMENT BEFORE DECIDING WHETHER TO SIGN IT, UP TO TWENTY-ONE (21) DAYS. BY SIGNING IT DWIGHT WILL BE WAIVING HIS KNOWN AND UNKNOWN CLAIMS.

MAY 23, 2008, IS THE DEADLINE FOR DWIGHT TO DELIVER A SIGNED COPY OF THIS AGREEMENT TO RICHARD F. TUSING AT 6867 ELM STREET SUITE 101, MCLEAN, VA, TELEPHONE 1.703.821.1905. IF DWIGHT FAILS TO DO SO, HE WILL NOT RECEIVE THE PAYMENTS OR BENEFITS DESCRIBED IN IT.

DWIGHT MAY REVOKE THIS SETTLEMENT AGREEMENT IF HE REGRETS HAVING SIGNED IT. TO DO SO HE MUST DELIVER A WRITTEN NOTICE OF REVOCATION TO RICHARD F. TUSING AT 6867 ELM STREET SUITE 101, MCLEAN, VA, TELEPHONE 1.703.821.1905, BEFORE SEVEN (7) TWENTY-FOUR (24) HOUR PERIODS EXPIRE FROM THE TIME HE SIGNED IT. IF DWIGHT REVOKES THIS SETTLEMENT AGREEMENT, IT WILL NOT GO INTO EFFECT.

Date: 5-16-08

By: /s/ Daniel R. Dwight

Daniel R. Dwight

KRONOS ADVANCED TECHNOLOGIES, INC.

Date: ____________________

By: ___________________________________

Name: Richard F. Tusing
Title: Chief Operating Officer

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 6(k)
EQUITY INTERESTS

Kronos Advanced Technologies, Inc. ("Kronos") Common Stock – 1,201,926 Shares

Kronos Stock Options – 26,000,000 options to purchase 26,000,000 shares of Kronos Common Stock granted under the Kronos Stock Incentive Plan Stock Option Agreement dated June 19, 2007. Stock Options are fully vested and exercisable at an Exercise Price per Share of $0.016 until the Expiration Date of June 19, 2017.

Initial
Dwight /s/ DRD
Company ____

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.71

ADVISORY AGREEMENT

This Advisory Agreement (the "Agreement") is made and entered into as of the effective date June 1, 2008 (the "Effective Date"), between Kronos Advanced Technologies, Inc. ("Kronos"), a Nevada corporation and Marc Kloner, an individual, hereinafter collectively referred to as "Advisor".

Recitals

WHEREAS, Kronos is interested in Advisor providing Specialized Consulting Services as detailed in Attachment A. For such service, Kronos is willing to compensate Advisor, subject to the covenants, conditions and limitations set forth in this Agreement.

WHEREAS, Advisor has special knowledge and other background experience relevant to the field and is willing to provide the services contemplated by and in accordance with the covenants, conditions and limitations of this Agreement.

Agreement

In consideration of the foregoing recitals, the mutual covenants hereinafter provided, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound and equitably bound, hereby agree as follows:

I. Scope and Limitations of Engagement.

1. Kronos appoints Advisor. Kronos hereby appoints Advisor and Advisor hereby accepts such appointment, on a non-exclusive basis, to provide the Services as described in Attachment A Statement of Work. The Statement of Work may be modified or amended by mutual written consent of Kronos and Advisor.

2. Independent Status of Advisor. Advisor shall, at all times, be an independent contractor hereunder, rather than a co-venturer, agent, employee, or representative of Kronos. Advisor shall be responsible for Advisor's taxes, shall not be required to work on a continuing daily basis or any specific work schedule, and shall not be provided with office space or administrative support by Kronos. Advisor is permitted to engage in other businesses and ventures. Advisor shall be solely responsible for complying with all laws, rules, and regulations applicable to its services hereunder. Kronos shall not be liable for any injury (including death) to Advisor or others, workmen's compensation, employer's liability, social security, withholding tax, or other taxes of similar nature for or on behalf of Advisor or any other person, persons, firms or corporations consulted by Advisor in carrying out this Agreement. It is understood, however, that should Kronos be held liable for any social security, withholding or other taxes of a similar nature on behalf of Advisor, then Kronos shall have the right to recover an equivalent amount from Advisor or deduct such amount from any compensation due to Advisor pursuant to this Agreement.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

3. Confidentiality. The Advisor acknowledges that during the Term of this Agreement, the Advisor may be given access to or may become acquainted with Confidential Information (as hereinafter defined) and/or trade secrets of Kronos. Subject to the exceptions set forth below and permitted uses of Confidential Information in connection with the provision of services pursuant to this Agreement, the Advisor acknowledges that the Confidential Information and/or trade secrets of Kronos as such may exist from time to time, are valuable, confidential, special and unique assets of Kronos, expensive to produce and maintain and essential for the operation of its business. The Advisor hereby agrees that he shall not, during the Term of this Agreement and for a period of five (5) years thereafter, directly or indirectly, communicate, disclose or divulge to any Person, as defined below, or use for its benefit or the benefit of any Person, in any manner any Confidential Information or trade secrets of Kronos acquired before or during the Term of this Agreement, or any other Confidential Information concerning the conduct and details of the businesses of Kronos, except as may be required for the Advisor to perform the services hereunder and otherwise to comply with the terms and conditions and intent of this Agreement and by law, or to enforce the Advisor's rights hereunder. As used in this Section, "Confidential Information" of Kronos means any and all information (verbal and written) relating to Kronos or any of its subsidiaries or any of its affiliates, or any of their respective activities, including, but not limited to, information relating to trade secrets, personnel lists, financial information, research projects, services used, pricing, software, software code, technical memoranda, designs and specifications, new products and services, comparative analyses of competitive products, technology, know-how, customers, customer lists and prospects, product sourcing, marketing and selling and servicing. Confidential Information shall not include information that, at the time of disclosure, (a) is known or available to the general public by publication (including, without limitation, the public disclosure of information pursuant to Kronos' reporting obligations under applicable federal and state securities laws) or otherwise through no act or failure to act on the part of the Advisor in violation of this Section I(3), (b) became known or was derived by the Advisor by some demonstrable means other than as a result of the Advisor's access thereto, (c) was rightfully received from a third party without similar restrictions and without breach of this Agreement or any other agreement, or (d) was independently developed by the Advisor without any utilization of the Confidential Information. The Advisor shall not be liable for any disclosure of Confidential Information made pursuant to a valid and enforceable judicial or governmental order (a "Mandated Disclosure") not sought by the Advisor for the purpose of circumventing his obligations hereunder; provided, however, that the Advisor's obligations under this Section I (3) shall be deemed satisfied if, promptly upon the Advisor's receipt of a subpoena or other written notice seeking disclosure of Confidential Information, the Advisor shall provide written notice to Kronos of any attempt to obtain the Mandated Disclosure and in any event prior to any disclosure of Confidential Information pursuant thereto, and reasonably cooperates with Kronos in the event that Kronos elects to legally contest and avoid the Mandated Disclosure.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

II. Intellectual Property.

1. Advisor covenants and agrees that any works of authorship, work product, materials, copyrights, discoveries, improvements, inventions and/or patent rights and anything else that Advisor may make or acquire, either solely or jointly with others, which result from Advisor's contact with Kronos personnel and operation or from Advisor's work for Kronos, during the Term of this Agreement or while engaged upon the advisory work under this Agreement, and for six (6) months thereafter, shall be the exclusive property of Kronos and agrees to assign, and by these presents does hereby assign and transfer all his entire right, title and interest in and to such inventions, improvements and patent rights to Kronos, its successors and assigns, and Advisor agrees upon the request of Kronos to execute and deliver all documents and perform such acts necessary or advisable to secure to Kronos, its successors and assigns or its nominee without payment of additional consideration therefore other than the payment for said advisory services as herein provided, the entire right, title and interest in and to said discoveries, improvements and inventions, including applications for and/or letters patent of the United States and countries foreign thereto provided the cost of preparing such papers, assignments and applications for letters patent and the prosecution and maintenance of said applications for and/or letters patent and all proceedings and litigation is borne by Kronos or its nominee. Both parties agree that any obligation Advisor may now have to assign inventions to Kronos is not waived or changed by terms of this Agreement.

2. Advisor agrees that any and all information including know-how and trade secrets that may be imparted to him by Kronos as well as Advisor's advice, recommendations and opinions resulting from such advisory service shall be maintained confidential and secret and Advisor shall not use or disclose said information to others except officials and duly authorized employees and representatives of Kronos, without prior written consent and approval of Kronos.

3. Advisor shall at all times during and after the Term of this Agreement, upon the request and the expense of Kronos, execute and deliver any and all papers, and do any and all lawful acts that may be necessary or desirable in the opinion of Kronos including but not limited to:

a. To obtain letters patent, both domestic and foreign on said inventions;

b. To secure, establish and maintain title in Kronos, its successors and assigns, to said inventions, applications and letters patent, including making such title of lawful and public record;

c. To cooperate fully with Kronos, both during and after the Term of this Agreement, with respect to the procurement, perfection of title, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and foreign countries) relating to developments or inventions; to sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, which Kronos may deem necessary or desirable in order to protect its rights and interests in any development or invention. If Kronos is unable, after reasonable effort, to secure Advisor's signature on any such papers, any executive officer of Kronos shall be entitled to execute any such papers as his agent and attorney-in-fact, and Advisor hereby irrevocably designates and appoints each executive officer of Kronos as his agent and attorney-in-fact to execute any such papers on Advisor's behalf, and to take any and all actions as Kronos may deem necessary or desirable in order to protect its rights and interests in any development or invention, under the conditions described in this sentence.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

d. To defend, establish or otherwise preserve the validity of said letter patent against any and all infringers.

4. Advisor shall promptly disclose to Kronos or its designees, in writing, all inventions (regardless of whether such inventions are related to the business, products or services of Kronos or any of its affiliated companies) made or conceived, either solely or jointly with others, during the term of this Agreement and for six (6) months thereafter.

5. Advisor shall within two (2) days after written request by Kronos turn over to Kronos all plans, notes, blueprints, designs, models, laboratory notebooks, etc., relating to inventions conveyed or covered by this Agreement, and Advisor hereby assigns, sells, transfers and sets over unto Kronos all right, title and interest in and to said plans, notes, blueprints, designs, models, laboratory notebooks, etc.

III. Compensation; Indemnification.

1. Advisor's Fee. Kronos shall pay to Advisor and Advisor shall receive from Kronos the Advisor's Fee as described in Attachment A Statement of Work. Any compensation payable to any person other than the Advisor in connection with the provision of the Advisor's services hereunder shall be paid out of the compensation described in this Section III. The compensation to be paid in accordance with Attachment A is the sole compensation to be paid by Kronos in connection therewith.

2. Expense Reimbursement. Kronos shall reimburse pre-approved travel or other pre-approved expenses incurred by Advisor in connection with services to be rendered by Advisor pursuant to this Agreement, as expressly agreed in advance and writing by Kronos. Pre-approved travel and pre-approved other expenses will be reimbursed within thirty (30) business days from receipt of expense documentation.

3. Indemnification. The Company agrees that (a) if Advisor is made a party, or is threatened to be made a party, to any "Proceeding" (defined as any threatened or actual action, suit or proceeding whether civil, criminal, administrative, investigative, appellate or other) by reason of the fact that he is or was a contractor, agent or consultant of the Company, or (b) if any "Claim" (defined as any claim, demand, request, investigation, dispute, controversy, threat, discovery request or request for testimony or information) is made, or threatened to be made, that arises out of or relates to the Advisor's service in any of the foregoing capacity or to the Company, then Advisor shall promptly be indemnified and held harmless by the Company against any and all costs, expenses, liabilities and losses (including, without limitation, attorney's fees, judgments, damages, interest, expenses of investigation, penalties, fines, taxes or penalties and amounts paid or to be paid in settlement) incurred or suffered by Advisor in connection therewith; provided that such Claims are not based upon or arise out of (i) any negligent act or omission of Advisor, (ii) any act or omission of Advisor in breach of this Agreement, subject to the notice and cure period set forth herein, or (iii) criminal and/or fraudulent acts or omissions of Advisor. Such indemnification shall continue as to Advisor even if he has ceased to be a contractor, agent or consultant of the Company and shall inure to the benefit of Advisor's successors, assigns, heirs, executors and administrators. The Company shall reimburse Advisor reasonable and necessary costs and expenses incurred by him in connection with any such Proceeding or Claim within thirty (30) days of written submission of a request for reimbursement and provision of all documentation or information to support the request.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

IV. Advisors Warranties, Representations and Additional Covenants.

1. Full Authority. Advisor warrants and represents to Kronos that: (i) Advisor has the full unrestricted right to enter into this Agreement; (ii) by entering into this Agreement, Advisor is not violating or otherwise contravening any agreement to which Advisor is bound or any applicable law; and (iii) no person must consent to the execution and performance of this Agreement by Advisor.

2. Fraud and Bad Acts. Advisor represents and warrants to Kronos that Advisor is not now, and covenants that Advisor shall not in the future be, a person (i) subject to an order of any regulator under applicable law, or (ii) convicted within the previous ten (10) years of a felony.

3. Compliance with all laws. Advisor covenants with Kronos that Advisor shall comply with all applicable laws in connection with the execution and performance of this Agreement.

4. Full Disclosure to Kronos. Without limiting any other provision of this Agreement, Advisor agrees to fully disclose all activities in which Advisor is engaged other than pursuant to this Agreement.

V. Term and Termination.

1. The term of this Agreement is one (1) year from the Effective Date (the "Term").

2. This Agreement may be terminated immediately by either party, without notice, in the event that either party commits a material breach of this Agreement, which breach remains uncured for 10 business days after written notice thereof.

3. In the absence of a material breach by Advisor, Kronos may terminate this Agreement upon ten (10) days prior written notice to Advisor. In the event of termination pursuant to this section V(3), Advisor shall be entitled to all compensation which has been earned pursuant to this Agreement prior to and including such date of termination.

VI. Miscellaneous.

1. Binding Effect and Survival of Rights. This Agreement will benefit and bind the parties and their respective personal representatives, executors, administrators, heirs, legatees, devisees, successors and assigns.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Agreement will be in writing addressed as follows:

If to Kronos:

Kronos Advanced Technologies, Inc.
464 Common Street, Suite 301
Belmont, MA 02478
Telephone: 703-821-1905
Attention: Richard F. Tusing
Chief Operating Officer

If to Advisor:

Marc Kloner

Any such notice, demand, request or communication will be deemed to have been given and received for all purposes under this Agreement: (a) on the date of delivery when delivered in person; (b) on the date of transmission when delivered by facsimile transmission (provided such transmission is confirmed by transmission receipt and such notice is promptly confirmed by some other means described herein); and/or (c) on the next business day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; provided, however, if the day such notice, demand, request or communication will be deemed to have been given and received as aforesaid is not a business day, such notice, demand, request or communication will be deemed to have been given and received on the next business day.

Any party to this Agreement may change such parties address for the purpose of notice, demands, requests and communications required or permitted under this Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

3. Interpretation. The parties acknowledge to each other that each party has reviewed and participated in the negotiation of this Agreement. Accordingly, the normal rule of construction to the effect that any ambiguities are resolved against the drafting party will not be employed in the interpretation of this Agreement.

4. Incorporation. The Recitals, all exhibits and schedules attached hereto, or to be attached hereto, and all other agreements and instruments referred to herein are hereby incorporated by reference into this Agreement as fully as if copied herein verbatim.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

5. Further Assurances. The parties further agree that, upon request, they will do such further acts and deeds and will execute, acknowledge, deliver and record such other documents and instruments as may be reasonably necessary from time to time to evidence, confirm or carry out the intent and purpose of this Agreement.

6. Lawful Authority. Each party executing this Agreement hereby represents and warrants to all other parties that they have been fully authorized to execute and deliver this Agreement.

7. Attorneys Fees. If any legal action or other proceeding (including arbitration pursuant to this Agreement) is brought for the enforcement of this Agreement, or because of any alleged dispute, breach, default or misrepresentation in connection with any provisions of this Agreement, the prevailing party will be entitled to recover reasonable attorneys fees, court costs and all reasonable expenses, even if not taxable or assessable as court costs (including, without limitation, all such fees, costs and expenses incident to appeal) incurred in that action or proceeding in addition to any other relief to which such party may be entitled.

8. Waivers and Consents.

(i) Each and every waiver of any provision of this Agreement must be in writing and signed by each party whose interests are adversely affected by such waiver.

(ii) Unless otherwise expressly provided in a waiver, no such waiver granted in any one instance will be construed as a continuing waiver applicable in any other instance.

(iii) No waiver by any party to this Agreement to or of any breach or default by any other party to this Agreement in the performance by such other party of its obligations hereunder will be deemed or construed to be a waiver of any breach or default of any other party of the same or any subsequent obligations hereunder.

(iv) Subject to applicable statutes of limitation, the failure on the part of any party to this Agreement to complain of any act or failure to act of any other party to this Agreement or to declare such other party in default, irrespective of how long such failure continues, shall not constitute a waiver by the non-defaulting party of its rights hereunder.

(v) Each and every consent by any party to this Agreement must be in writing signed by the party to be bound thereby. No consent will be deemed or construed to be a consent to any action except as described in such writing.

9. Section Headings. The Section headings contained in this Agreement are for reference purposes only and will not affect the interpretation of this Agreement.

10. Governing Law. This Agreement will be governed in all respects, including validity, interpretation and effect by, and will be enforceable in accordance with, the internal laws of the State of Massachusetts without regard to conflicts of laws principles.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

11. Severability. If any provision of this Agreement is held to be unlawful, invalid or unenforceable under present or future laws effective during the term hereof, such provision will be fully severable, and this Agreement will be construed and enforced without giving effect to such unlawful, invalid or unenforceable provision. Furthermore, if any provision of this Agreement is capable of two (2) constructions, one of which would render the provision void, and the other which would render the provision valid, then the provision will have the meaning which renders it valid.

12. Counterpart Execution. This Agreement may be executed in multiple counterparts, each one of which will be deemed an original, but all of which will be considered together as one and the same instrument. Further, in making proof of this Agreement, it will not be necessary to produce or account for more than one (1) such counterpart. Provided all parties have signed at least one counterpart, the execution by a party of a signature page hereto will constitute due execution and will create a valid, binding obligation of the party so signing, and it will not be necessary or required that the signatures of all parties appear on a single signature page hereto.

13. Amendments. Each and every modification and amendment of this Agreement must be in writing and except as otherwise provided herein, signed by all the parties hereto.

14. Entire Agreement. This Agreement and that certain Severance Agreement dated as of May 16, 2008 by and between the parties (the "Severance Agreement") (including all agreements referenced in the "Entire Agreement" section of the Severance Agreement) contain the entire agreement between the parties regarding the subject matter hereof. Any prior agreements, discussions or representations not expressly contained in this Agreement will be deemed to be replaced by the provisions hereof, and no party has relied on any such prior agreements, discussions or representations as an inducement to the execution hereof. To the extent there is any conflict between this Agreement and the Severance Agreement regarding Advisor's provision of consulting services to the Company, this Agreement shall control.

15. Rules of Construction. (a) All terms in this Agreement in the singular and plural will have comparable meanings when used in the plural and vice-versa unless otherwise specified; (b) the words hereof, herein, hereunder and words of similar import when used in this Agreement, will refer to this Agreement as a whole and not any particular provision of this Agreement and all references to articles, sections and subdivisions thereof are to this Agreement unless otherwise specified; (c) the words include, includes and including will be deemed to be followed by the phrase without limitation; (d) all pronouns and any variations thereof will be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the individual, individuals, entity or entities may require; (e) all references to documents, contracts, agreements or instruments will include any and all supplements and amendments thereto; and (f) all accounting terms not specifically defined herein will be construed in accordance with generally accepted accounting principles or generally accepted auditing standards then applied in the United States.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

16. Forum Selection. ADVISOR AND KRONOS DO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMIT TO THE SOLE AND EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF MASSACHUSETTS AND DO FURTHER IRREVOCABLY AND UNCONDITIONALLY STIPULATE AND AGREE THAT THE FEDERAL COURTS IN THE STATE OF MASSACHUSETTS OR THE STATE COURTS OF MASSACHUSETTS WILL HAVE JURISDICTION TO HEAR AND FINALLY DETERMINE ANY DISPUTE, CLAIM, CONTROVERSY OR ACTION ARISING OUT OF OR CONNECTED (DIRECTLY OR INDIRECTLY) WITH THIS AGREEMENT THAT IS NOT SUBJECT TO ARBITRATION, OR TO ENTER A JUDGMENT CONSISTENT WITH ANY ARBITRATION AWARD. ADVISOR AND KRONOS FURTHER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY AND ALL OBJECTIONS OR DEFENSES TO SAID JURISDICTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT SERVICE UPON ANY PARTY HERETO SHALL BE MADE BY DELIVERY VIA PRIORITY OVERNIGHT DELIVERY (E.G., FEDEX) AND BY FACSIMILE OF A COPY OF SUCH PROCESS TO THE ADDRESS OF SUCH PARTY FOR NOTICES TO SUCH PARTY AS SET FORTH IN THIS AGREEMENT LETTER (OR SUCH DIFFERENT ADDRESS AT SUCH PARTY WILL HEREAFTER SPECIFY IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT). THE FOREGOING CONSENT, IN ADVANCE, TO THE JURISDICTION OF THE AFOREMENTIONED COURTS AND THE AFOREMENTIONED METHOD OF SERVICE ARE MATERIAL INDUCEMENTS FOR THE PARTIES HERETO TO ENTER INTO THIS AGREEMENT.

17. Personal Nature of Undertaking. Advisor acknowledges that the engagement of Advisor's services hereunder by Kronos is personal to Advisor, and such services shall not be delegated or assigned to any other Person or Advisor without Kronos' express prior written consent, which may be withheld in Kronos' sole and absolute discretion.

[signatures appear on next page]

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

IN WITNESS WHEREOF, the parties have executed this Advisors Agreement effective as of the date signed by the parties, as shown below.

Kronos Advanced Technologies:

By: ________________________________

Richard F Tusing

Title: Chief Operating Officer

Advisor:

By: ________________________________

Marc Kloner

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ATTACHMENT A

Statement of Work #1

Advisor to provide Sales and Marketing consulting and Advisory support services.

Advisory Fee: $10,000.00 / month

Advisory Period: June 1, 2008 through August 31, 2008

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 31.1

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Richard F. Tusing, certify that:

1. I have reviewed this Form 10-KSB for the period ended June 30, 2008 of Kronos Advanced Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer (s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 9, 2008

/s/ Richard F. Tusing

Name: Richard F. Tusing
Titles: acting President, acting Chief Executive Officer, acting Principal Executive Officer, Chief Financial Officer, Principal Financial Officer, Chief Operating Officer, Treasurer, Secretary and Director

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Kronos Advanced Technologies, Inc. (the "Company") on Form 10-KSB for the period ended June 30, 2008 as filed with the U.S. Securities and Exchange Commission on the date himself (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: January 9, 2008

/s/ Richard F. Tusing

Name: Richard F. Tusing
Title: Acting President, Acting Chief Executive Officer, Acting Principal Executive Officer, Chief Financial Officer, Principal Financial Officer and Director

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document