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: **1999-07-27** | Period of Report: **1998-09-30**
SEC Accession No. 0000745655-99-000003

(HTML Version on secdatabase.com)

FILER

INTERCELL CORP

CIK:**745655**| IRS No.: **840928627** | State of Incorp.:**CO** | Fiscal Year End: **0930**
Type: **10KSB** | Act: **34** | File No.: **000-14306** | Film No.: **99670772**
SIC: **4813** Telephone communications (no radiotelephone)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB

(Mark one)

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

For the fiscal year ended: September 30, 1998

OR

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

Commission file number: 0-14306

INTERCELL CORPORATION
(Exact name of registrant as specified in its charter)

Colorado	84-0928627
(State of other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

370 Seventeenth Street, Suite 3580
Denver, Colorado 80202
(Address and zip code of principal executive office)

Registrant's telephone number, including area code: (303) 592-1010
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)	Name of Each Exchange On Which Registered
Common Stock, No Par Value	NASDAQ:BB

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

Yes X No

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

As of the close of trading on July 13, 1999, there were 53,270,351 common shares outstanding, 51,851,011 of which were held by non-affiliates. The aggregate market value of the common shares held by non-affiliates, based on the average closing bid and asked prices on July 13, 1999, was approximately $1,555,530.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Form 10-K for the year ended September 30, 1997.
(2) Form 10 QSB for the quarter ended December 31, 1997.
(3) Form 8-K, dated February 6, 1998.
(4) Form 8-K, dated February 26, 1998.
(5) Form 8-K, dated April 8, 1998.
(6) Form 10 QSB for quarter ended March 31, 1998.
(7) Form 10 QSB for quarter ended June 30, 1998.

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Transitional Small Business Disclosure   Yes X   No ___

PART I

ITEM 1.   BUSINESS

COMPANY OVERVIEW

Intercell Corporation (the "Company") was incorporated under the laws of Colorado on October 4, 1983, and was originally engaged in the marketing of business and cellular telephone equipment. This business was discontinued and all remaining assets of the Company were liquidated or otherwise abandoned during 1991, and all obligations of the Company were paid or otherwise satisfied.

From 1991 until the acquisition of Modern Industries, Inc., on July 7, 1995, (which subsequently changed its name to Energy Corporation ("Energy"), the Company was generally inactive and reported no operating revenues prior to the fiscal year ended December 31, 1994. During that time period, the Company considered various new business and investment opportunities involving, primarily, companies engaged in specialty lines of business in the wireless communications and electronic technology industries.

ACQUISITION AND DISPOSITION OF CALIFORNIA TUBE LABORATORY, INC. ("CTL")

Acquisition of CTL

On July 7, 1995, the Company purchased all of the assets and liabilities of Energy. Energy's principal asset was its wholly owned subsidiary California Tube Laboratory, Inc. ("CTL").

Disposition of CTL

On February 6, 1998, the Company sold, transferred and delivered all of the issued and outstanding shares of the capital stock of its wholly-owned subsidiary, CTL to an unrelated third party, Jaymark, Inc., a California Corporation, ("Jaymark"), pursuant to the terms and conditions set forth in a Stock Purchase Agreement, between the Company, CTL and Jaymark and the additional agreements contemplated therein. As consideration for the CTL stock, rights and agreements conveyed by the Company to Jaymark, Jaymark delivered to the Company $1,500,000 in cash; including $200,000 placed in Escrow (on September 16, 1998 Jaymark Corporation received a distribution from the escrow of approximately $184,000) and delivered to the Company an unsecured promissory note in the principal sum of $500,000. The $500,000 unsecured promissory note was payable by Jaymark only if the Company completed all required environmental

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cleanup of the property which CTL formerly leased. The Company was obligated to the owner of the property to pay 75% of any expenses related to the clean up. After the sale, it was determined that the property required environmental cleanup and the Company engaged a consultant to assist it in these endeavors. The cleanup is estimated to cost between $350,000 to $450,000. It is expected that the cleanup will take at least two more years to complete. The Company, lacking the funds to pay its share of the anticipated expenses and facing the likelihood that it would spend almost as much as the note receivable from Jaymark, agreed with the owner of the property that if the owner of the property would pay all expenses and assume the liability for the cleanup, then the Company would assign all of its interest in the $500,000 note to her. On January 12, 1999 the Company assigned the Note to the owner of the property Upon completion of the environmental cleanup the owner of the property will receive all of the proceeds from the note receivable. The Company recognized a loss of approximately $832,000 from the disposition of CTL, and a loss (income) from discontinued CTL operations of approximately $(215,000) and $156,000 in 1998 and 1997, respectively. (Such event was reported on Form 8-K, dated February 6,1998, incorporated by reference herein.)

ACQUISITION OF ANTENNA TECHNOLOGY

On November 15, 1995, the Company entered into an agreement with Arizona State University ("ASU") in connection with the development of a new form of cellular phone antenna with certain features designed to reduce potential health hazards that may be associated with electromagnetic signals and to increase transmittal reception and range of cellular telephones. The agreement required the Company to pay ASU a total amount of approximately $78,000. On June 5, 1996, Dr. El-Badawy El-Sharawy ("Dr. Sharawy"), a tenured professor of ASU, assigned to the Company, on a royalty-free basis, his entire right, title and interest in, and to improvements on his U.S. Patent application entitled "Dual Resonance Antenna with Portable Telephone Therewith" (the "Dual Resonance Application"), and any and all patent applications thereon for nominal consideration. The Company subsequently sold the rights to the Antenna technology to Intercell Technologies Corporation ("ITC") effective July 18, 1997.

ACQUISITION AND DISPOSITION OF-
PARTICLE INTERCONNECT CORPORATION ("PI CORP")

Acquisition PI Corp.

On September 3, 1996 the Company completed the merger (the "PI Merger") of Particle Interconnect, Inc., a California corporation ("Particle California"), with and into the Company's wholly owned Colorado subsidiary, Particle Interconnect Corporation ("PI Corp."). The PI Merger resulted in PI Corp obtaining all of the properties, assets, liabilities and business operations of Particle California, including, certain intellectual properties consisting of, the entire right, title and interest in and to the improvements of seven United States patents and six patent applications involving the PI Technology and a Proprietary Electroplating Process ("PE Process"). In exchange for the PI Technology and the PE Process, the Company issued 1,400,000 shares of Common Stock to the shareholders of Particle California in a transaction not involving a public offering. The PI Merger was accounted for as an immaterial pooling-of-interest. In connection with a change in business strategy and objectives which occurred in September 1997, PI Corp determined that certain leasehold improvements, manufacturing equipment, raw materials and office furniture and equipment were no longer necessary to achieve its objectives and, accordingly, such leasehold improvements, manufacturing equipment, raw materials and office furniture and equipment were either abandoned or sold between September 19, 1997 and October 3, 1997 to non-affiliated parties for approximately $50,000 which resulted in a loss on abandonment of assets of approximately $801,000 in 1997.

Disposition of Particle Interconnect Technology

On February 26, 1998, the Company caused PI Corp, the owner of the PI Technology and the PE Process to transfer all such properties to Nanopierce Technologies, Inc. ("Nanopierce"), a Nevada corporation. At the time of the acquisition the Company acquired a 74% equity interest in Nanopierce, based on the then issued and outstanding common shares. In substance, the Company acquired 7,250,000 common shares of Nanopierce Technologies, Inc. and 100 Series A Convertible, Participating, Cumulative, Convertible Preferred Shares, convertible at $0.3250 per share into an additional 7,250,000 shares. (This event was reported on Form 8-K, dated February 26, 1998, which is incorporated

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herein by reference.)

ACQUISITION OF CELLULAR MAGNETICS, INC. AND SUBSEQUENT DISPOSITION OF IT AND THE ANTENNA TECHNOLOGY TO INTERCELL TECHNOLOGIES CORPORATION

Acquisition of Cellular Magnetics

Effective September 30, 1996, the Company, through its wholly owned subsidiary Cellular Magnetics, Inc. ("Cellular Magnetics"), an Arizona corporation, acquired AC Magnetics, Inc., d/b/a M.C. Davis Company ("M.C. Davis"), an Arizona corporation, for an aggregate purchase price of $1,800,000, comprised of a cash payment equal to $800,000 and issuance of 277,778 shares of the Company's restricted common stock at a fair market value of approximately $3.60 per share. M.C. Davis was acquired by the Company to provide industrial engineering and production capabilities for the Antenna Technology.

Previously on March 13, 1996, Arizcan Properties, Ltd., a wholly owned subsidiary of the Company ("Arizcan"), entered into an agreement with a group, including certain minority shareholders of the Company, to acquire a 94-acre development property located in Pinal County, Arizona for a total purchase price of $1,424,362. This transaction was completed on June 18, 1996. As consideration, the Company issued 400,000 shares of restricted common stock at a fair value of $2.50 per share, and made cash payments of $57,000. In addition, Arizcan assumed first and second mortgages on the property totaling $367,000. The Company acquired this property for the purpose of constructing a manufacturing facility for the products developed under the Antenna Technology. Due to the Company's acquisition of M.C. Davis in 1996, this property was no longer required for manufacturing purposes and it is currently being held for sale. In December 1997, the Company granted a First Deed Trust on this property to secure re-payment of the Debentures issued to the Augustine Fund as described below.

Based on subsequent evaluations of the Antenna Technology by the Company and the review of the Antenna technology by an independent investment banking company, the Company determined that it was in the Company's best interest to divest itself of the proposed design, development and production of the Antenna Systems conducted by its wholly owned subsidiary Intercell Wireless Corporation ("Intercell Wireless"), as well as the manufacture of miniature and non-miniature coils, transformers and other electronic assemblies conducted by its wholly owned subsidiary Cellular Magnetics.

Disposition of Cellular Magnetics and Antenna Technology

On July 18, 1997, the Company sold all of its right, title and interest in the Antenna Technology and its wholly owned subsidiaries, Cellular Magnetics and Intercell Wireless (the "Antenna Transaction") to ITC, a Colorado corporation, of which Terry W. Neild and Lou L. Ross owned a controlling interest at the time. At the time the transaction was proposed, Mr. Neild was a director and Executive Vice President of the Company and Mr. Ross was a consultant to the Company. As consideration for the sale, the Company received 6,269,226 shares of ITC common stock, 1,100,000 shares of the Company's common stock, warrants to acquire 500,000 shares of ITC at $2.00 per share, and 500,000 shares at $3.00 per share expiring July 18, 2000, a royalty agreement for sales of products using the antenna technology, a secured promissory note in the amount of $2,200,000, bearing interest at 10% due May 1, 2007, and an unsecured promissory note for $375,000 bearing 10% interest due November 30, 1997. The total consideration received was valued at approximately $2,300,000. As a result of uncertainties with respect to realization of the consideration received, no gain was recorded. (This transaction was reported on Form 8-K, dated July 18, 1997.)

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FAILURE OF ITC AND FORECLOSURE BY COMPANY ON ITS SECURED INTEREST IN CELLULAR MAGNETICS, INC.

In November 1997, ITC advised the Company that it would be delinquent in the payment of certain obligations owed to the Company and that it was unlikely that it would be able to make any payments when due on the Secured Corporate Promissory Note of ITC in the amount of $2,200,000, due 2007, and the unsecured corporate promissory note in the amount of $375,000 due November 30, 1997. Further, in January 1998, ITC advised the Company that it would default on all obligations owed to the Company. The Company undertook immediate steps to protect its secured interest including the repossession and foreclosure of the primary asset of Cellular Magnetics. On April 9, 1998, the Company sold Cellular Magnetics to its former owners for $700,000. (This transaction was reported on Form 10QSB for the quarter ended June 30, 1998.) This amount was used to reduce certain obligations owed to the Augustine Fund, LLC. (See "December 1997 Augustine Debenture Financing") This has been accounted for as discontinued operations and the results of operations have been excluded from continuing operations in the consolidated financial statements for all periods presented. The Company recognized a gain on the sale of subsidiaries of approximately $544,000 and losses from discontinued operations for the years ended September 30, 1998 and 1997 of $844,000 and $450,000, respectively.

In addition, the Company undertook extensive efforts to determine the value of the Antenna Technology. Numerous contacts were made with knowledgeable persons in the industry to determine the value, as well as to enter into a development agreement, joint ventures or sale of the technology for the benefit of the Company. Notwithstanding such efforts, and the willingness of the Company to negotiate terms extremely favorable to outside financially capable development partners to induce them to develop the antenna technology, all such efforts proved futile. The technology was determined to essentially have very little technical value, required significant lead-time to commercially develop profitable applications and lacked market appeal for those in the industry. Consequently, all further efforts to develop or realize any commercial value on the technology for the Company were abandoned. The company recognized a loss of $900,000 in 1998 due to impairment concerns associated with ITC's ability to repay the Company.

ACQUISITION AND SUBSEQUENT CESSATION OF OPERATIONS OF SIGMA 7 CORPORATION

Acquisition of Sigma 7 Corporation

On June 6, 1997, the Company acquired 4,500,000 shares of Sigma 7 Corporation ("Sigma") common stock in exchange for the payment of $550,000 for the shares and for providing approximately $1,985,000 in additional financing, consisting primarily of secured loans and standby letters of credit. The funds were used for inventory purchases, standby letters of credit to a major memory manufacturer, payment of obligations, the settlement of litigation, working capital and the redemption of preferred stock from two individuals holding such preferred stock. As a result of the transaction, the Company acquired approximately 90% of the 5,000,000 issued and outstanding common shares of Sigma. In addition, on September 30, 1997, the Company issued 1,085 shares of a new class of its Series D Preferred Stock (the "Preferred Series"), to the holders of certain preferred shares of BMI Acquisition Group, Inc. ("BMI"), to eliminate such preferred shares of BMI, the wholly owned subsidiary of Sigma. For the purposes of this exchange, the Series D Preferred Stock was valued at $2,500 per share. The transaction was accounted for as a purchase. (The acquisition of Sigma was reported on Form 8-K, dated May 28, 1997 and by a subsequent Form 8-KA-1 Amendment, dated September 23, 1997.)

Discontinued Operations of Sigma 7 Corporation

On June 5, 1998 the Company discontinued all operations of Sigma. Due to the cancellation of financing for reasons completely unrelated to the operations of Sigma and the significant price erosion on a worldwide basis for memory modules, Sigma did not have the capitalization to continue. On December 31, 1998, Sigma filed for voluntary liquidation under Chapter 7 of the U.S. Bankruptcy Code. The Company recognized losses from discontinued operations of approximately $2,947,000 and $7,096,000 for the years ended September 30, 1998 and 1997, respectively. (This discontinuation of operations of Sigma was first reported on Form 10-QSB for the quarter ended March 31, 1998. Forms 10-QSB for the Quarters ended March 31, 1998, dated October 31, 1998 and June 30, 1998,

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dated November 20, 1998 are hereby incorporated by reference.)

DECEMBER 1997 $1,500,000 AUGUSTINE DEBENTURE FINANCING

In December 1997, the Company issued convertible debentures and attached warrants to The Augustine Fund, LLC for $1,500,000 ("Debenture Offering"). This funding was used for general working capital for the Company, advances to Sigma to continue the operations of Sigma and to otherwise reduce current obligations of the Company. A subsequent restructuring of the Debenture Offering required the Company to provide certain security for the financing, including pledging 1,000,000 shares of its ownership of Nanopierce, delivering a First Deed of Trust on certain land in Arizona owned by the Company and assigning its First Perfected Security Lien on all the assets and proceeds therefrom of Sigma to the Augustine Fund. (This financing was reported in Form 10-QSB for the quarter ended December 31, 1997 and filed September 17, 1998.) During 1998, the Augustine Fund, LLC advanced additional loans of $421,373 to the Company, bringing the total principal amount owed to the Augustine Fund to approximately $1,921,373 plus accrued interest on the debentures and the additional loans and expenses of approximately $31,691. When the Company discontinued operations at Sigma it proceeded to liquidate the assets and pay the proceeds to governmental taxing authorities, toward liquidation expenses and to the Augustine Fund, LLC as the Secured Creditor.

As previously mentioned, the Company also paid to the Augustine Fund $700,000 realized from the sale of Cellular Magnetics to its former owners.

MISCELLANEOUS TRANSACTIONS.

(a) Tooley/Putnam Transaction. In connection with the acquisition of Cellular Magnetics in September 1996, the Company provided a guarantee to the former shareholders of M.C. Davis, that the 277,778 shares of the Company's restricted common stock delivered to them would have a value on October 8, 1998 of not less than $4.00 per share. Due to the severe decline in the price of the Company's common stock at that date, the shares held by such shareholders did not have that value. Certain shareholders made demand upon the Company to honor its guarantee. After lengthy negotiations, and in an effort to prevent litigation and excessive dilution to the Company's outstanding common stock, on October 8, 1998, the Company agreed to transfer 750,000 restricted common shares of its Nanopierce Technologies, Inc. common stock to the Jerry W. and June E. Tooley Trust and 100,000 shares to David Putnam. The Company further agreed to cause its subsidiary, Nanopierce to register such shares in a registration statement filed by Nanopierce. The Registration Statement was declared effective January 11, 1999. In addition, the Company agreed to issue to Jerry W. and June Tooley Trust, 793,899 restricted shares of the Company's common stock and 500,000 common shares of its restricted common stock to David Putnam. These transactions closed in November 1998.

(b) William Scott Agreement. After the Company's acquisition of Sigma, in June of 1997, Sigma conducted a private placement of its common stock and related warrants through William Scott and Company, LLC ("William Scott and Company") a registered a broker-dealer. A total of $1,700,000 was raised pursuant to such private placement. As a result of the Company's decision to discontinue operations of Sigma in June 1998, the Company as the controlling parent corporation of Sigma was advised by William Scott and Company that Sigma, the Company and William Scott and Company faced a substantial likelihood of litigation in connection with the loss incurred by the Sigma investors. After lengthy negotiations and in an effort to avoid litigation, the Company agreed to place in escrow 750,000 of its shares of Nanopierce, to be held for the benefit of the Sigma investors. The Company entered into an agreement, dated September 1, 1998 with William Scott and Company, as Escrow Agent to sell up to 750,000 shares in an orderly fashion in order to utilize the proceeds therefrom to pay the Sigma investors. The 750,000 were included in a Registration Statement filed by Nanopierce, which was declared effective January 11, 1999. The Agreement provides that no sale of shares may be made is below $2.00 per share and the volume of sales cannot exceed 20% of the average weekly trading volume of the common stock of Nanopierce prior to the date of the transaction. Any shares not required to be sold to return such funds will be returned to the Company. The Company is not required to provide any further shares of Nanopierce or any other consideration in the event the sale of these shares is insufficient to repay all the obligations.

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Since the Company sold its former subsidiary CTL; sold the Antenna Technology; discontinued the operations of Sigma; sold Cellular Magnetics, which was pledged as collateral for the $2,200,000 note due to the Company from ITC; and transferred the intellectual property relating to the PI Technology of PI Corp. to Nanopierce, these events are of historical interest only and are no longer representative of the Company's current or future business activities. Consequently, persons interested in obtaining such historical information should consult the prior filings of the Company; which have been incorporated herein by reference.

As a result of these activities, the Company is engaged in only one line of business through its subsidiary Nanopierce.

NANOPIERCE TECHNOLOGIES, INC. - PARTICLE INTERCONNECT TECHNOLOGY

Nanopierce is pursing a new line of business involving the development and licensing of the PI Technology and the PE Process. The PI Technology utilizes eleven patents and seven patent applications owned by Nanopierce to bond and join metal surfaces to enhance electrical conductivity. Nanopierce's core product is the application of the PI Technology in the formation of a wide and varied range of highly efficient connectors. The PI Technology utilizes a processed diamond particle treated with a conductive material (such as nickel) which is affixed to a foundation in the final product as a socket, connector or conductor. The PE Process broadens the application of the PI Technology by making it possible to apply the diamond particles to many different bases, whether flexible, rigid metallic or non-metallic.

Nanopierce plans to market the PI Technology and products using the PI Technology through two different but concurrent marketing efforts. The first part of its marketing strategy involves the generation of revenues through forming of joint ventures or strategic relationships with, or by licensing the PI Technology to, established leading manufacturers. The second part of the strategy involves the sales of products utilizing or incorporating the PI Technology through joint ventures with small volume users of the technology. Eventually, if warranted, Nanopierce may undertake direct marketing of products utilizing the PI Technology. The development of applications utilizing the PI Technology presents a long-range opportunity for Nanopierce to maximize the commercialization of its technology.

ELECTRONICS INDUSTRY TRENDS

Over the past decade, consumers and original equipment manufacturers ("OEMs") have demanded electronic products that provide a significant increase in performance accompanied by reduced size, weight and cost. These factors have forced manufacturers to produce small, lighter and higher performing components while reducing their production costs in order to remain competitive. New developments in printed circuit boards (including flexible circuitry), integrated circuits, integrated circuit packaging techniques, and new forms of interconnect assemblies for connecting the various electronic components have contributed to the ability of electronic system manufacturers to accomplish these objectives.

As these products have decreased in size and increased in complexity, conventional techniques of connecting their components together have become inadequate. The conventional methods of interconnecting electronic components in a rematable (socket-able) fashion are limited by the miniaturization that the electronic components can tolerate. The interconnect industry that serves the personal computer, automotive, communication and select consumer industries is aggressively pursuing technologies that will allow it to move to the next level of performance and size.

INTEGRATED CIRCUITS

Nanopierce believes that market trends in integrated circuit packaging will lead to increased demand for emerging high density bases. Integrated circuits historically have been packaged by bonding the silicon die to an interconnect base and connecting the silicon die to a lead frame using very fine wires. As

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integrated circuits become increasingly powerful, they require a significantly greater number of input/output ("I/O") electrical connections to attach the silicon die, thus producing more heat and placing substantially greater challenges on the integrated circuit interconnect methods. For instance, a typical integrated circuit six years ago required up to approximately 80 I/O connections to the silicon die, whereas today typical integrated circuits require up to approximately 300 I/O connections. Market demands are currently forcing certain ICs toward 1,000 I/O connections. Further IC packaging demands arise when multiple silicon dies are placed into one powerful package, known as a "Multi Chip Module". The Company believes, based on interviews and contact with industry leaders and experts, that the PI Technology has the potential to solve this miniaturization problem.

CURRENT TECHNOLOGY

"Wiping action technology" is still the prevailing means for interconnecting electronic components. Wiping action interconnect technology (for example, sockets, plugs and needle pins) forms a temporary electrical interconnect and thus readily allows the remating of various components and assemblies (for example, when replacing or upgrading a memory module in a personal computer). One problem with using such technology is that it is subject to the persistent formation of oxidation, a non-conductive material (for example, rust), along the contacting surfaces, which increases contact resistance and poor or intermittent connections. In time, the oxidation builds up, hastening connection failure and thus equipment failure.

Wiping action technology is only available in the form of certain connectors and sockets. These devices usually provide a contact surface formed from a limited range of special metals, alloys and other expensive materials suitable for maintaining a sliding connection. The devices themselves often have interfering and dissimilar electrical properties due to their size and orientation on a circuit board, among others, and this tends to degrade signal propagation (the time it takes a signal to traverse a given distance) through the interconnect by introducing resistive components in the signal path. This becomes especially critical at very high frequency operation levels.

Wiping action technology provides connections that produce excessive and unwanted wear and heat, and therefore contribute to equipment failure while wasting energy. The wiper mechanism, as in the case of a socket, requires significant space on a circuit board. Consequently, potential circuit operating speeds are degraded due to propagation delays. The evolution of electronic technology is constrained by the limitations wiper interconnects impose upon a designer.

Additionally, wiper interconnects are unreliable in punishing environments such as those in which a laptop computer is used. Wiper connections are subject to shock, intense vibration, temperature extremes, and/or high levels of contamination, which tend to induce disruption in the continuity of connection made at a wiper interconnect. Wiper interconnects are mechanical devices, and as such they corrode and are subject to wear. Thus, they have a limited useful and reliable life.

LIMITATIONS OF CURRENT TECHNOLOGY

Because interconnect technology has not kept pace with micro-miniaturization in the electronics industry, component packages and the connectors used to form an electrical and/or mechanical interface between various components and assemblies in electronic products have become one of the most expensive portions of such products. Component packages, connectors, sockets, plugs and the like are also the bulkiest and heaviest portion of these products. Conventional interconnect technology complicates the electronic equipment design and manufacturing processes by introducing special considerations into such processes with regard to component placement, heat generation, power loss, and signal propagation delay. These considerations have an adverse impact on the potential gains in performance being realized by new and emerging technologies.

Nanopierce and others in the industry are aware of the physical constraints imposed upon the development of new products using existing technologies. The problem is simple to identify and define, but difficult to solve. As integrated circuit packages increase in I/O count and complexity while maintaining a constant or decreased physical size, a problem arises in accommodating this complexity in a reliable, technically efficient fashion. Whether the package is connected to the device via solder, adhesive or socket, the connection process as I/O counts increase becomes difficult to achieve.

Designers of rematable connections, however, find this issue especially troubling. As I/O counts rise, the amount of force or pressure-to-interface also increases. A conventional contact technology like gold-to-gold wiping

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connection uses approximately 40 grams of force per contact. When integrated circuit packages had I/O counts of 100, this force was easy to accommodate, but as I/O counts move toward 1,000 and beyond, current contact technologies are inadequate. For example, at 40 grams per contact, a 1,000 I/O Ball Grid Array socket must effectively accommodate 40 kg of force, equivalent to half the weight of an average man.

Requiring a printed circuit board, barely 3.5 cm on each side, to support half the weight of a man is unreasonable, even with today's excellent materials technology. Such pressure, concentrated in a small space, which is almost always re-heated, is very likely to fail because of printed circuit board warp, package warp or outright physical failure. This difficulty, when coupled with increasing intolerance from the market to pay premium prices, presents today's socket manufacturer with the challenging task of creating a socket that can: (i) accommodate very high I/O count devices; (ii) receive high speed devices without degrading their performance (i.e., a short versus long circuit path); and (iii) be produced for a relatively low cost.

NANOPIERCE'S SOLUTION

Nanopierce believes that its PI Technology has the potential to provide a cost effective solution to solving this industry-wide problem. As discussed below, Nanopierce believes the PI Technology can establish reliable, rematable connections at only 10 grams of force. This means that only 10 kg versus 40 to 80 kg of force is required to interconnect a 1,000 I/O integrated circuit socket with the underlying printed circuit board base. Nanopierce believes this reduction in force may enable manufacturers to connect complex integrated circuits to products through the next several generations of electronics without the high cost of associated mechanical solutions.

Additionally, the connection pathway provided using the PI Technology is exceptionally short and has very low resistance. These features will allow the connection of very high speed integrated circuits more reliably than conventional techniques and without degrading their performance as conventional techniques sometimes do. Moreover, the Company believes that the PI Technology can be applied using its PE Process at a low cost.

THE PI TECHNOLOGY

The PI Technology begins with metallized, treated diamond particles, which have been closely screened to a specified size. The particles are tightly classified in sizes ranging from 5 microns to 125 microns, depending upon the end-product application. These electrically conductive diamond particles are attached onto contact sites using standard electroplating processes. The embedded particles create a surface with many points that provide numerous parallel electrical paths by penetrating through an oxide without requiring the wiping action of conventional contacts. The Company believes that its non-wiping action, oxide penetrating PI Technology is capable of penetrating surface contamination and oils to create an effective and reliable electrical contact.

The diamond particles concentrate the otherwise "wiping" insertion force required by a conventional contact into a very small area or point. This gives the diamond particle the force per square inch required to pierce oxides and other contaminants on most surfaces without requiring large amounts of force on the connector contact. Reliable, hermetic connections can be made with PI Technology with as little as 10 grams of force per contact. This low-level of force is sufficient to drive the particles into the mating surface (for example an I/O pad on a silicon die) and provide low contact resistance. Moreover, the diamond particles do insignificant damage to the mating surface. This provides very long remate life with very little degradation of the connection. Because there is no wiping action, contact coatings stay substantially intact.

Through the PE Process, these particles can be applied to many different bases flexible, rigid, metallic and non-metallic. This wide range of bases, coupled with the low contact force, gives the PI Technology the capability to make reliable connectors out of materials that could collapse it subjected to the normally required contact forces.

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SALES AND MARKETING STRATEGY

Nanopierce intends to adopt and implement a two-part approach to the commercial exploitation of its PI Technology. The first part of its strategy involves the generation of royalty revenues through forming strategic relationships with, or licensing the PI Technology to, established leaders in the industries in which Nanopierce plans to compete. Nanopierce believes that the licensing of its technology to major industry partners will provide for faster implementation and adoption of the PI Technology and will help establish "brand" recognition for the PI Technology.

In each industry in which Nanopierce decides to compete, Nanopierce will attempt to select market leaders that exhibit several key characteristics such as: (i) significant market share and strong distribution channels; (ii) manufacturing competencies that compliment those of Nanopierce; (iii) a corporate culture that allows them to quickly respond to new technologies; and (iv) sufficient capital and sales strength.

The second part of Nanopierce's strategy involves the sale of products utilizing or incorporating the PI Technology ("PI Products") by developing joint ventures with small volume users of the technology. These sales are anticipated to generate the earliest revenues for Nanopierce. In connection with the sale of the PI Products, Nanopierce plans to assist smaller-volume users and licensees act as agents, independent contractors or otherwise.

The PI Technology has applications in several different industries where electrical connections and interconnections are made. Initially, Nanopierce has selected the electronic interconnect industry as the primary industry in which to license the PI Technology and the PE Process. The PI Technology has been in use in the connector industry for several years, mainly in test and burn-in socket applications by licensees of the PI Technology. There is a current demand in the connector industry for reliable Ball Grid Array and Land Grid Array production sockets as well as other forms of Z-axis interconnect, such as direct chip attachment and Multi-Chip Modules. Nanopierce believes the PI Technology answers these demands and offers immediate advantages for these products.

Nanopierce believes that approximately 60% of the potential market for Z-axis interconnects exist outside the United States. Nanopierce believes that entering into a joint venture relationship with a leading connector manufacturer or a leading electronic technology OEM is the only practicable method of bringing the PI Technology to market, particularly the international market, given its current capital position. Nanopierce contemplates that a licensee or joint venture partner will provide Nanopierce access to the licensee's or partner's existing distribution channels and will assume a majority of the marketing and engineering costs for the relevant Z-axis package. Nanopierce will attempt to establish long-term strategic alliances with many of these industry leaders to continue developing and manufacturing new products incorporating the PI Technology. Nanopierce also intends to expand applications of PI Technology into the communications, computer, consumer electronics, commercial and transportation industries.

Eventually, if warranted, Nanopierce may undertake direct marketing of PI Products. The development of applications utilizing the PI Technology presents a long-range opportunity for Nanopierce to maximize the commercialization of its technology.

RESEARCH AND DEVELOPMENT

To date, Nanopierce has not incurred any research and development expense and does not intend to incur any material research and development costs during the fiscal year ending June 30, 1999. Nanopierce hopes to avoid incurring substantial research and development cash requirements by entering into joint ventures for the development of future PI Products.

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COMPETITION

Competition in the electronic connector market is fierce. The principal competitive factors are product quality, performance, price and service. While Nanopierce is unaware of any competitors using diamond as an interconnect material, Nanopierce and its licensees face competition from well-established firms with other interconnect technologies such as Shinetsu, Ferro Corporation, Deguyssa Corporation, Rockwell International and Lucent Technologies. However, most of these competitors apply their technologies to very narrow markets or applications and most have had only limited success in mass commercialization of their technologies.

Nanopierce will face competition from the development of existing and future competing technologies. There currently exists approximately 28 different technologies that can be used to create similar interconnect solutions, including dendrite crystals, gold dot technology, anisotropic technology (technologies using materials that exhibit unequal responses to external stimuli), elastomerics (rubber-like synthetic materials) and Z-axis conductive adhesives. These technologies currently are produced by materials and chemical suppliers, flexible and rigid printed circuit board manufacturers, as well as electronics manufacturers who produce their own materials and interconnect systems. Many of these competitors have substantially greater financial and other resources than Nanopierce. Nanopierce believes that each existing technology currently has unacceptable limitations with regard to electrical/mechanical performance, manufacturability or cost as compared to the PI Technology. However, there are no assurances that Nanopierce or the PI Technology can successfully compete with current or future technologies.

INTELLECTUAL PROPERTY

Nanopierce will rely on a combination of patents, patent applications, trademarks, copyrights and trade secrets to establish and protect its proprietary rights in the PI Technology and the PE Process. Nanopierce currently owns eleven U.S. patents (which expire from February 14, 2006 to October 15, 2013) and seven patent applications relating to the PI Technology.

Prior to Nanopierce's acquisition of the PI Technology, the inventor of the PI Technology or companies controlled by him granted the following exclusive and nonexclusive licenses to pursue the patents and patent applications relating to the PI Technology: (i) an exclusive license to Exatron Automatic Test Equipment Inc. ("Exatron") for use in the field of sockets in the automated handling and testing of integrated circuits; (ii) an exclusive license to Micro Module Systems, Inc. for use in the field of certain Multi-Chip Module thin film bases, except attached or associated products including integrated circuits, socket, lids, heat sinks, housings and printed circuit boards; (iii) a non-exclusive license to Exatron in the filed of electrically conductive components; (iv) a non-exclusive license to Johnson-Matthey Semiconductor Packagings, Inc. for use in the field of laminate-based base products; (v) a non-exclusive license to Multiflex, Inc. for use in the filed of the laminate-based bases and metal bases; and (vi) a non-exclusive license to Myers Consulting, Inc. for use in the field of laminate-based bases, metal bases, and wafer or semi-conductor products. These licenses have indefinite terms and, provided certain conditions are met, can be terminated by either party by written notice. Nanopierce retains the right to exclude all other companies from using its patented technology without a license. Consequently, Nanopierce may license such other companies as it chooses, provided the licensees are consistent with the exclusive licenses previously granted and other licensing restrictions that may appear in the prior licenses.

All but two of the foregoing license agreements have been idle since their acquisition by Nanopierce and therefore these agreements have not produced any royalty fees for Nanopierce. Royalties under the one active agreement are being held in an escrow account, and maintenance payments on one license are being held in a reserve account, outside of Nanopierce's control, until certain legal issues are resolved, which may affect royalty payments payable on all the licenses.

There can be no assurance that patents will be issued from any of the pending applications, or that any claims allowed from existing or pending patents will be sufficiently broad enough to protect Nanopierce's PI Technology. While Nanopierce intends to vigorously protect its intellectual property rights, there can be no assurance that nay patents held by Nanopierce will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to Nanopierce. Litigation may be necessary to enforce Nanopierce's patents, patent applications, trade secrets, licenses and other intellectual property rights, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on Nanopierce's business and results of operations regardless of the final outcome of the litigation. Despite

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Nanopierce's efforts to maintain and safeguard its proprietary rights, there can be no assurances that Nanopierce will be successful in doing so or that Nanopierce's competitors will not independently develop or patent technologies that are substantially equivalent or superior to Nanopierce's technologies.

The semiconductor and interconnect industries are characterized by uncertain and conflicting intellectual property claims. Nanopierce has in the past and may in the future become aware of the intellectual property rights of others that it may be infringing, although it does not believe that it is infringing any third party proprietary rights at this time. To the extent that it deems necessary, Nanopierce may license the right to use certain technology patented by others in certain products that it manufactures. There can be no assurance the Nanopierce will not in the future be notified that it is infringing other patent and/or intellectual property rights of third parties. In the event of such infringement, there can be no assurance that a license to the technology in question could be obtained on commercially reasonable terms, if at all, that litigation will not occur or that the outcome of such litigation will not be adverse to Nanopierce. The failure to obtain necessary licenses or other rights, the occurrence of litigation arising out of such claims or an adverse outcome from such litigation could have a material adverse effect on Nanopierce's business. In any event, patent litigation is expensive, and Nanopierce's operating results could be materially adversely affected by any such litigation, regardless of its outcome.

Nanopierce intends to protect it trade secrets and proprietary technology, in part, through confidentiality and non-competition agreements. There can be no assurance that these agreements will not be breached, that Nanopierce will have adequate remedies for any breach, or that Nanopierce's trade secrets, such as the PE Process, will not otherwise become known to or independently developed by others. In addition, the laws of some foreign countries do not offer protection of Nanopierce's proprietary rights to the same extent as do the laws of the United States.

GOVERNMENT REGULATION

The various business operations of the Company, throughout fiscal year 1998 are subject to numerous federal, state and local laws and regulations, including those relating to the use and disposal of hazardous substances. Specifically, the discontinued operations of the Company's subsidiaries CTL, PI Corp. and Sigma involve the use and handling of environmentally hazardous substances. The use of hazardous substances is subject to extensive and frequently changing federal, state and local laws and substantial regulation under these laws by governmental agencies, including the United States Environmental Protection Agency, various state agencies and county and local authorities acting in conjunction with federal and state authorities. Among other things, these regulatory bodies impose restrictions to control air, soil and water pollution. Furthermore, amendments to statutes and regulations and the Company's expansion into new areas could require the Company to continually modify or alter methods of operations at costs, which could be substantial. The Company believes that it is in substantial compliance with all material federal and state laws and regulations governing its operations.

Compliance with federal and state environmental laws and regulations did not have a material effect on the Company's capital expenditures, earnings or competitive position during fiscal year ended September 30, 1998. The Company has become aware of certain ground water and soil contamination at the Santa Cruz facility formerly occupied by CTL. The company has engaged a consultant to determine the extent of the contamination and the cost to remediate. As previously discussed, the Company has made arrangements with the owner of the property to assume the liability and responsibility for the environmental cleanup of the property.

EMPLOYEES

As of September 30, 1998, the Company and its subsidiaries had 3 employees. None of the Company's employees is represented by a labor union or is subject to a collective bargaining agreement. The Company believes that its relations with

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its employees are satisfactory.

ITEM 2. PROPERTIES

PRINCIPAL EXECUTIVE OFFICES

The principal executive office of the Company is located at 370 Seventeenth Street, Suite 3580, Denver, Colorado 80202. The monthly lease payments are $2,026.

NANOPIERCE TECHNOLOGIES, INC.

Nanopierce currently maintains its executive and administrative office in space provided by the Company, its majority shareholder. Nanopierce owns no real property. Nanopierce also has a small laboratory facility located at 770 Maroonglenn Court, Colorado Springs, Colorado 80906, which is the residence of Dr. Herbert J. Neuhaus, Executive Vice President and a Director of Nanopierce Technologies, Inc. Nanopierce uses such facility without any rental expense.

ITEM 3. LEGAL PROCEEDINGS

Louis DiFrancesco, the inventor of Nanopierce's technology filed a lawsuit on March 10, 1998 with the Superior Court of California, County of Santa Clara, Case No. CV772523, purportedly against the Company and other parties. Mr. DiFrancesco made numerous allegations purportedly against the Company, its employees, directors and officers and other affiliated companies and licensees. Pursuant to a stipulation among the parties, none of the defendants were required to file responsive pleadings until Mr. DiFranscesco's Complaint was amended or refiled. On December 24, 1998, DiFrancesco finally filed a First Amended and Supplemental Complaint against the Company, Nanopierce and Paul H. Metzinger. The Company filed responsive motions to dismiss or stay the claims arguing among other grounds that Mr. DiFrancesco was merely "forum shopping" and that the action was an attempt to retry the same matters which are the subject of litigation pending in the District Court in and for the City and County of Denver, Colorado and therefore should be dismissed or stayed by the court. The Court entered an order staying any further prosecution of the action in California pending the outcome of the Colorado litigation. The Company believes that the California action is without merit and intends to vigorously defend itself with respect to the matter alleged, if the lawsuit is further prosecuted.

The Company filed suit against Mr. Louis DiFrancesco on October 5, 1998, with the District Court for the City and County of Denver, Colorado, to enjoin him from certain specified actions against the Company and the licensees and to confirm Nanopierce's ownership of its intellectual property rights. On October 19, 1998, the District Court for the City and County of Denver, Colorado issued a temporary restraining order prohibiting Mr. DiFrancesco from, among other things, claiming any ownership of Nanopierce's patents and claiming any rights to royalty payments under Nanopierce's licenses. On November 5, 1998, the District Court for the City and County of Denver, Colorado issued a preliminary injunction prohibiting Mr. DiFrancesco from: (i) contacting any actual or potential customer, licensee or investor of the Company or its related entities using the name "Particle Interconnect Research & Development" or any other name confusingly similar to the Company's trade name and trademark "Particle Interconnect"; (ii) contacting any actual or potential customer, licensee or investor of the Company or its related entities under the auspices that he represents, works for, or its associated with the Company; and (iii) making any statement to any actual or potential customer, licensee or investor of the Company or its related entities which directly or by implication asserts that (a) he owns all or any portion of the patents or patent applications which he previously has assigned to the Company or (b) his consulting agreement with Particle Interconnect Corporation has not expired.

On November 24, 1998, Mr. DiFrancesco filed an answer in the District Court for the City and County of Denver, Colorado, generally denying the allegations contained in the Company's complaint and asserting certain affirmative defenses. He also filed a Third Party Complaint against the Company, Nanopierce and Paul

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H. Metzinger. The answer also asserts counterclaims against the Company, Intercell and Paul Metzinger, individually, for breach of contract, fraud in the inducement and legal malpractice and seeks rescission of the merger pursuant to which Particle Interconnect Corporation and seeks rescission of the merger pursuant to which Particle Interconnect Corporation (a subsidiary of Intercell) acquired the Particle Interconnect Technology and certain declaratory relief. The Company, Nanopierce and Mr. Metzinger filed answers denying all of the allegations contained in the DiFrancesco Complaint. In addition, they filed motions requiring DiFrancesco's counterclaims to be more definite and certain in their alleged claims against the Company, Nanopierce and Metzinger. The District Court ruled in favor of the motions and required DiFrancesco to submit amended counterclaims. DiFrancesco failed to timely file the amended Counterclaims by February 19, 1999 when due. DiFrancesco did eventually file amended counterclaims on April 5, 1999. The Company, Nanopierce and Metzinger filed motions to strike or dismiss the amended counterclaims for lacking the specificity required and because they were untimely filed. The Court denied this motion. The Company, Intercell and Metzinger filed Answers generally denying the allegations of the Third Party Complaint and the Counterclaims and,

in turn, asserting affirmative defenses and Counterclaims against DiFrancesco. DiFrancesco has yet to answer the Counterclaims. The Court has scheduled the matter for trial setting.

On July 1, 1998, the Company was served a summons and complaint naming it, its subsidiary, Sigma and others affiliated with the Company, by Classic Trading, Inc., a California corporation, with the Superior Court of the State California, Count of Orange, CV 796047 (the " Classic Trading Lawsuit"). Classic Trading, Inc. alleges breach of contact and believes that it is owed $135,000. The Company has filed an answer denying the allegations. The litigation has not been further prosecuted since then.

On August 6, 1998, the Company was served a summons and complaint naming it, June and Jerry Tooley and its former subsidiary, Cellular Magnetics and other individuals, by Ignition Coil Specialties, LLC. in the Superior Court of Arizona, Maricopa County, case number CV 98-13820. The Company has contacted counsel for Ignition Coil Specialties, LLC. to discuss the dismissal of the Company from the case, since at the time of the allegations, Cellular Magnetics was no longer a subsidiary of the Company. On November 2, 1998, the Company was dismissed from the litigation.

Other than the above mentioned lawsuits, to the knowledge of the management of the Company there are no material legal proceedings pending or threatened (other than routine litigation incidental to the business) to which the Company (or any officer, director, affiliate of beneficial owner of more than 5% of the Company's voting securities) is party or to which property of the Company is subject.

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

There were no meetings of security holders during the period covered by this report.

PART II

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

PRICE RANGE OF COMMON STOCK

The Common Stock is presently traded on the over-the-counter market On the OTC Bulletin Board maintained by the National Association of Securities Dealers, Inc. (the "NASD") The NASDAQ symbol for the Common Stock is "INCE." The following table sets forth the range of high and low bid quotations for the Common Stock of each full quarterly period during the fiscal year or equivalent period for the fiscal periods indicated below. The quotations were obtained from information published by the NASD and reflect interdealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<TABLE>
<CAPTION>

1997 FISCAL YEAR	ASK	BID
<S>	<C>	<C>
December 31, 1996.	$ 4.00	$ 3.875
March 31, 1997. .	2.4375	2.0625
June 30, 1997. . .	.50	.375
September 30, 1997	.270	.220
1998 FISCAL YEAR		

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December 31, 1997.	$ .125	$ .125
March 31, 1998. .	.078	.063
June 30, 1998. . .	.055	.040
September 30, 1998	.060	.040

</TABLE>

As of September 30, 1998, there were approximately 496 holders of record of the Company's Common Stock. Based upon information provided to the Company by persons holding securities for the benefit of others, it is estimated that the Company has in excess of 4,500 beneficial owners of its Common Stock as of that date.

DIVIDEND POLICY

While there currently are no restrictions prohibiting the Company from paying dividends to its shareholders, the Company has not paid any cash dividends on its Common Stock in the past and does not anticipate paying any dividends in the foreseeable future. Earnings, if any, are expected to be retained to fund future operations of the Company. There can be no assurance that the Company will pay dividends at any time in the future.

RECENT SALES OF UNREGISTERED SECURITIES

The Company made the following unregistered sales of its securities from October 1, 1995 through September 30, 1998.

	Date of Sale	Title of Securities	Amount	Consideration
(1)	11/9/95	Options to Purchase Common Stock, at an exercise price of $.50 per share	700,000	Agreement to serve as officers, Directors & Counsel to the Company
(2)	11/9/95	Options to Purchase Common Stock, at an exercise price of $.50 per share	265,000	Agreement to Continue Employment at CTL and provide consulting services to the Company
(3)	12/22/95	Options to Purchase Common Stock, at an exercise price of $.50 per share	716,180	Agreement to Provide Consulting Services to the Company
(4)	2/1/96	Options to Purchase Common Stock, at an exercise price of $.75 per share for 650,000 shares and $1.25 per share for 150,000 shares	800,000	Agreement to provide consulting services to the Company and for past services of consultant
(5)	3/3/96	Common Stock	96,606	Legal Services - value $39,751
(6)	3/28/96	Common Stock	126,761	Contribution to ESOP valued at $1.25 per share for $158,451.15
(7)	3/29/96	Options to Purchase Common Stock, at an exercise price of $.50 per share for 300,000 shares and $.75 per share for 250,000 shares	550,000	Agreement to provide consulting services to the Company
(8)	5/9/96	Common Stock	400,000	Conveyance of Land, Recorded at $1,000,00
(9)	6/3/96	Options to Purchase Common Stock, at an exercise price of $.50 per share	380,000	As consideration for services as employees CTL
(10)	6/12/96	Options to Purchase Common Stock, at an exercise price of $.50 per share	400,000	As consideration for consulting services and an incentive to remain officer of the Company
(11)	5/17/96	Common Stock	14,780	Legal Services value $16,554

(12)	7/10/96	Series B Preferred Stock and attached Warrants to acquire shares of Common	1,000	$10,000,000

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		Stock	761,905	
(13)	7/10/96	Warrants to acquire Common Stock, at a price of $3.9375 per share	330,159	Services as Placement Agent
(14)	9/3/96	Common Stock	1,400,000	Exchange of shares of Particle Interconnect in a Triangular Merger, which was accounted for as an immaterial pool of interests.
(15)	9/3/96	Options to Purchase Common Stock, at an exercise price of $4.00 per share	800,000	Agreement to serve as Officers, Counsel or Consultant to the Company
(16)	9/3/96	Options to Purchase Common Stock, at an exercise price of $4.00 per share	230,000	Agreement to serve as officers or employees of the Company.
(17)	10/8/96	Common Stock	277,778	Exchange of shares of A.C. Magnetics, Inc. Triangular Merger, with total share value of $1,000,000.
(18)	12/16/96	Series C Preferred Stock and attached Warrants to acquire Common Stock	525 530,771	$ 5,250,000
(19)	12/16/96	Warrants to acquire Common Stock	214,615	Services as Placement agent
(20)	7/3/97- 7/14/97	Common Stock	14,411,846	Conversion of 358 Shares of Series C and 782 shares of Series B Preferred Stock
(21)	9/11/97	Series D Preferred Stock	1,080	Preferred Shares of B Preferred Stock
(22)	11/2/97	Common Stock	240,000	Interest on Loan Repayment
(23)	11/3/97	Common Stock	160,000	Interest on Loan Repayment
(24)	12/3/97	Common Stock	266,000	Public Relation Services
(25)	12/3/97	Series A-1 Convertible Debenture	1	$750,000.00
(26)	12/3/97	Attached Warrants to Acquire Common Stock	600,000	
(27)	12/3/97	Warrant to Acquire Common Stock	200,000	Consulting Services
(28)	12/11/97	Common Stock	100,000	Loan to Sigma
(29)	12/11/97	Common Stock	75,000	Loan to Sigma
(30)	12/11/97	Common Stock	150,000	Loan to Sigma
(31)	12/31/97	Series A-2 Convertible Debenture	1	$750,000.00
(32)	12/30/97	Common Stock	1,000,000	Augustine Financing
(33)	1/16/98	Common Stock	250,000	Bahl Settlement Share
(34)	2/3/98	Common Stock	678,761	Series B Conversion
(35)	2/3/98	Common Stock	1,270,810	Series C Conversion
(36)	2/6/98	Option to Purchase Common Stock, at an exercise price of $0.10 per share	100,000	Service as a Director

(37)	2/9/98	Option to Purchase Common Stock, at an exercise price of $0.10 per share	150,000	Service as an Officer
(38)	3/3/98	Common Stock	660,100	Series C Conversion
(39)	3/23/98	Common Stock	2,273,888	Series C Conversion
(40)	6/1/98	Options to Purchase Common Stock, at an exercise price of $$0.05 per share	150,000	Service of Employee
(41)	5/8/98	Common Stock	250,000	Settlement
(42)	8/12/98	Common Stock	25,000	Interest on Loan Repayment

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1 During the period commencing September, 1996 through September 30, 1998, certain holders of the Series B Preferred Stock, pursuant to the Certificate of Designation , converted a total of 1,000 shares of Series B Preferred Stock into 6,229,912 shares of Common Stock, which were issued without

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registration pursuant to the exemption provided by Regulation S. At this time all Series B Preferred Shares have been converted by the shareholders.

UNDERWRITERS. Other than Swartz Investments, LLC ("Swartz"), no underwriter or selling or placement agent was involved in any of the transactions described above. Swartz was engaged as selling agent in connection with the sale of the Series B Preferred Stock and Series C Preferred Stock and was paid compensation equivalent to 11% of the aggregate funds raised in such placements. In addition, it received warrants to purchase shares of Common Stock equal to 10% of the aggregate securities sold, assuming that the holders of the Series B Preferred Stock and Series C Preferred Stock and related warrants, converted their Series B and Series C Preferred Stock or exercised their warrants at the Fixed Conversion Price.

EXEMPTION FROM REGISTRATION CLAIMED. All of the sales by the Company of its unregistered securities (except for those described in Item 14, which were made pursuant to Regulation S and those described in Item 20, which were made pursuant to Rule 506 of Regulation D adopted under the Securities Act of 1933, as amended) were made by Registrant in reliance upon Section 4(2) of the Securities Act of 1933, as amended. All of the individuals who purchased the unregistered securities were all known to the Company and its management, through pre-existing business relationships, as long standing business associates, friends, employees, relatives or members of the immediate family of management. All purchasers were provided access to all material information, which they requested, and all information necessary to verify such information and were afforded access to management of the Company in connection with their purchases. All purchasers of the unregistered securities acquired such securities for investment and not with a view toward distribution acknowledging such intent to the Company. All certificates or agreements representing such securities that were issued contained restrictive legends, prohibiting further transfer of the certificates or agreements representing such securities, without such securities either being first registered or otherwise exempt from registration in any further resale or disposition.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

GENERAL

The statements contained in this Form 10-KSB, if not historical, are forward-looking statements and involve risks and uncertainties that could cause actual results to differ materially from the results, financial or otherwise, or other expectations described in such forward-looking statements. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results or occurrences. In this regard, see "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS-General" and "-Trends and Uncertainties."

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain Statements contained in this Form 10-KSB contain "forward-looking statements" within the meaning of the private Securities Litigation Reform Act of 1995. These are statements that do not relate strictly to historical or current facts. Such forward-looking statements involve known and unknown risks and uncertainties. The Company's actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences are discussed below. These risks and uncertainties include, without limitation:

- the rate of market development and acceptance of the interconnect technology, the industry within which its subsidiary, Nanopierce is concentrating its business activities.
- The unpredictability of the Company's sales cycle;
- The limited revenues and significant operating losses generated to date;
- The possibility of significant ongoing capital requirements;
- The loss of any significant customer;
- The ability of the Company to compete successfully with the other providers of interconnect technologies. See Description of Business Competition";

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- The ability of the Company to secure additional financing as and when necessary;

- The ability of the Company to retain the services of its key management, and to attract new members of the management team;

- The ability of the Company to effect and retain appropriate patent, copyright and trademark protection of its products;

For the purposes of the safe harbor protection for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, readers are urged to review the list of certain important factors set forth in "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995".

The Company undertakes no obligation to release publicly any revisions to the forward-looking statements or to reflect events or circumstances after the date of this Report.

GENERAL

The following discussion should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the two-year period ended September 30, 1998. This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 31 E of the Securities Exchange Act of 1934, as amended. Actual results could differ materially from those anticipated in forward-looking statements.

On February 6, 1998 the Company entered into a stock purchase agreement to sell, transfer, and deliver all assets, liabilities, rights and obligations of the Company related to its wholly-owned subsidiary California Tube Laboratory, Inc. to Jaymark Corporation, in exchange for $1,500,000 in cash (which included $200,000 of cash in escrow), and $500,000 in notes receivable. The company recognized a loss from discontinued CTL operations of approximately $215,000 in 1998 income of $156,000 in 1997, based on the disposition. The Company also recognized a loss on the disposition of CTL subsidiary of approximately $832,000.

On February 26, 1998 Intercell Corporation transferred all of the intellectual property (which had a historical carrying value of zero) of its wholly owned subsidiary Particle Interconnect Corporation to Nanopierce Technologies, Inc. for 7,250,000 shares of common stock of Nanopierce and 100 Series A 8% Voting, Convertible, Cumulative, Participating, Preferred shares of Nanopierce. The 100 preferred shares are convertible into 7,250,000 shares of common stock. Intercell Corporation owns approximately 60%of the outstanding common stock of Nanopierce Technologies, Inc. and approximately 74% of the common stock on a diluted basis, considering the voting and conversion rights of the Series A preferred stock.

Intercell Corporation discontinued all operations of its majority owned subsidiary Sigma 7 Corporation, a manufacturer of memory modules located in San Diego, CA, on June 5, 1998. The market for the Sigma 7 Corporation's main product line of memory modules experienced significant price erosion on a worldwide basis. The Company did not have the capitalization to continue and intends to seek protection under U.S. bankruptcy laws. The Company recognized a loss from discontinued Sigma operations of approximately $2,947,000 in 1998 ($7,096,000 in 1997).

On April 9, 1998, the Company entered into a stock purchase agreement to sell 100 shares or 100% of the common stock of Cellular Magnetics, Inc., a wholly owned subsidiary of Intercell Technologies Corporation to individuals for $700,000 in cash. The Company held a secured interest in Cellular Magnetics, Inc. due to the default on promissory notes totaling $2,575,000 from Intercell Technologies Corporation to the Company. As soon as Intercell Technologies Corporation announced that it would default on the notes payable to the Company, the Company undertook steps to protect is secured interest, including the repossession and foreclosure of the primary asset, Cellular Magnetics, Inc. The Company used the proceeds of the sale of Cellular Magnetics, Inc. to pay down $700,000 of the outstanding balance due on the convertible debentures. The Company recognized a gain on the sale of a subsidiary of approximately

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$544,000 and recognized a loss on discontinued operations of Cellular Magnetics and Intercell Wireless $844,000 in 1998 ($450,000 in 1997).

The Company is currently engaged in the design, development and licensing of products using its patented particle interconnect technology, through its majority owned subsidiary Nanopierce Technologies, Inc.

In December 1997, the Company issued convertible debentures and attached warrants for $1,500,000 of this total, $750,000 is the Series A-1 debenture and $750,000 is the Series A-2 debenture. The convertible debentures were, at the time of issue, unsecured obligations of the Company.

The $750,000 Series A-1 debenture requires quarterly interest payments at 9% per annum, beginning March 1, 1998 with the balance due on December 1, 1999. The debenture may be converted at the option of the holder after 60 days from the date of issuance at a conversion price per share equal to the lessor of 85% of the market price as defined, or $0.75. In connection with the convertible debt, three warrants were issued, each entitling the holder to purchase 200,000 shares of common stock for $0.17, $0.50, and $1.00 respectively. The warrants expire three years from the date of issuance. The portion of the proceeds allocable to the warrants was $15,000.

The $750,000 Series A-2 debenture pays interest quarterly at 9% per annum, beginning June 1, 1998, with a maturity date of April 1, 1999. The debt may be converted at the option of the holder any time at the end of six business days following the maturity date, at a conversion price for each share of common stock at 85% of the market price as defined in the financing agreement. The Company has recognized $225,000 in interest expense relating to the beneficial conversion terms of the debentures.

At the request of the Company, purchase and payment for the Series A-2 debenture was accelerated to December 31, 1998. As consideration for the acceleration, the Company provided security to the debenture holders for the entire $1,500,000. The Company assigned a first priority secured lien on the assets of Sigma 7 Corporation, a first deed of trust on property held for resale in Arizona and a $2,200,000 note from Intercell Technologies Corporation to the Company. In connection with the placement of the convertible debentures, the Company paid a $180,000 commission to a third-party investment banker and issued the investment banker warrants to purchase 200,000 shares of common stock at an exercise price of $0.15 per share. The warrants were valued at $10,000. The $180,000 and $10,000 have been included in general and administrative expense. The Company also issued 2,491,000 shares (of which 1,000,000 shares were issued to the debenture holders) of common stock for services rendered and in lieu of interest expense during the fiscal year ended September 30, 1998 recognizing $187,000 in general and administrative expense.

Recently Issued Accounting Standards

In 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income. This standard establishes requirements for disclosures of comprehensive income which includes certain items previously not included in the statements of operations, including minimum pension liability adjustments and foreign currency translation adjustments, among others. This statement is effective for fiscal years beginning after December 15, 1997. Reclassification of earlier financial statements for comparative purposes is required. Currently, the Company does not have any items that would be classified as a component of comprehensive income. Therefore, management believes that implementation of SFAS No. 130 will not materially effect the Company's financial statements.

In 1997, the FASB also issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Financial Information, and in February 1998, the FASB issued SFAS No. 132, Employers' Disclosure about Pensions and Other Post Retirement Benefits. Both of these statements require disclosure only and therefore will not impact the Company's financial statements.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for fiscal years beginning after June 15, 1999. Currently, the Company does not have any derivative financial instruments and does not participate in hedging activities. Therefore, management believes that SFAS No. 133 will not have an impact on its financial statements.

RESULTS OF OPERATIONS

REVENUES:

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The Company had no revenue from continuing operations for the year ended September 30 1997 or 1998.

RESEARCH AND DEVELOPMENT

Research and development expenses were $0 in the fiscal year of 1998 compared to $94,000 in the fiscal year of 1997. This is primarily attributable to the suspension of the research and development activities associated with the Company's Particle Interconnect technology. Research and development costs of discontinued operations were reduced from $1,224,000 in 1997 to $0 in 1998. The Company has changed its focus from creating a manufacturing process and facility to licensing its technology to companies that already have a manufacturing process in place.

GENERAL AND ADMINISTRATIVE

General and administrative expenses from continuing operations decreased by 28% or $1,578,000 to $3,946,000 in the fiscal year of 1998 compared to $5,524,000 in the 1997 fiscal year. This decrease was primarily attributable to the reduction of administrative and labor costs associated with its Particle Interconnect technology and a reduction in professional fees at the Company. Selling, general and administrative expenses of discontinued operations decreased by 27%, from $3,553,000 in 1997 to 2,599,000 in 1998.

OTHER INCOME/EXPENSE

The Company earned $129,000 in interest and other income in 1998 compared to $220,000 in 1997, while incurring interest and other expenses of $1,278,000 and $59,000 respectively.

INCOME TAXES

As of September 30, 1998 the Company had a net operating loss carryover for federal and State income tax purposes. The benefit of these net operating loss carryforwards has not been recorded by the Company, as it is uncertain that the Company will generate sufficient income in future periods to utilize the loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

The independent auditors' report on Intercell Corporation's consolidated financial statements as of September 30, 1998, and for each of the years in the two-year period ended September 30, 1998 includes a "going concern" paragraph that describes substantial doubt about the Company's ability to continue as a going concern.

The Company has taken several steps regarding future operations including the following. In February and April 1998, the Company sold its interest in California Tube Laboratory, Inc. and A.C. Magnetics, Inc. to raise additional capital for ongoing operations. The Company received $1,500,000 in cash, including $200,000 in escrow, and a $500,000 note receivable for the sale of California Tube Laboratory, Inc. The Company received $700,000 in cash for the sale of A.C. Magnetics, Inc. which, it used to pay down its debt on the convertible debenture.

The Company has also discontinued operations at Sigma 7 Corporation and Particle Interconnect Corporation during 1998, and in December 1998 Sigma filed for protection under the U.S. bankruptcy laws. The intellectual property rights to the Particle Interconnect technology have been transferred to Nanopierce Technologies, Inc. resulting in an approximate 74% ownership of that company on a diluted basis. Intercell Corporation has reduced its costs to a bare minimum and is currently seeking its own financing.

During the year ended September 30, 1998 the Company's cash and cash equivalents from continuing operations increased by $240,000. This increase was due to net cash used in continuing operations of $1,625,000, net cash used in discontinued operations of $1,690,000, and net cash provided by financing and investing activities of $3,555,000.

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During the fiscal year ended September 30, 1998 the Company had no capital expenditures.

The Company believes that if financing of Nanopierce Technologies, Inc. can be completed, adequate funding is then available to support operations for the next twelve months. The Company also believes that sales of its Nanopierce Technologies, Inc. products and technology licenses will provide sufficient funds to meet the Company's capital requirements for the next two years. This assumption is based on the signing of a Technology Cooperation Agreement with Meinen, Ziegel & Co., a Technology Development Agreement with ORGA Kartensystemes, GmbH, an agreement to form a join venture with Cirexx Corporation and an Application and Development Agreement with Multitape, GmbH & Co during the Spring of 1999.

To the extent the Company's operations are not sufficient to fund the Company's capital requirements, the Company may enter into a revolving loan agreement with a financial institution, or attempt to raise additional capital through the sale of additional capital stock or through the issuance of debt. At the present time the Company does not have a revolving loan agreement with any financial institution nor can the Company provide any assurances that it will be able to enter into any such agreement in the future or be able to raise funds through the further issuance of debt or equity in the Company.

The Company recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. Software failures due to processing errors potentially arising from calculations using the Year 2000 date are known risks. The Company is addressing this risk to the availability and integrity of financial systems and the reliability of the operational systems. Management believes the total cost of compliance and its effect on the Company's future results of operations will be insignificant.

ITEM 7. FINANCIAL STATEMENTS

The Consolidated Financial Statements required to be filed are indexed on page F-2 and are incorporated herein.

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

On April 8, 1998, the Company dismissed KPMG Peat Marwick and engaged Gelfond Hochstadt Pangburn & Co., as its new principal independent accountants, effective April 8, 1998. There is no adverse opinion or disclaimer of opinion, or qualification or modification as to uncertainty, audit scope, or accounting principles for either of the Company's past two years except, that the former principal independent accountant's report on the consolidated financial statements of Intercell Corporation and subsidiaries as of and for the years ended September 30, 1997 and 1996, did include a going concern uncertainty paragraph. There were no disagreements within the meaning of Item 304(a)(1)(iv) of Regulation S-K during the Company's two most recent fiscal years.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers, directors and significant employees of the Company are as follows:
<TABLE>
<CAPTION>

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NAME AND AGE	POSITION
<S>	<C>
Paul H. Metzinger (60)	Director, President and Chief Executive Officer
Charles E. Bauer, Ph.D. (47)	Director
Alan M. Smith (47) . . .	Former Director, Secretary, Treasurer and Chief Financial Officer
Thomas W. Vander Stel (39) .	Former Chief Financial Officer and Secretary
Gilbert Olachea (43)	Former President & Chief Executive Officer of Nanopierce Technologies, Inc.
Kevin B. Waide (47)	Director

NAME AND AGE	PERIOD
<S>	<C>
Paul H. Metzinger (60)	May 28, 1997
Charles E. Bauer, Ph.D. (47)	Director November 22, 1996 to present.
Alan M. Smith (47)	July 1995 to February 1998.
Thomas W. Vander Stel (39)	February 1998 to December 31, 1998.
Gilbert Olachea (43)	May 6, 1998 to December 1, 1998.
Kevin B. Waide (47)	January 1998 to present.

</TABLE>

The directors hold office until the next annual meeting of shareholders and until their successors have been duly elected and qualified. The officers are elected by the Board of Directors at its annual meeting immediately following the shareholders, annual meeting and hold office until they resign or are removed from office. There are no family relationships that exist between any director, executive officer, significant employee or person nominated or chosen by the Company to become a director or executive officer. The Company has not established an executive committee of the Board of Directors or any committee that would serve similar functions such as an audit, incentive compensation or nominating committee.

BIOGRAPHICAL INFORMATION ON OFFICERS AND DIRECTORS AND SIGNIFICANT EMPLOYEES

PAUL H. METZINGER. Mr. Metzinger has been President, Chief Executive Officer and a director of the Company since May 28, 1997. In addition, he serves as the President and Chief Executive Officer and a Director of Nanopierce. Prior to becoming a director and officer of the Company, Mr. Metzinger served as Intercell's General Counsel and practiced securities law in Denver, Colorado for over 30 years.

CHARLES E. BAUER, PH.D. Dr. Bauer has served as a director of the Company since November 22, 1996. Dr. Bauer has been the Managing Director of TechLead Corporation, an international consulting firm, since 1990.
Dr. Bauer received his B.S. in Materials Science and Engineering from Stanford University in 1972, his M.S. in Metallurgical Engineering from Ohio State University in 1975, his Ph.D. in Materials Science and Engineering from Oregon Graduate Center, Beaverton, Oregon in 1980 and his M.B.A. from the University of Portland in 1988.

THOMAS W. VANDER STEL. Mr. Vander Stel served as the Chief Financial Officer, Secretary and Treasurer of the Company from February 1998 to November 31, 1998 and Chief Financial Officer and Vice President of Operations of Nanopierce Technologies, Inc. from February 1998 to December 31, 1998. From October 1992 until January 1998, Mr. Vander Stel served as Chief Financial Officer and Vice President for TVX., Inc., a high technology manufacturer of security systems.

KEVIN B. WAIDE. Mr. Waide has been a director of the Company, since January 28, 1998. Mr. Waide's experience includes five years of sales and marketing for a large, independent, Denver-based accounting firm and fourteen years in various positions in the securities industry. Mr. Waide has an extensive background in business analysis, mergers, acquisitions and franchising. Mr. Waide is a graduate of Central College in Pella, Iowa.

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SIGNIFICANT EMPLOYEES

The Company considers the following individuals as significant employees of the Company.

HERBERT J. NEUHAUS, PH.D. Dr. Neuhaus has been the Executive Vice President of Marketing and Technology and a Director of Nanopierce since January 1, 1999. Dr. Neuhaus previously served as the Managing Director of Particle Interconnect Corporation from August 18, 1997 to November 1, 1997. From August 1989 to August 1997, he was associated with Electronic Material Venture Group in the new Business Development Department of Amoco Chemical Company, Naperville, Illinois. While associated with Amoco chemical Company he held among other positions: Business Development Manger/Team Leader; Project manager --High Density Interconnect; Product Manager MCM Products and as a research scientist.

During his tenure with Amoco, his professional efforts and responsibilities were directed towards the identification, analysis and development of new market opportunities for Amoco's electronic materials products, the development of new applications for such products, including multichip module products, polyamide coatings and processes for multichip module applications.

Dr. Neuhaus received his Ph.D. degree in Physics form the Massachusetts Institute of Technology, Cambridge, Massachusetts in 1989 and his BS in Physics from Clemson University, Clemson, South Carolina in 1980.

Dr. Neuhaus is associated with numerous professional associations and has served with such associations in the capacity of project leader of the technical chair for conferences.

GILBERT OLACHEA. Mr. Olachea served as the President and Chief Executive Officer and a Director of Nanopierce Technologies, Inc. from May 6, 1998, until his resignation on December 1, 1998. Previously he was President, Chief Executive Officer and a director of Sigma 7 Corporation, from December 11, 1997 to December 1, 1998. From July 1993 to September 1, 1997, Mr. Olachea served as Vice President Corporate Marketing and Communications of Amkor Electronics.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules thereunder require the Company's officers and directors, and persons who own more than 101% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish the Company with copies.

Based solely on its review of the copies of the Section 16(a) forms received by it, or written representations from certain reporting persons, the Company believes that, during the last fiscal year, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10%. Beneficial owners were complied with, with the exception of Dr. Charles E. Bauer's Form 5 for the last fiscal year. Dr. Charles E. Bauer failed to report two transactions on a timely basis. Dr. Charles E. Bauer's failure to timely file a report was a failure known by the Company.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation paid by the Company to the Chief Executive Officer ("CEO") and any other executive officer whose total annual salary and bonus exceeded $100,000 for the fiscal year ended September 30, 1998 and 1997 (the "Named Executive Officers"):
<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		
NAME & PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)
<S>	<C>	<C>	<C>	<C>
Paul H. Metzinger,	1998	$143,501	$-0-	$-0-
Director, President & CEO(1)	1997	$ 70,000	$-0-	$-0-
Alan M. Smith,	1998	$ 8,333	$-0-	$-0-
Former Secretary, Treasurer & CFO(2)	1997	$146,667	$-0-	$-0-

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NAME & PRINCIPAL POSITION	LONG TERM COMPENSATION: AWARDS: RESTRICTED STOCK AWARDS ($)	SECURITIES UNDERLYING OPTIONS (#)	PAYOUTS: LTIP PAYOUTS ($)	ALL OTHER COMPENSATION ($)
Paul H. Metzinger,	-0-	-0-	$ -0-	$-0-
Director, President & CEO(1)	_____	2,350,000	$ -0-	$-0-
Alan M. Smith,	-0-	-0-	$500,000	$-0-
Former Secretary, Treasurer & CFO(2)	_____	1,050,000	$ -0-	$-0-

1 Paul Metzinger was elected President and Chief Executive officer on May 28, 1997. He is compensated pursuant to a written Employment Agreement, dated June 1, 1998 at an annual salary of $210,000.00. For the period October 1, 1997 to September 30, 1998, Mr. Metzinger was paid $143,500.69 (gross). The wife of Mr. Metzinger is the holder of presently exercisable options to acquire 650,000 shares at $0.50 per share and 1,700,000 shares at $0.3750 per share issued September 30, 1997 and expiring September 30, 2007. Mr. Metzinger should be deemed the beneficial owner of such shares.
2 Mr. Smith resigned all positions on February 6, 1998. Mr. Smith was paid $400,000 to compromise his Employment Agreement and $129,000 to pay off a lease liability Mr. Smith incurred on behalf of the Company. Mr. Smith is the holder of presently exercisable options to acquire 150,000 shares at $0.50 per share and 850,000 at $0.3750 per share, issued September 30, 1997 and expiring September 30, 2007. Mr. Smith canceled an option to acquire 1,000,000 shares at $0.3750 per share when he resigned on February 6, 1998. Mr. Smith owns an additional, presently exercisable option to acquire 150,000 shares at $0.50 per share, issued with a new term commencing September 30, 1997, expiring September 30, 2007, which he received from three other individuals on October 21, 1996. This 150,000 option has not been included in this table as the option was not granted by the Company.

The foregoing compensation table does not include certain fringe benefits made available on a nondiscriminatory basis to all Company employees such as group health insurance, dental insurance, long-term disability insurance, vacation and sick leave. In addition, the Company makes available certain non--monetary benefits to its executive officers with a view to acquiring and retaining qualified personnel and facilitating job performance. The Company considers such benefits to be ordinary and incidental business costs and expenses. The aggregate value of such benefits in the case of each executive officer listed in the above table, which cannot be precisely ascertained but which is less than 10% of the cash compensation paid to each such executive officer, is not included in such table.

OPTION/SAR GRANTS TABLE

The following table provides information relating to the grant of stock options to the Company's executive officers during the fiscal year ended September 30, 1998.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

NAME	OPTIONS/SARS GRANTED IN FISCAL YEAR (#)	% OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE
Thomas Vander Stel	150,000	50%	$0.10	2/9/08

OPTION/SAR GRANTS IN LAST FISCAL YEAR

NAME	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM: 5% ($)	10% ($)
Thomas Vander Stel	$9,433	$23,906

1 Potential realizable value is based on an assumption that the stock price of the Common Stock appreciates at the annual rate shown (compounded annually) from the date of grant until the end of the 10 year option term. The numbers are

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calculated based on the requirements promulgated by the Securities and Exchange Commission and do not reflect the Company's estimate of future stock price growth, which may or may not occur.
2 Computed based on the average closing bid and asked prices on the date of grant February 9, 1998.
3 All options granted were immediately exercisable on the date of grant, February 9, 1998.
4 Based on a total of 300,000 options granted to employees in the fiscal year ended September 30, 1998.
5 Mr. Vander Stel resigned as an Officer of the Company, effective November 1998.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION/SAR VALUES

The following table provides information relating to the exercise of stock options during the fiscal year ended September 30, 1998 by the Company's executive officers and the 1998 fiscal year-end value of unexercised options.

<TABLE>
<CAPTION>

NAME	AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR, AND FISCAL YEAR-END OPTION/SAR VALUES	
	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)
<S>	<C>	<C>
Paul H. Metzinger	0	0
Alan M. Smith2,3	0	0
Charles E. Bauer	0	0
Thomas W. Vander Stel4	0	0
Kevin B. Waide	0	0

NAME	AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR, AND FISCAL YEAR-END OPTION/SAR VALUES	
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR 1	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SAR ($) (1)
<S>	<C>	<C>
Paul H. Metzinger	2,350,000/0	1,175,000/0
Alan M. Smith2,3	1,050,000/0	525,000/0
Charles E. Bauer	100,000/0	50,000/0
Thomas W. Vander Stel4	150,000/0	75,000/0
Kevin B. Waide	150,000/0	75,000/0

____
1 The average of the closing bid and asked price of the Common Stock on September 30, 1998 ($0.50) was used to calculate the option value.
2 Mr. Smith resigned as a Director and officer of the Company effective February 9, 1998.
3 Does not include 150,000 unexercised presently exercisable options held by Alan Smith, which he received from three individuals and not the Company.
4 Mr. Vander Stel resigned as an officer of the Company, effective December 1998.
</TABLE>

DIRECTOR COMPENSATION

Non-employee directors of the Company have in the past and will in the future receive $1,500 for their attendance at each regular or special meeting of the Board of Directors. In addition, the Board of Directors intends to grant non-employee directors options to purchase shares of Common Stock on a case-by-case basis in the future. The basis for determining the number of options to award future non-employee directors of the Company will be based on a variety of factors including the following: experience of the director in the industries the Company currently competes; previous management experience; the size of the entity the director is currently or was formerly associated with;

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and the overall value the current Board of Directors believes that non-employee director will provide to the Company.

EMPLOYMENT AGREEMENTS

On June 1, 1998, the Company entered into a certain employment agreement (the "Employment Agreement") with Paul H. Metzinger to serve as President and Chief Executive Officer of the Company (an "Employee"). The Employment Agreement is for a period of four years beginning June 1, 1998. Any extension or renewal of the Employment Agreement must occur at least three months prior to the end of the initial term or any renewal term and absent mutual agreement of the parties, the failure to conclude such extension or renewal by such date shall be deemed notice to the Company and the Employee, that the relevant Employment Agreement shall not be extended. Under such Employment Agreement, Mr. Metzinger will receive an annual salary of $210,000 (each referred to as an "Annual Salary") for the year. If an Employment Agreement is subsequently extended by the Board, the Employee's Annual Salary will increase by the amount, if any, in which the Consumer Price Index increased during the previous year. The Employee also is entitled to participate in the Company's bonus and stock option plans and participate in the customary employee benefits programs maintained by the Company, including health, life and disability insurance to the extent provided to other senior executives of the Company.

The Company or an Employee may terminate the Employment Agreement at any time with or without cause. In the event the Company terminates an Employment Agreement for cause or the Employee terminates his Employee Agreement without cause, all of such Employee's rights to compensation would cease upon the date of his termination. If the Company terminates an Employment Agreement without cause, the Employee terminates his Employment Agreement for cause, or in the event of a change in control, the Company will pay to the Employee all compensation and other benefits that would have accrued and/or been payable to the Employee during the full term of the Employment Agreement.

A change of control is considered to have occurred when, as a result of any type of corporate reorganization, execution of proxies, voting trusts or similar arrangements, a person or group of persons (other than incumbent officers, directors and principal shareholders of the Company) acquires sufficient control to elect more than a majority of the Company's Board of Directors, acquires 50% or more of the voting shares of the Company, or the Company adopts a plan of dissolution of liquidation. The Employment Agreement also include a noncompete and nondisclosure provisions in which each Employee agrees not to compete with or disclose confidential information regarding the Company and its business during the term of the Employment Agreement and for a period of one year thereafter.

COMPENSATION PURSUANT TO PLANS

STOCK OPTION PLANS. During the fiscal year ended September 30, 1998, the Company granted options to purchase 400,000 shares of common stock to directors, officers, employees and consultants of the Company and its subsidiaries. As of September 30, 1998, 6,927,000 options are exercisable.

The Company has one Stock Option Plan titled the Intercell Corporation 1995 Compensatory Stock Option Plan (the "1995 Plan"). The Company has reserved 14,000,000 shares of common stock for issuance under the 1995 Plan.

COMPENSATION COMMITTEE INTERLOCKS
AND INSIDER PARTICIPATION

The Company does not have a compensation committee, all decisions on the compensation of executive officers and directors of the Company are made by the full Board of Directors. In the preceding fiscal year, the following members of the Board of Directors participated in discussions involving the compensation of executive officers of the Company: Messrs. Bauer, Waide and Metzinger.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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BENEFICIAL OWNERSHIP

The following table sets forth certain information regarding the beneficial ownership of outstanding shares of Common Stock as of September 30, 1998, by (a) each person known by the Company to own beneficially 5% or more of the outstanding shares of Common Stock, (b) the Company's directors, Chief Executive Officer and executive officers whose total compensation exceeded $100,000 for the last fiscal year, and (c) all directors and executive officers of the Company as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	% OF OUTSTANDING
Paul H. Metzinger, President Chief Executive Officer and Director 370 Seventeenth Street, Suite 3580 Denver, CO 80202	3,852,541 1	10.20%
Alan M. Smith, Former Chief Financial Officer and Director 999 West Hastings St., Suite 1750 Vancouver, B.C., V6C 2W2	1,250,000 2	3.31%
Cheri L. Perry 3236 Jellison Street Wheat Ridge, CO 80033	3,852,541 1	10.20%
Charles E. Bauer, Chief Operating Officer and Director 313121 Island Drive Evergreen, CO 80439.	100,000 3	0.26%
Thomas W. Vander Stel, Chief Financial Officer 370 17th Street, Suite 3580 Denver, CO 80202	150,000 4	0.40%
Kevin B. Waide, Director 5790 Yukon Street Arvada, CO 80002	100,000 5	0.26%
All officers and directors (present & former) as a group (5 persons)	5,452,541 6	14.44%

1 Includes the following shares and options currently held by corporations whose sole shareholder, president and director is Cheri L. Perry, the wife of Mr. Metzinger: 1,419,340 shares owned of record and beneficially; 650,000 shares of common stock subject to a presently exercisable option, exercisable at $.050 per share, issued September 30, 1997, expiring September 30, 2007; and 1,700,000 shares of common stock subject to a presently exercisable option, exercisable at $0.3750 per share, issued September 30, 1997, expiring September 30, 2007. Mr. Metzinger owns directly, of record and beneficially, 83,201 shares of common stock. His wife should be deemed the beneficial owner of such shares. Mr. Metzinger's and his wife's stock ownership are not duplicated in this computation.

2 Includes 300,000 shares of common stock subject to a presently exercisable option, exercisable at $0.50 per share, issued September 30, 1997, expiring September 30, 2007 and 750,000 shares of common stock subject to a presently exercisable option exercisable at $0.3750 per share, issued September 30, 1997, expiring September 30, 2007. Mr. Smith canceled an option for 1,000,000 shares upon his resignation on February 9, 1998.

3 Includes 100,000 shares of common stock subject to a presently exercisable option, exercisable at $0.3750 per share, issued September 30, 1997, expiring on September 30, 2007.

4 Mr. Vander Stel resigned as an Officer of the Company, effective November 31, 1998.

5 Shares underlying a presently exercisable option, at $0.10 per share, issued February 6, 1998, expiring February 6, 2008.

6 Based on 37,770,634 shares of common stock issued and outstanding on September 30, 1998. The total number of shares outstanding is increased to reflect the number of shares underlying individual options in computing that individual or group percentage ownership interest in the Company. Mr. Metzinger's and his wife's stock ownership are not duplicated in this computation.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company leased an office from Alan M. Smith, Ltd., a company controlled by Alan M. Smith, an executive officer and director of the Company. The Company leased this office space pursuant to a lease that expires on July 31, 2001. The monthly lease payments are $3,000. The Company paid off this lease, in full, upon the resignation of Mr. Smith. The Company also paid Mr. Smith $400,000 to cancel his employment agreement. The Company in 1997 paid Gordon Sales $400,000 to cancel his employment agreement.

During the fiscal year ended September 30, 1997, the Company sold its

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wholly owned subsidiaries, Intercell Wireless Corp. and Cellular Magnetics, Inc., including all of its right title and interest in the antenna technology to Intercell Technologies Corporation, a Colorado corporation on July 18, 1997. Terry W. Neild, former director and officer of the Company and Louis L. Ross, a former consultant to the Company, owns a controlling interest in Intercell Technologies Corporation. As previously disclosed when ITCO failed the Company foreclosed its security interest on Cellular Magnetics, Inc. and subsequently sold it to Jerry W. Tooley for $700,000. Jerry W. Tooley was formerly an officer of this former subsidiary of the Company. See "BUSINESS-Recent Acquisitions, Dispositions and Transactions."

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following is a complete list of exhibits filed as part of this Form 10-KSB. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

EXHIBIT NO.	DESCRIPTION
2.17	Agreement and Plan of Reorganization, dated July 7, 1995, between the Company and Modern Industries, Inc.
2.23	Plan and Agreement of Merger dated September 3, 1996, by and between Particle Interconnect, Inc., Particle Interconnect Corporation and the Company.
2.34	Agreement and Plan of Merger dated October 14, 1996, by and between AC Magnetics, Inc., doing business as M.C. Davis Company, Cellular Magnetics, Inc. and the Company.
2.45	Stock Purchase Agreement dated July 18, 1997 between Intercell Corporation and Intercell Technologies Corporation and Addendum
2.56	Stock Sale and Purchase Agreement dated June 6, 1997 between Intercell Corporation and Sigma Corporation.
2.611	Offer for Development Agreement of Microlink Technologies Corporation.
2.79	Stock Purchase Agreement dated February 6, 1998 by and among Intercell Corporation, California Tube Laboratory and Jaymark, Inc.
2.810	Agreement dated February 26, 1998 by and among Intercell Corporation, Particle Interconnect Corporation and Sunlight Systems, Ltd.
2.912	Securities Purchase Agreement between the Company and the Augustine Fund, LLC, dated December 3, 1998.

3.17	Articles of Incorporation of the Company, and all amendments thereto, as amended.
3.27	Bylaws of the Company.
4.17	Form of Common Stock Certificate.
4.211	Certificate of Designation for Series B Preferred Stock is included in the Company's Articles of Incorporation filed as Exhibit 3.1 and incorporated herein by reference.
4.31	Specimen of Warrant attached to Series B Preferred Stock.
4.411	Certificate of Designation for Series C Preferred Stock is included in the Company's Articles of Incorporation filed as Exhibit 3.1 and is incorporated herein by reference.
4.57	Form of Warrant attached to Series C Preferred Stock.
4.611	Certificate of Designation for Series D Preferred Stock
4.77	Specimen of Registration Rights Agreement for Series B Preferred Stock.

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4.87 Specimen of Registration Rights Agreement for Series C Preferred Stock.

4.97 Plan of Liquidating Dissolution of Energy Corporation dated July 8, 1996.

10.12 1995 Compensatory Stock Option Plan.

10.27 Assignment Agreement dated September 3, 1996, assigning certain Patents and Patent Applications and trade secrets relating to the PI Technology to the Company, as assignee, and Particle Interconnect, Inc. as assignor.

10.37 Assignment Agreement dated June 5, 1996, assigning the Patent Application for the Antenna Technology to the Company, as assignee, and El-Badawy Amien El-Sharaway, as assignor.

10.4* Employment and Non-Disclosure Non-Competition Agreement, dated June 1,1998, between Paul H. Metzinger and the Company.

10.59 Side Letter Agreement and Security Agreement dated as of January 30, 1998 between Intercell Corporation and Jaymark, Inc.

10.69 Environmental Remediation and Indemnity Agreement dated as of February 6, 1998 by and among Intercell Corporation, California Tube Laboratory, and Jaymark, Inc.

10.79 Promissory Note, dated as of February 6, 1998 between Intercell Corporation and Jaymark, Inc.

10.89 Indemnity escrow agreement dated as of February 6, 1998 by and among Intercell Corporation, Jaymark, Inc. and Chicago Title Company.

10.95 Warrant Agreement dated as of July 18, 1997 between Intercell Corporation and Intercell Technologies Corporation.

10.105 Royalty Agreement dated as of July 18, 1997 between Intercell Corporation and Intercell Technologies Corporation.

10.115 $2,200,000 Promissory Note dated as of July 18, 1997 between Intercell Technologies Corporation and Intercell Corporation.

10.125 Stock Pledge and Security Agreement dated July 18, 1997 between Intercell Corporation and Intercell Technologies Corporation.

10.1311 Microlink Technologies Corporation Standard Industrial Lease.

10.1411 Sigma Corporation Lease.

10.1511 CTL Lease

11* Statement regarding Computation of Per Share Earnings.

217 Subsidiaries of the Company.

27* Financial Data Schedule.

____

*Filed herewith.

1 Incorporated by reference to the Company's Current Report on Form 8-K dated July 10, 1996.

2 Incorporated by reference to the Company's Current Registration Statement on Form S-8, Registration No. 333-604 effective January 24, 1996.

3 Incorporated by reference to the Company Current Report on Form 8-K dated September 3, 1996.

4 Incorporated by reference to Company Current Report on Form 8-K dated the October 14, 1996.

5 Incorporated by reference to the Company Current Report on Form 8-K dated July 18, 1997.

6 Incorporated by reference to the Company Current Report on Form 8-K dated May 28, 1997.

7 Incorporated by reference to the Company Annual Report on Form 10-K for the year ended September 30, 1996.

8 Incorporated by reference to the Company Quarterly Report on Form 10-KSB for the quarter ended December 31, 1997.

9 Incorporated by reference to the Company Current Report on Form 8-K dated February 6, 1998.

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10 Incorporated by reference to the Company Current Report on Form 8-K dated February 26, 1998.
11 Incorporated by reference to the Company Annual Report on Form 10-K for the year ended September 30, 1997.
12 Incorporated by reference to the Company Form 10QSB for the quarter ended December 31, 1997, filed September 17, 1998.

(b) Reports on Form 8-K:

(i) Form 8-K dated February 6, 1998 regarding the disposition of California Tube Laboratory, Inc.
(ii) Form 8-K dated February 26, 1998 regarding the transfer of the PI Technology to Sunlight Systems, Ltd.
(iii) Form 8-K dated April 6, 1998 regarding the change in independent accountants.

SIGNATURES

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

INTERCELL CORPORATION, (a Colorado corporation)

Date: July 26, 1999 By /s/ Paul H. Metzinger

Paul H. Metzinger, Director, Chief Executive Officer and President

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 the capacities and on the dates indicated.

Date: July 26, 1999 By /s/ Paul H. Metzinger

Paul H. Metzinger, Director, Chief Executive Officer, President & Chief Financial Officer

Date: July 26, 1999 By /s/ Kevin B. Waide

Kevin B. Waide, Director

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LIST OF EXHIBITS

Exhibit 10.4	Employment and Non-Disclosure Non-Competitive Agreement, dated June 1, 1998, between Paul H. Metzinger and the Company
Exhibit 11:	Statement of computation of earnings per share
Exhibit 27:	Financial Data Schedule

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INTERCELL CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 1998 and 1997

(With Independent Auditors' Report Thereon)

FINANCIAL STATEMENTS

INTERCELL CORPORATION

Index to Consolidated Financial Statements

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Intercell Corporation

We have audited the accompanying consolidated balance sheet of Intercell Corporation and subsidiaries as of September 30, 1998, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the years in the two-year period ended September 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain

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reasonable assurance about whether the financial statements are free of material misstatement. 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 Intercell Corporation and subsidiaries as of September 30, 1998, and the results of their operations and their cash flows for each of the years in the two-year period ended September 30, 1998, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring net losses and has a net capital deficiency that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GELFOND HOCHSTADT PANGBURN & CO.

Denver, Colorado
July 9, 1999

INTERCELL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
September 30, 1998

<TABLE>
<CAPTION>

Assets	
<S>	<C>
Current assets:	
Cash and cash equivalents	$ 251,000
Restricted cash	16,000
Note receivable, current portion (Note 4)	12,000
Total current assets.	279,000
Note receivable, less current portion (Note 4).	26,000
Investment in land held for sale (Note 5)	500,000
Other assets.	38,000
Total assets	$ 843,000
Liabilities and Stockholders' Deficit	
Current liabilities:	
Notes payable to related parties (Note 6)	$ 86,000
Accounts payable and accrued liabilities.	813,000
Convertible debentures (Note 6)	826,000
Liabilities of discontinued operations (Note 7)	3,280,000

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Total liabilities (all current)	5,005,000
Minority interest in subsidiary (Note 8)	590,000
Commitments and contingencies (Note 11)	
Stockholders' deficit (Note 9):	
Convertible preferred stock; 10,000,000 shares authorized:	
Series C; 147 shares issued and outstanding (liquidation preference of $1,653,750)	1,362,000
Series D; 1,080 shares issued and outstanding (liquidation preference of $2,700,000)	2,387,000
Warrants to acquire common stock	3,075,000
Common stock; no par value; 100,000,000 shares authorized 36,670,634 shares issued and outstanding	21,329,000
Additional paid-in capital	4,098,000
Accumulated deficit	(37,003,000)
Total stockholders' deficit	(4,752,000)
Total liabilities and stockholders' deficit	$ 843,000

<FN>

See accompanying notes to consolidated financial statements.
</TABLE>

INTERCELL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

<TABLE>
<CAPTION>

	Years Ended September 30,	
	1998	1997
General and administrative expense	$ 3,946,000	$ 5,524,000
Research and development expense	-	94,000
Loss from operations	(3,946,000)	(5,618,000)
Interest income	118,000	220,000
Interest expense	(354,000)	(59,000)
Impairment of investment in land (Note 5)	(924,000)	-
Other income	11,000	-
	(1,149,000)	161,000
Loss from continuing operations before minority interest	(5,095,000)	(5,457,000)
Minority interest	-	164,000
Loss from continuing operations	(5,095,000)	(5,293,000)
Discontinued operations (Note 7):		
Loss from operations to be disposed of	(4,110,000)	(11,188,000)
Loss on sale of subsidiaries	(288,000)	-
Loss from discontinued operations	(4,398,000)	(11,188,000)
Net loss	(9,493,000)	(16,481,000)
Deemed dividend on Series B, C and D preferred stock		

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relating to in-the-money conversion terms (Note 9). . .	(57,000)	(1,072,000)
Accrued dividends on Series D preferred stock (Note 9). .	(113,000)	-
Accretion on Series B and C preferred stock (Note 9). . .	(123,000)	(460,000)
Net loss applicable to common stockholders.	$ (9,786,000)	$(18,013,000)
Net loss per share, basic and diluted, applicable to common stockholders:		
Loss from continuing operations	$ (0.16)	$(0.38)
Loss from discontinued operations	(0.13)	(0.61)
Net loss.	$ (0.29)	$(0.99)
Weighted average number of common shares outstanding. . .	33,992,163	18,114,038

<FN>
See accompanying notes to consolidated financial statements.

</TABLE>

INTERCELL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Changes in Stockholders' Equity(Deficit)
Years Ended September 30, 1998 and 1997

<TABLE>
<CAPTION>

	Convertible Preferred Stock		Warrants to Acquire Common Stock	Common Stock		Additional Paid-In Capital
	Shares	Amount		Shares	Amount	
Balances, October 1, 1996	787	$ 5,393,000	$ 1,870,000	15,734,229	$12,187,000	$1,765,000
Shares of Series C preferred stock and Warrants issued in private placement, Net of issuance costs of $577,500	525	2,560,000	1,180,000	--	--	932,000
Deferred compensation related to stock Option grants	--	--	--	--	148,000	--
Compensation recorded on transfer of stockholder options.	--	--	--	--	530,000	--
Amortization of deferred compensation .	--	--	--	--	--	--
Exercise of stock options	--	--	--	200,000	150,000	--
Conversion of Series B preferred stock to common stock	(782)	(5,686,000)	--	4,962,271	5,686,000	--
Conversion of Series C preferred stock to common stock	(358)	(2,542,000)	--	9,449,575	2,542,000	--
Shares issued in exchange for services.	--	--	--	25,000	42,000	--
Shares of Series D preferred stock Issued in connection with acquisition of Sigma 7.	1,000	2,223,000	--	--	--	277,000
Shares of Series D preferred stock Issued as payment for covenant not to compete.	80	178,000	--	--	--	22,000
Treasury shares received as Consideration for asset sale.	--	--	--	--	--	--
Accretion on preferred stock.	--	460,000	--	--	--	--
Amortization of deemed dividend	--	1,072,000	--	--	--	--
Net loss.	--	--	--	--	--	--
Balances, September 30, 1997.	1,252	3,658,000	3,050,000	30,371,075	21,285,000	2,996,000

	Deferred Compensation	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
<S>	<C>	<C>	<C>	<C>

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Balances, October 1, 1996	$ (331,000)	--	$ (9,204,000)	$ 11,680,000
Shares of Series C preferred stock and Warrants issued in private placement, Net of issuance costs of $577,500. .	--	--	--	4,672,000
Deferred compensation related to stock Option grants	(148,000)	--	--	--
Compensation recorded on transfer of stockholder options.	(530,000)	--	--	--
Amortization of deferred compensation .	1,006,000	--	--	1,006,000
Exercise of stock options	--	--	--	150,000
Conversion of Series B preferred stock to common stock	--	--	--	--
Conversion of Series C preferred stock to common stock	--	--	--	--
Shares issued in exchange for services.	--	--	--	42,000
Shares of Series D preferred stock Issued in connection with acquisition of Sigma 7.	--	--	--	2,500,000
Shares of Series D preferred stock Issued as payment for covenant not to compete.	--	--	--	200,000
Treasury shares received as Consideration for asset sale.	--	(385,000)	--	(385,000)
Accretion on preferred stock.	--	--	(460,000)	--
Amortization of deemed dividend	--	--	(1,072,000)	--
Net loss.	--	--	(16,481,000)	(16,481,000)
Balances, September 30, 1997.	(3,000)	(385,000)	(27,217,000)	3,384,000

</TABLE>

CONTINUED

INTERCELL CORPORATION AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity(Deficit)

Years Ended September 30, 1998 and 1997

<TABLE>
<CAPTION>

	Convertible Preferred Stock		Warrants to Acquire	Common Stock		Additional Paid-In
	Shares	Amount	Common Stock	Shares	Amount	Capital
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, September 30, 1997	1,252	$ 3,658,000	3,050,000	30,371,075	$21,285,000	$2,996,000
Constructive retirement of treasury Stock.	--	--	--	(1,100,000)	(385,000)	--
Warrants issued in connection with Convertible debenture.	--	--	25,000	--	--	--
Shares issued in lieu of interest. . . .	--	--	--	2,000,000	187,000	--
Shares issued for services	--	--	--	516,000	40,000	--
Common stock issued by subsidiary. . . .	--	--	--	--	--	877,000
Amortization of deferred compensation. .	--	--	--	--	--	--
Amortization of deemed dividend.	--	57,000	--	--	--	--
Accrual of preferred stock dividend. . .	--	113,000	--	--	--	--
Accretion on preferred stock	--	123,000	--	--	--	--
Conversion of Series B preferred stock to common stock.	(5)	(40,000)	--	678,761	40,000	--
Conversion of Series C preferred stock to common stock.	(20)	(162,000)	--	4,204,798	162,000	--
Beneficial conversion feature related to Series A-1 and A-2 debentures.	--	--	--	--	--	225,000
Net loss	--	--	--	--	--	--
Balances, September 30, 1998	1,227	$ 3,749,000	$ 3,075,000	36,670,634	$21,329,000	$4,098,000

Deferred	Treasury	Accumulated	Total Stockholders' Equity

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<S>	Compensation <C>	Stock <C>	Deficit <C>	(Deficit) <C>
Balances, September 30, 1997	$ (3,000)	$ (385,000)	$ (27,217,000)	$ 3,384,000
Constructive retirement of treasury Stock.	--	385,000	--	--
Warrants issued in connection with Convertible debenture.	--	--	--	25,000
Shares issued in lieu of interest. . . .	--	--	--	187,000
Shares issued for services	--	--	--	40,000
Common stock issued by subsidiary. . . .	--	--	--	877,000
Amortization of deferred compensation. .	3,000	--	--	3,000
Amortization of deemed dividend.	--	--	(57,000)	--
Accrual of preferred stock dividend. . .	--	--	(113,000)	--
Accretion on preferred stock	--	--	(123,000)	--
Conversion of Series B preferred stock to common stock.	--	--	--	--
Conversion of Series C preferred stock to common stock.	--	--	--	--
Beneficial conversion feature related to Series A-1 and A-2 debentures.	--	--	--	225,000
Net loss	--	--	(9,493,000)	(9,493,000)
Balances, September 30, 1998	--	--	$ (37,003,000)	$(4,752,000)

</TABLE>

INTERCELL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

<S>	Years Ended September 30, 1998 <C>	1997 <C>
Cash flows from operating activities:		
Net loss	$ (9,493,000)	$(16,481,000)
Less loss from discontinued operations	4,398,000	11,188,000
Loss from continuing operations.	(5,095,000)	(5,293,000)
Adjustments to reconcile net loss to net cash used in in operating activities:		
Amortization of intangible assets	3,000	--
Loss on abandonment/sale of property, plant and equipment	900,000	204,000
Loss from asset impairment.	924,000	--
Common stock and warrants issued for interest/services. .	252,000	42,000
Common stock of subsidiary issued for services.	877,000	--
Loss from assignment of note.	500,000	--
Amortization of deferred compensation	3,000	1,006,000
Changes in operating assets and liabilities:		
Increase in accounts receivable.	--	(54,000)
Increase in restricted cash.	(16,000)	--
Increase in prepaid expenses and other current assets	(180,000)	(143,000)
Increase in accounts payable and accrued liabilities . .	121,000	657,000
Increase in accounts payable to related parties.	86,000	--
Net cash used in continuing operations.	(1,625,000)	(3,581,000)
Net cash used in discontinued operations.	(1,690,000)	(3,795,000)

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Cash flows from investing activities:		
Other assets	(77,000)	194,000
Cash paid in connection with acquisitions	--	(486,000)
Proceeds from maturity of short-term investments	--	3,063,000
Proceeds from disposition of business and sales of property and equipment	2,200,000	--
Payments received on notes receivable	1,000	--
Cash transferred/loaned in disposition of subsidiary	--	(562,000)
Loans extended to subsidiary prior to acquisition	--	(1,345,000)
Net cash provided by investing activities of continuing operations	2,124,000	864,000
Cash flows from financing activities:		
Repayments of notes payable to related parties	--	(932,000)
Proceeds from notes payable	1,500,000	720,000
Repayments of notes payable	(659,000)	(339,000)
Payment of debt issuance costs	--	(42,000)
Repayments of long-term debt	--	(212,000)
Proceeds from issuance of preferred stock and warrants		4,672,000
Proceeds from sale of preferred stock by subsidiary	590,000	--
Proceeds from stock options	--	150,000
Net cash provided by financing activities of continuing operations	1,431,000	4,017,000
Net increase (decrease) in cash and cash equivalents	240,000	(2,495,000)
Cash and cash equivalents beginning of year	11,000	2,506,000
Cash and cash equivalents end of year	$ 251,000	$ 11,000
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 81,000	$ 16,000

</TABLE>

(CONTINUED)

INTERCELL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing and financing activities:

	1998	1997
Additional paid-in capital from conversion feature of debentures	$ 225,000	$ --
Deferred compensation related to stock option grants	--	678,000
Conversion of Series B and C preferred stock to common stock	202,000	8,228,000
Treasury shares received in disposition of Cellular Magnetics, Inc. (CMI)	--	385,000
Noncash consideration received on sale of CMI and Intercell Wireless Corp.	--	1,273,000
Series D preferred stock issued in exchange for BMI Acquisition Group, Inc. preferred stock and in consideration for non-compete agreement	--	2,700,000
Accretion on preferred stock	123,000	460,000
Amortization of deemed dividend on preferred stock	57,000	1,072,000
Accrual of preferred stock dividend	113,000	--

See accompanying notes to consolidated financial statements.

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INTERCELL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1998 AND 1997

(1) BASIS OF PRESENTATION, BUSINESS AND PLAN OF RESTRUCTURING

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Intercell Corporation, a Colorado corporation (the Company, or Intercell), and its significant subsidiaries: California Tube Laboratory, Inc. through February 6, 1998, Cellular Magnetics, Inc. and Intercell Wireless Corporation through April 9, 1998, Nanopierce Technologies, Inc. acquired February 26, 1998, Sigma 7 Corporation, Particle Interconnect Corp, and Arizcan Properties, Ltd. All significant intercompany accounts and transactions have been eliminated in consolidation.

Business and Plan of Restructuring

During 1998 and 1997, the Company manufactured products in three industry segments: (1) the production of fully functional computer memory modules from defective memory chips, (2) the production and rebuilding of electron power tubes in various forms and models, and (3) the production of electronic components. During 1998 and 1997, due to continuing operating losses, management decided to restructure the Company primarily through various acquisitions and divestitures, described below.

a. Disposition of California Tube Laboratory, Inc.

Through January 1998, the Company's wholly owned subsidiary California Tube Laboratory, Inc. (CTL) manufactured and rebuilt electron power tubes. On February 6, 1998, the Company sold CTL to an unrelated third party. As consideration for the sale, the Company received $1,500,000 in cash, including $200,000 in Escrow (on September 16, 1998 the buyer received a distribution from escrow of approximately $184,000) and a $500,000 promissory note (Note 4).

b. Acquisition of Nanopierce Technologies, Inc.

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Through August 1997, the Company's wholly owned subsidiary Particle Interconnect Corp. (PI Corp.), was engaged in the development and manufacturing of particle-coated substrates for integrated circuits using patented interconnect technology (the PI Technology) and a proprietary trade secret electro-plating process (the PE Process). In September 1997, in connection with a change in business strategy the Company discontinued operations and recorded a charge of $801,000 related to the write-off of manufacturing equipment ($599,000) and lease abandonment ($202,000).

In February 1998, the Company transferred all of the intellectual property of PI Corp.(which had a historical carrying value of zero) to Nanopierce Technologies, Inc. (Nanopierce, formerly Sunlight Systems, Inc.) for 7,250,000 restricted shares of common stock and 100 Series A, 8%, voting, convertible, cumulative, participating, preferred shares of Nanopierce. The preferred shares are convertible to 7,250,000 restricted shares of Nanopierce's common stock. The Company has a 73% controlling interest in Nanopierce on a fully diluted basis. Nanopierce had no significant operations prior to this transaction. This transaction was accounted for using the purchase method of accounting and the results of operations of Nanopierce have been included in the Company's financial statements from the date of acquisition. The unaudited results of operations of the Company on a pro forma basis, as though Nanopierce had been acquired as of October 1, 1997 and October 1, 1996 are as follows:

	1998	1997
Revenue	--	--
Loss from continuing operations	$(5,262,000)	$(5,391,000)
Net loss	$(9,623,000)	$(16,543,000)
Net loss applicable to common shareholders	$(9,916,000)	$(18,075,000)
Net loss per share	$ (.29)	$ (1.00)

c. Acquisition and Disposition of Cellular Magnetics, Inc. and Intercell Wireless Corporation

Through June 1997, the Company's wholly owned subsidiaries Cellular Magnetics Inc. (CMI), (which owned all the assets and liabilities of A.C. Magnetics, Inc., d.b.a. M.C. Davis Co., Inc.) and Intercell Wireless Corporation (IWC), manufactured and distributed electronic components. In July 1997, the Company entered into a stock purchase agreement to sell CMI and IWC to Intercell Technologies Corporation (ITC) in exchange for ITC common stock and notes valued at $1,835,000, and 1,100,000 shares of the Company's common stock owned by ITC, valued at $385,000. At the time the transaction was proposed, a former Director/Executive Vice President of the Company owned a controlling interest in ITC. No gain or loss was recognized on the transaction. The following is a list of assets sold, including cash loaned and liabilities transferred to ITC:

Current assets	$ 600,000
Property, plant and equipment	349,000
Goodwill and other intangibles	1,026,000
Accounts payable	(175,000)

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Net assets sold	1,800,000
Cash loaned to ITC	345,000
Sale of corporate office furniture	75,000
Total assets sold, including cash loaned, and liabilities transferred	$2,220,000

INTERCELL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In September 1997, the Company evaluated the recoverability of its investment in ITC and concluded that an impairment charge of $835,000 was necessary to reflect continued uncertainties regarding the realization of its investment in and advances to ITC. The $835,000 charge represented the difference between the carrying amount of the investment in and advances to ITC and the estimated fair value of assets collateralizing the advances.

In January 1998, ITC advised the Company that it would default on all obligations owed to the Company. The Company undertook immediate steps to protect its interest including the repossession and foreclosure of the primary assets of CMI. The Company recognized a loss of $900,000 due to impairment concerns associated with ITC's inability to repay the Company. On April 9, 1998, the Company sold CMI to its former owners for $700,000.

d. Acquisition and Liquidation of Sigma 7 Corporation

In June 1997, the Company acquired Sigma 7 Corporation (Sigma), and through its subsidiary BMI Acquisition Group, Inc. (BMI), it developed and utilized a proprietary patch technology to produce fully functional computer memory modules from defective memory chips. The purchase price for Sigma of $550,000 was allocated to the net assets acquired based on estimated fair values, as follows:

Fair value of assets acquired	$1,430,000
In-process research and development	2,022,000
Goodwill and other intangible assets	2,495,000
Liabilities assumed	(5,461,000)
Cash paid, net of $64,000 cash acquired	$ 486,000

As of September 30, 1997, the Company determined that goodwill and other intangible assets, which represented the cost of the Company's investment in excess of the net tangible assets acquired was not recoverable based on the uncertainties surrounding the subsidiary's future cash flows and wrote off the remaining balance of approximately $2.3 million.

The results of Sigma were included in the Company's consolidated results of operations from June 1997 until June 1998 when all operations were discontinued. On December 31, 1998, Sigma filed for voluntary liquidation under Chapter 7 of the U.S. Bankruptcy Code.

At September 30, 1998, the Company's remaining operating subsidiary is Nanopierce, which is engaged in the design, development and licensing of products using its intellectual property and PI Technology. The PI Technology improves electrical, thermal and mechanical characteristics of electronic products. The Company markets the PI Technology to technology companies for use in various industries for a wide range of applications. The Company has not recognized any royalty revenue through September 30, 1998, pending the resolution of litigation regarding a license agreement (Note 11).

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The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred significant operating losses in 1998 and 1997, and has a working capital deficiency and a stockholders' deficit at September 30, 1998. These conditions raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classifications of liabilities that might result from the outcome of this uncertainty.

The Company has formulated plans and strategies to address the Company's financial condition and increase profitability, including the following:

a. Through 1998, the Company discontinued, sold, and/or abandoned certain of its operations, which management anticipates will eliminate significant operating and overhead expenses, and which have contributed to the Company's operating losses in the past.

b. The Company completed the acquisition of Nanopierce in 1998, which the Company intends to market its PI Technology, primarily through the development of strategic relationships with established leaders in the technology industry, the licensing of the PI Technology and/or the sale of products incorporating the PI Technology.

c. The Company is continuing efforts to seek and obtain debt and/or equity financing to further support its operating needs.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash Equivalents and Restricted Cash

Cash equivalents consist of highly liquid investments with an original maturity of less than three months at the date of purchase. Restricted cash consists of cash held in an escrow account in connection with the Company's sale of CTL.

Notes Receivable

Management periodically evaluates receivable balances. Evaluations are based primarily on assessments of the borrowers' financial condition and the underlying value of the collateral to determine if any impairment is

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evident.

Revenue Recognition

Revenues associated with discontinued operations were recognized when earned, generally upon product shipment. A provision was made for estimated customer returns at the time of sale.

Inventories

Inventories associated with discontinued operations were generally stated at the lower of cost (first in, first out), or market. During 1998, $110,000 of inventories associated with discontinued operations were written down, and the charge was included in the loss from discontinued operations. As of September 30, 1998, there are no remaining inventories.

Property, Plant and Equipment

Property, plant and equipment associated with discontinued operations were stated at cost. Depreciation expense was provided by use of the accelerated and straight-line methods over the estimated useful lives of the assets, generally 5 to 12 years for furniture, equipment, software, and vehicles, and the shorter of the useful life of the asset or the remaining lease term for leasehold improvements. During 1998, property and equipment associated with discontinued operations with a carrying value of $302,000 was written down, and the charge was included in the loss from discontinued operations.

Long-Lived Assets

The Company reviews its long-lived assets, including intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of its carrying amount to future net cash flows expected to be generated from the operation and sale of the long-lived assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount in which the carrying amount of the long-lived assets exceeds its fair value.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, restricted cash, the note receivable, accounts payable and accrued liabilities, and convertible debentures approximate fair values due to the short maturities of such instruments. Management is not able to practicably estimate the fair value of the liabilities of discontinued operations due to uncertainties in connection with the Sigma 7 Chapter 7 bankruptcy (Note 7) or the related party notes payable, due to the related party nature of the underlying transaction.

Income Taxes

Income taxes are accounted for by the asset and liability method. 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 and operating loss and tax credit carryforwards. 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 amounts expected to be realized.

Net Loss Per Share

Net loss per share of common stock is computed based on the weighted

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average number of common shares outstanding during the year. Stock options, warrants and convertible preferred stock are not considered in the calculation as the impact of the potential common shares would be to decrease loss per share. Therefore, diluted loss per share is equivalent to basic loss per share.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 128 Earnings Per Share during 1998. This statement requires dual presentation of basic and diluted earnings per share (EPS) with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. The adoption of SFAS 128 did not result in a change to the previously presented EPS for 1997.

Stock-Based Compensation

SFAS No. 123, Accounting for Stock-Based Compensation, allows companies to choose whether to account for employee stock-based compensation on a fair value method, or to continue accounting for such compensation under the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). The Company has chosen to continue to account for employee stock-based compensation using APB 25.

Recently Issued Accounting Standards

In 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, Reporting Comprehensive Income. This standard establishes requirements for disclosures of comprehensive income which includes certain items previously not included in the statements of operations, including minimum pension liability adjustments and foreign currency translation adjustments, among others. This statement is effective for fiscal years beginning after December 15, 1997. Reclassification of earlier financial statements for comparative purposes is required. Currently, the Company does not have any items that would be classified as a component of comprehensive income. Therefore, management believes that implementation of SFAS No. 130 will not materially effect the Company's financial statements.

In 1997, the FASB also issued SFAS No. 131, Disclosures about Segments of an Enterprise and Related Financial Information, and in February 1998, the FASB issued SFAS No. 132, Employers' Disclosure about Pensions and Other Post Retirement Benefits. Both of these statements require disclosure only and therefore will not impact the Company's financial statements.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective for fiscal years beginning after June 15, 1999. Currently, the Company does not have any derivative financial instruments and does not participate in hedging activities. Therefore, management believes that SFAS No. 133 will not have an impact on its financial statements.

Reclassifications

Certain amounts in the 1997 financial statements have been reclassified to conform with the 1998 presentation.

(3) RISK CONSIDERATIONS

Business Risk

The Company is subject to risks and uncertainties common to technology-based companies, including rapid technological change, dependence on principal products and third party technology, new product introductions and other activities of competitors, dependence on key personnel, and limited operating history.

Year 2000 Conversion

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The Company recognizes the need to ensure its operations will not be adversely impacted by Year 2000 software failures. Software failures due to processing errors potentially arising from calculations using the Year 2000 date are a known risk. The Company is addressing this risk to the availability and integrity of financial systems and the reliability of the operational systems. The Company has established processes for evaluating and managing the risks and costs associated with this problem. Management believes the total cost of compliance, and its effect on the Company's future results of operations will be insignificant.

(4) NOTES RECEIVABLE

The note receivable of $38,000 at September 30, 1998, is non-interest bearing, due in installments through June 2001, and is collateralized by property and equipment. Interest was imputed on the note at 10%, and at September 30, 1998, the unamortized balance of the discount was $6,000.

In connection with the Company's 1998 sale of CTL, the Company received a $500,000, 3% unsecured promissory note from the buyer, payable only once an environmental cleanup of the property formerly leased by CTL was complete. The Company was obligated to the owner of the property to pay 75% of any expenses related to the environmental cleanup, estimated to cost between $350,000 to $450,000. In January 1999, the Company entered into an agreement to assign its interest in the $500,000 note to the property owner in consideration of the property owner releasing the Company from any environmental cleanup liability. The Company recognized a loss of $500,000 in connection with the note assignment.

(5) INVESTMENT IN LAND HELD FOR SALE

The investment in land held for sale consists of approximately 94 acres of undeveloped rangeland located in Arizona. In September 1998, the Company evaluated the recoverability of its investment in land held for sale and concluded that an impairment charge of $924,000 was necessary to reduce the carrying value of the land to its estimated net realizable value of $500,000. The net realizable value of $500,000 at September 30, 1998, is based on management's assessments, negotiations with a potential third-party buyer, and other matters.

(6) NOTES PAYABLE TO RELATED PARTIES AND CONVERTIBLE DEBENTURES

Notes Payable to Related Parties

Notes payable to related parties consist of two notes payable, due on demand, one to an affiliate of a minority shareholder and one to a minority shareholder/officer of the Company, which have balances of $24,000 and $44,000 at September 30, 1998, and bear interest at 10% and 8%, respectively. In addition, the Company has an unsecured, non-interest bearing, $18,000 note payable due on demand to an officer of the Company at September 30, 1998.

Convertible Debentures

In December 1997, the Company issued $750,000 of Series A-1 and $750,000 of Series A-2 convertible debentures with warrants attached. The convertible debentures were, at the time of issue, unsecured obligations of the Company. In connection with the debt issue, warrants were issued to the debt holders, entitling each holder to purchase 200,000 shares of the Company's common stock for $.17, $.50 and $1.00 per share, respectively. The warrants expire three years from the date of issue. The portion of the proceeds applicable to these warrants was $15,000. In addition, the Company paid a third-party investment banker a $180,000 commission and issued warrants to purchase 200,000 shares of the Company's common stock at an exercise price of $.15 per share. The $180,000 commission and the warrants, which were valued at $10,000, have been included in general administrative expense.

The Series A-1 debentures require quarterly interest payments at 9% per annum, beginning March 1, 1998 with the balance due on December 1, 1999. The debenture may be converted at the option of the holder after 60 days from the date of issuance at a conversion price per share equal to the

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lessor of 85% of the market price as defined, or $0.75.

The Series A-2 debentures require quarterly interest payments at 9% per annum, beginning June 1, 1998, with an original maturity date of April 1999, at a conversion price for each share of common stock at 85% of the market price as defined in the financing agreement. At the Company's request, the Series A-2 debentures were accelerated to December 31, 1998. As consideration for the acceleration, the Company provided collateral to the debenture holders for the entire $1,500,000. The Company assigned a first priority secured lien on the assets of Sigma, a first deed of trust on the land held for sale, and an assignment of the $2,200,000 note from ITC to the Company. In addition, the Company issued 1,000,000 shares of its common stock to the debenture holders in lieu of interest expense during the year ended September 30, 1998, of $100,000. During 1998, $659,000 was paid on the debentures, and at September 30, 1998, $826,000, plus accrued interest of $36,000 is due.

A beneficial conversion feature of $225,000, representing the "in the money portion" of the debentures at the date of issuance, was recognized as a discount on the debentures and an increase to additional paid in capital. The discount was amortized to interest expense in 1998.

(7) DISCONTINUED OPERATIONS

The Company sold its wholly-owned subsidiary, CTL, on February 6, 1998; the Company effectively terminated the non-PI Technology related operations and activities of PI Corp. in September 1997 and transferred the PI Technology to Nanopierce in February, 1998; the Company sold CMI and IWC in July 1997, and in June 1998, the Company discontinued all operations of Sigma. The summarized resulting discontinued operations are as follows:

1998	CTL	CMI	IWC	SIGMA	PI CORP	TOTAL
Net sales	$1,583,000	814,000	--	669,000	--	3,066,000
Loss from Operations	$(215,000)	(6,000)	(838,000)	(2,947,000)	(104,000)	(4,110,000)
Gain/(Loss) on Disposal	$(832,000)	544,000	--	--	--	(288,000)

1997	CTL	CMI	IWC	SIGMA	PI CORP	TOTAL
Net sales	$4,655,000	1,480,000	--	1,594,000	--	7,729,000
Income (loss) from operations	$ 156,000	(64,000)	(386,000)	(7,096,000)	(3,798,000)	(11,188,000)

Liabilities of discontinued operations at September 30, 1998, consist of Sigma liabilities as follows:

Accounts payable and accrued liabilities	$ 986,000
Notes payable	2,173,000
Other liabilities	121,000
	$ 3,280,000

Notes payable of discontinued operations primarily consist of $1,700,000, 10%, unsecured notes payable issued in a 1997 private placement, originally due in October 1998(Note 11).

(8) MINORITY INTEREST IN SUBSIDIARY AND SUBSIDIARY STOCK TRANSACTIONS

In July 1998, Nanopierce executed a securities purchase agreement with a third-party buyer (Buyer) pursuant to which the Buyer agreed to acquire 150,000 shares of Nanopierce Series B preferred stock (Series B) and 700,000 shares of Nanopierce Series C preferred stock (Series C) at $10 per share at specified closing dates. The agreement was for a two-year period and would have allowed Nanopierce to issue the Buyer up to $8,500,000 of preferred stock. In addition, Nanopierce would have issued

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warrants to the Buyer on each closing date.

Through September 30, 1998, Nanopierce issued 75,000 shares of Series B Preferred Stock at $10 per share, resulting in net proceeds of $660,000 (net of $90,000 of issuance costs). The balance due on the remaining closings was canceled by mutual consent of Nanopierce and the Buyer.

The Series B shares are non-voting with cumulative dividends of $.70 per share per year and are redeemable by Nanopierce at $12 per share plus any accumulated and unpaid dividends. The Series B shares are convertible into shares of Nanopierce common stock at a conversion rate of $10 per share plus accumulated and unpaid dividends, divided by the lessor of 110% of the average closing bid price of the Nanopierce common stock for the five days prior to the purchase of the Series B shares or 80% of the average closing bid price of Nanopierce's common stock for the five days prior to the conversion date.

In September 1998, 8,000 shares of the Series B Preferred Stock were converted into common shares of Nanopierce, and at September 30, 1998, 67,000 shares of Nanopierce Series B Preferred Stock were outstanding with a balance of $590,000, which has been presented as a minority interest in subsidiary in the accompanying consolidated financial statements.

During 1998, Nanopierce also issued 1,265,093 shares of its common stock in exchange for services valued at approximately $877,000, based upon the market price of the Nanopierce common stock at the date the services were performed. Approximately 970,000 shares ($174,000 of the total expense) was attributed to employee compensation.

(9) STOCKHOLDERS' EQUITY (DEFICIT)

Series B Preferred Stock

In July 1996, the Company issued 1,000 shares of Series B redeemable convertible preferred stock (Series B Preferred Stock) and detachable warrants for proceeds of $8,900,000 (net of issuance costs of $1,100,000). Each share of Series B Preferred Stock was convertible into common stock at the exchange rate in effect at the time of the conversion. At the date of issuance, the exchange rate was equal to 85% of the then prevailing market rate, resulting in a deemed dividend of $1,765,000. The Company recognized $140,000, of the dividend in its 1997 net loss applicable to common stockholders calculation. In addition, the conversion terms included a beneficial adjustment to the exchange rate equal to the original issue price plus 10% of the original issue price per annum since July 10, 1996. The beneficial adjustment was treated as an accretion on the Series B Preferred Stock. For the year ended September 30, 1997, the amount of accretion was $193,000.

During the year ended September 30, 1998, 5 shares of Series B Preferred Stock were converted into 678,761 shares of common stock. During the year ended September 30, 1997, 782 shares of Series B Preferred Stock were converted into 4,962,271 shares of common stock. At September 30, 1998, all shares of Series B Preferred Stock have been converted to common stock.

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Each share of Series B Preferred Stock was accompanied by a detachable warrant to purchase a number of shares of common stock of the Company equal to 30% of the original aggregate purchase price of the shares of Series B Preferred Stock divided by a fixed conversion rate of $3.9375 per share, exercisable 105 days after original issuance. The amount of proceeds allocated to the warrants was based on the fair value of the warrants on the date of the Series B Preferred Stock offering as determined using the Black-Scholes pricing model. As of September 30, 1998, warrants to acquire 1,092,063 shares of common stock were outstanding. The warrants will expire if not exercised by July 1, 2001.

Series C Preferred Stock

In December 1996, the Company issued 525 shares of no par value Series C Preferred Stock (Series C Preferred Stock) and detachable warrants in a private placement for $4,672,500 (net of issuance costs of $577,500).

Each share of Series C Preferred Stock is convertible into common stock at the exchange rate in effect at the time of the conversion, as described in the preferred stock agreements, and is subject to appropriate adjustment for common stock splits, stock dividends, and other similar transactions. Conversion of the Series C Preferred Stock is automatic upon the expiration of three years from the original date of issuance. At the date of issuance, the exchange rate was equal to 85% of the then prevailing market rate, resulting in a deemed dividend of $932,000 that was recognized by the Company in 1997.

In addition, the conversion terms include a beneficial adjustment to the exchange rate equal to the original issue price plus 8% of the original issue price per annum since December 16, 1996. The beneficial adjustment is treated as an accretion on the Series C Preferred Stock. For the years ended September 30, 1998 and 1997 the amount of accretion was $123,000 and $267,000, respectively. The Series C Preferred Stock contains a liquidation preference equal to the original issue price plus 8% of the original issue price per annum to the date of liquidation. Shares of Series C Preferred Stock are not entitled to voting rights.

Shares of Series C Preferred Stock, purchased in excess of certain quantities as described in the preferred stock agreements, or purchased in addition to previous purchases of shares of Series B Preferred Stock, are accompanied by detachable warrants to purchase a number of shares of common stock of the Company equal to between 25% and 50% of the original aggregate purchase price of the shares of Series C Preferred Stock divided by a fixed conversion rate of $3.25 per share, exercisable 105 days after original issuance. The amount of proceeds allocated to the warrants was based on the fair value of the warrants on the date of the Series C Preferred Stock offering as determined using the Black-Scholes pricing model. As of September 30, 1998, warrants to acquire 745,386 shares of common stock were outstanding. The warrants will expire if not exercised by November 30, 2001.

During the year ended September 30, 1998, 20 shares of Series C Preferred Stock were converted into 4,204,798 shares of common stock. During the year ended September 30, 1997, 358 shares of Series C Preferred Stock were converted into 9,449,575 shares of common stock. A total of 147 shares of Series C Preferred Stock are outstanding at September 30, 1998.

Series D Preferred Stock

In September 1997, the Company issued 1,000 shares of Series D redeemable convertible preferred stock (Series D Preferred Stock) in exchange for 1,000 shares of BMI preferred stock. Each share of Series D Preferred Stock is convertible into the Company's common stock beginning January 1, 1999, at the option of each holder, or automatically upon the affirmative vote of the holders of a majority of the Series D Preferred Stock. Each share of Series D Preferred Stock converts into three common shares of the Company which would be acquired at the then current market price multiplied by the conversion factor as described in the preferred stock agreements. In September 1997, the Company also issued 80 shares

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of Series D Preferred Stock as partial payment on non-compete agreements with two related parties.

In January 2003, the exchange rate will be equal to 90% of the then prevailing market rate, resulting in a deemed dividend of approximately $300,000. The Company is recognizing the dividend in its net income (loss) per common share calculation over the period beginning with the date of issuance through January 1, 2003. The amount of deemed dividend for the year ended September 30, 1997, was not significant. The amount of deemed dividend for the year ended September 30, 1998 was $57,000.

In the event the total number of shares issuable upon conversion exceeds 10% of the then issued and outstanding shares, the Company must redeem the Series D Preferred Stock within 90 days, which, if converted, would exceed the 10% limitation, at their face value, plus all accrued dividends.

The Series D Preferred Shares contain a liquidation preference equal to the sum of the deemed purchase price of $2,500 per share, and 6% of the deemed purchase price per annum for the period from January 1, 1998 to the date of the event of liquidation. Shares of Series D Preferred Stock are not entitled to voting rights; shares are entitled to receive a cumulative 6% dividend commencing January 1, 1998, are redeemable by the Company, and will receive registration rights permitting the resale of not more than 20% of the outstanding Series D Preferred Stock in connection with any registered firm commitment to underwrite the Company's common stock after December 31, 1998. For the year ended September 30, 1998 accrued dividends on the Series D Preferred Stock approximated $113,000.

Stock Options

Intercell has established a Compensatory Stock Option Plan (the Option Plan) and has reserved 14,000,000 shares of common stock for issuance under the Option Plan. Incentive stock options can be granted under the Option Plan at prices not less than 110% of the fair market value of the stock at the date of grant, and nonqualified options can be granted at not less than 50% of the stock's fair market value at the date of grant or the date the exercise price of any such option is modified. Vesting provisions are determined by the Board of Directors. All stock options expire 10 years from the date of grant.

A summary of the status of the Option Plan is as follows:

	December 31,			
	1998		1997	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	8,952,000	$0.77	3,996,000	$1.56
Granted	400,000	0.08	6,831,000	0.61
Forfeited	(2,425,000)	0.37	(1,675,000)	2.01
Exercised	--	0.00	(200,000)	0.75
Outstanding at end of year	6,927,000	0.87	8,952,000	0.77
Options exercisable at end of year	6,927,000	0.87	8,896,000	0.77

Weighted-average fair value of

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	1998	1997
options granted during the year at market	0.10	0.098
Weighted-average fair value of options granted during the year at less than market	0.05	--

The following table summarizes information about stock options outstanding as of September 30, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.05-0.50	5,670,000	8.66 years	$0.40	5,670,000	$0.40
0.75-1.50	296,000	7.54	0.93	296,000	0.93
2.00-4.00	961,000	7.89	3.60	961,000	3.60
	6,927,000	8.30	0.87	6,927,000	0.87

During 1998, options to purchase 400,000 shares of the Company's common stock at exercise prices ranging from $.05 to $.10 per share, were granted to two employees and a director of the Company. The exercise prices were based on the estimated market value of the Company's common stock at the date of grant and expire through 2008.

Options granted during 1997 include options to purchase 100,000 shares of the Company's common stock were granted to a nonemployee for consulting services. The options were granted at the market value on the grant date, vested 1/12 per month and expire 10 years from the date of grant. The Company recorded an expense of $148,000 related to the grant based on the fair value of the options as determined using the Black-Scholes pricing model.

The Company recorded deferred compensation of $678,000 in 1997 for the difference between the exercise price and the fair value of the common stock related to stock options granted. Compensation expense of $3,000 in 1998 and $1,006,000 in 1997 has been included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Accounting for Stock-Based Compensation Under SFAS No. 123

The Company applies APB 25 for its stock plans. Had compensation cost for the Company's stock plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method prescribed under SFAS No. 123 the Company's net loss and net loss per share would have changed to the pro forma amounts indicated below:

	1998	1997
Net loss, as reported	$(9,493,000)	$(16,481,000)
Net loss, pro forma	(9,514,000)	(17,472,000)
Net loss per share, as reported	(0.26)	(0.99)
Net loss per share, pro forma	(0.26)	(1.05)

The fair value of options granted during 1998 and 1997 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

1998	1997

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Expected dividend yield	0%	0%
Expected stock price votality	79.5%	60%
Risk-free interest rate	6.00%	5.74%
Expected life of options	6.5 years	1.50 years

Warrants

At September 30, 1998, the following warrants to purchase common stock were outstanding:

Number of Common shares covered by warrants		Purchase price	Expiration date
1,092,063	(a)	$3.94	July 1, 2001
745,386	(b)	$3.25	November 30, 2001
600,000	(c)	$0.17 - 1.00	December 3, 2000
200,000	(d)	$0.15	December 3, 2002
2,637,450			

(a) Warrants issued in connection with series B Preferred Stock.
(b) Warrants issued in connection with Series C Preferred Stock.
(c) Warrants issued in connection with Convertible Debentures.
(d) Warrants issued for consulting services.

Other

During 1998 the Company issued 1,516,000 shares of the Company's common stock to third parties, valued at $127,000 based upon the market value of the stock at the date of issue, primarily as consideration for services performed.

(10) INCOME TAXES

The Company did not incur an expense for income taxes in 1998 and 1997. Income tax expense differed from amounts computed by applying the federal statutory income tax rate of 34% to pretax loss as a result of the following:

	Years Ended September 30, 1998	1997
Computed "expected" tax benefit	$(3,235,000)	$(5,659,000)
State "expected" tax benefit	(665,000)	(1,495,000)
Change in valuation allowances	3,686,000	6,526,000
Net operating loss carryforwards for state purposes not available for future utilization	214,000	628,000

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	$ --	$ --
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The tax effects of temporary differences that give rise to significant portions of deferred tax assets at September 30, 1998 are as follows:

Deferred tax assets:	
Net operating loss carryforwards	$11,080,000
Basis in land held for sale	378,000
Goodwill and other intangibles	1,285,000

	12,743,000
Less valuation allowance	(12,743,000)

Net deferred tax assets	$ --
	==========

As of September 30, 1998, the Company had net operating loss carryforwards for federal and state income tax purpose of approximately $27,000,000 and $20,000,000, respectively. The federal net operating losses expire from 2007 to 2018. The state net operating losses expire from 2000 to 2018. The difference between the federal and state loss carryforwards results primarily from a 50% limitation on California net operating losses. The Company's net operating loss carryforwards may be subject to annual limitations which could reduce or defer the utilization of the losses should the Company have an ownership change as defined in section 382 of the Internal Revenue Code. The Company's net operating loss carryforwards may be further reduced or restricted by approximately 50% as a result of the liquidation of certain subsidiaries.

(11) COMMITMENTS AND CONTINGENCIES

Office Lease

The Company leases office space under a non-cancelable operating lease agreement. This lease requires future minimum lease payments of $24,000 per year through September 30, 2001. The lease also requires the Company to pay tax, maintenance, insurance, and certain other operating costs of the leased property.

Rent expense under this lease was approximately $24,000 and $20,000 in 1998 and 1997, respectively.

Related Party Facilities Leases

CTL, which the Company sold in February, 1998, leased its principal facility on a month-to-month basis from a significant stockholder. Monthly rental payments under this facility lease were $10,000.

The Company also leased a facility in Vancouver, Canada, from a former executive and director of the Company with monthly rental payments of $3,000. This lease was terminated in February, 1998 upon payment of a lease termination fee of $129,000. Related party lease expense was $178,000 and $156,000 in 1998 and 1997, respectively.

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Guarantee Agreement

In connection with the acquisition of M.C. Davis Co., Inc. (M.C. Davis) in 1996, the Company guaranteed the former shareholders of M.C. Davis that the 277,778 shares of the Company's common stock issued to them would have a value on October 8, 1998 of not less than $4.00 per share. On October 8, 1998, the price per share of the Company's common stock was $.025. In satisfaction of the guarantee, in October 1998, the Company agreed to transfer 850,000 restricted common shares of its Nanopierce common stock held by the Company and issue 1,293,899 restricted shares of the Company's common stock to the former shareholders. As a result of these transactions, the Company recorded a loss of $32,000 in 1998, which represented: (1) the difference between the estimated market value of the subsidiary stock and the Company's recorded cost of its investment in the subsidiary stock at the date of the transaction ($689,000 gain) and (2) the guaranteed obligation of $721,000.

Subsidiary Shareholder Agreement

Subsequent to the Company's 1997 acquisition of Sigma, Sigma issued $1,700,000 of promissory notes in a private placement. In connection with the Company's decision to discontinue operations of Sigma in June 1998, the Company entered into an agreement in September 1998 to place 750,000 shares of Nanopierce common stock in escrow, to be held for the benefit of the Sigma investors. The agreement stipulates that the 750,000 shares may be sold in order to utilize the proceeds to pay the Sigma investors. The Agreement provides that no sale of shares may be made below $2.00 per share and the volume of sales cannot exceed 20% of the average weekly trading volume of the common stock of Nanopierce prior to the date of the transaction. Any shares not required to be sold are to be returned to the Company. The Company is not required to provide any further shares of Nanopierce or any other consideration in the event the sale of these shares is insufficient to repay all the obligations.

License Agreements

Nanopierce has license agreements with third parties which allow the third parties to utilize defined aspects of the intellectual property rights in return for royalty fees. All but one license agreement is idle and therefore these agreements have not produced any royalty fees for Nanopierce. With regard to all current licensees, Nanopierce is involved in pending litigation with a third party who is asserting ownership of the rights to the related royalty revenues. Royalties under this agreement through September 30, 1998 total approximately $38,000. These monies are being held in an escrow account, outside of Nanopierce's control, until the litigation is resolved. Although management believes that Nanopierce will ultimately be successful in defending this matter, the Company has not recognized any royalty revenue until the ultimate outcome can be determined. In the opinion of management, the ultimate disposition of this matter will not have a material impact on the Company's operations or the further development of the PI Technology.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made and entered into as of June 1, 1998, by and between Intercell Corporation (the "Corporation"), a Colorado corporation, and Paul H. Metzinger, an individual with his principal business address at 370 Seventeenth Street, Suite 3290, Denver, Colorado 80202 (the "Executive");

1. EMPLOYMENT AND TERM.

(a) Employment. The Company hereby employs Executive and Executive hereby accepts such employment, in the capacity of President and Chief Executive Officer of the Corporation to act in accordance with the terms and conditions hereinafter set forth.

(b) Term. Executive's employment hereunder shall be for an initial term of four years (the "Initial Term") commencing on June 1, 1998 (the "Effective Date") and terminating on May 31, 2002, subject to the extension or earlier expiration of the Initial Term as provided in this Agreement. Within forty-five (45) days of May 31, 2002 the Corporation's Board of Directors (the "Board") shall review Executive's performance under this Agreement and, in its sole discretion, renew the Agreement for a term of one year (a "Renewal Term") commencing on the first day immediately following the Expiration Date (as defined below). The board shall provide Executive written notice of its decision to renew or not renew this Agreement at least 30 days prior to the date of this Agreement expires under the Initial Term of any Renewal Term (the "Expiration Date"). If the Board fails to provide Executive with such written notice, within the time period set forth above, the Agreement shall terminate on the Expiration Date of the Initial Term or Renewal Term, as the case may be. Whenever the word "Term" is used in this Agreement is shall refer to either the Initial Term or the Renewal Term, as the case may be.

(c) Location of Employment. Effective upon the date of this Agreement, and through the Initial Term the Corporation shall maintain an office for Executive at 370 Seventeenth Street, Suite 3290, Denver, Colorado 80202, or such other location upon which the Corporation and Executive shall mutually agree at which location Executive shall carry out his duties.

2. DUTIES.

(a) During the period of employment as provided in Paragraph 1(b) hereof, Executive shall serve as President and Chief Executive Officer of the Corporation, and shall have all powers and duties consistent with such position subject to the direction of the Board. Such duties shall include, without limitation, the following:

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(i) Chief Executive Officer and president. The Chief Executive Officer and President's primary duties and responsibilities consist of the following: establishing, with the primary advice of the Chief Financial Officer and Chief Operations Officer the Corporation's business plan and strategy. This Officer will primarily be responsible for dealing with the Corporation's securities, intellectual property and other counsel, Corporation's auditors, transfer agencies, investment banking firms, banks, financial institutions, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory authorities. In addition, the Chief Executive Officer and President will be responsible for dealing with persons of similar position on major corporate transactions, acquisitions, reorganizations and similar types of activities.

(b) Executive shall devote substantially his entire professional time, attention and energy exclusively to the business and affairs of the Corporation and its subsidiaries, as its business and affairs now exist and as they hereafter may be changed, and shall not during the term of his employment hereunder be engaged in any other business activity whether or not such business activity is pursued for gain or profit. The foregoing shall not be construed as preventing Executive from (a) managing his personal investments or investing his assets in such form or manner as will not require any significant services on his part in the operation of the affairs of the businesses or entities in which such investments are made, provided Executive shall not invest in any business competitive with the Corporation and its affiliates, except those companies whose securities are listed on a national securities exchange or quoted daily in the Over-the-Counter Market listing of the The Wall Street Journal; or (B) preclude Executive from continuing to serve on the board of directors of any business corporation or any charitable organization on which he now serves and which has been disclosed to the Corporation in writing or, subject to the prior approval of the Board, from accepting employment to additional board of directors, provided that such activities do not materially interfere with the performance of Executive's duties hereunder.

(c) Executive further agrees that during the term of his employment under this Agreement he will engage in no business or other activities, directly or indirectly, which are or may be competitive with or which might place him in a competing position to that of the Corporation and its affiliates without obtaining the prior written consent of the Board, including, without limitation, the solicitation or acceptance of consulting work from clients of the Corporation and its affiliates for

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whom he has performed services by virtue of this Agreement or who he has met in connection with his employment under this Agreement.

3. COMPENSATION.

(a) Base Salary. For services performed by Executive for the Corporation pursuant to this Agreement during the Term, the Corporation shall pay Executive a base salary at the rate of $210,000.00 per year (the "Base Salary"), payable in accordance with the Corporation's normal payroll practices but in no event less than once a month. Any compensation paid to Executive under any additional compensation or incentive plan of the Corporation, or that may be otherwise authorized from time to time by the Board, shall be in addition to the base salary to which Executive shall be entitled under this Agreement.

(b) Salary Adjustments. On each anniversary of the Effective Date during the Initial Term and on each anniversary of the Expiration Date thereafter, if the Board, in its sole discretion, determines to renew the Agreement for an additional Term, the Base Salary shall be increased (but not decreased) by an amount equal to the Base Salary for the previous year multiplied by one (1) plus the percentage change in the Consumer Price Index during the previous Term, unless otherwise specified by the Board. The Base Salary as so increased shall constitute the Base Salary of Executive for purposed of Paragraph 3(a) hereof.

(c) Tax Withholding. The Corporation shall provide for the withholding of any taxes required to be withheld by federal, state and local law with respect to any payment in cash, shares of capital stock or other property made by or on behalf of the corporation to or for the benefit of Executive under this Agreement or otherwise. The Corporation may, at its option: (I) withhold such taxes from any cash payments owing to the Corporation to Executive, including any payments owing under any other provision of this Agreement, (ii) require Executive to pay to the Corporation in cash such amount as may be required to satisfy such withholding obligations or (iii) make other satisfactory arrangements with Executive to satisfy such withholding obligations.

4. BENEFITS. In addition to the base Salary, Executive shall also be entitled to the following:

(a) Participation in Benefit Plans. Executive shall be entitled to participate in the various retirement, welfare, fringe benefit,

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group long-term disability plans and other executive perquisite plans, programs and arrangements of the Corporation available for senior executive level officers of the Corporation. Executive and his dependents, at Executive's request shall be enrolled in the Corporation's health, life, disability and other insurance plans and programs immediately upon his commencement of employment hereunder.

(b) Vacation and Sick Leave. Executive shall be entitled to two weeks of vacation during each calendar year during which this Agreement is in effect, or such greater period as the Board may approve, and to paid holidays given by the Corporation to its domestic employees generally, without reduction in salary or other benefits. Executive shall also be entitled to sick leave according to the sick leave policy, which the Corporation may adopt from time to time.

(c) Basic Stock Option. Executive shall be eligible for grants of stock options in accordance with the Corporation's 1998 Stock Option Plan or such other stock option plan developed by the Board.

(d) Expenses. The Corporation shall reimburse Executive, upon proper accounting, for reasonable business expenses and disbursements incurred by him in the course of the performance of his duties under this Agreement and in accordance with the Corporation's policies as in effect from time to time.

(e) Proration of Benefits. Any payments or benefits hereunder, in any year during which Executive is employed by the Corporation for less than the entire year shall, unless otherwise provided in the applicable plan or arrangement, be prorated in accordance with the number of days in such year during which Executive is employed by the Corporation.

5. INDEMNIFICATION AND INSURANCE. Executive shall be entitled to the maximum indemnification provided by the Bylaws and the Articles of Incorporation of the Corporation for officers and employees of the Corporation. Executive's rights under this Paragraph shall continue without time limit so long as he may be subject to any such liability, whether or not the Term of employment has ended. The Corporation shall obtain and maintain, in effect, officers and directors liability insurance in an amount not less than $1,000,000 without time limit so long as Executive may be subject to any such liability, whether or not the Term of employment has ended.

6. REPRESENTATIONS AND WARRANTIES OF EXECUTIVE. Executive hereby represents and warrants to the Corporation that (a) Executive's execution and delivery of this Agreement and his performance of his duties and obligations hereunder will not conflict with, or cause a default under, or give any party a right to damages under, or to terminate, any other agreement to which Executive is a party or by which he is bound, and (b) there are no agreements or understandings that would make unlawful Executive's execution or delivery of this Agreement or his employment hereunder.

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7. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION. The Corporation hereby represents and warrants to Executive as follows:

(a) The Corporation is duly organized and established as a corporation under the laws of the State of Nevada and has all requisite power and authority to enter into this agreement and to perform its obligations hereunder. The consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with any agreement or instrument to which the Corporation is a party or by which it is bound.

(b) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of the Corporation and are valid, legal and binding obligations of the Corporation, enforceable in accordance with their terms except as may be limited by the laws of general application relating to bankruptcy, insolvency, moratorium or other similar laws relating to or affecting the enforcement or creditors' rights, and rules of law governing specific performance, injunctive relief or other equitable remedies.

8. TERMINATION.

(a) Cause. The Corporation may terminate Executive's employment at any time for Cause (as defined herein), by reason of Disability (as defined herein), or without Cause; provided, however, that for any reason constituting Cause, Executive is given (x) reasonable notice ("Notice of Termination for Cause") setting forth the reasons for the Corporation's intention to terminate for Cause and the effective date of such termination (which effective date may be the date of such notice), (y) an opportunity for Executive, together with his counsel, to be heard before the Board within two weeks of such notice and (z) within five (5) business days after Executive's hearing before the Board, written notice to Executive from the Board of its good faith determination that the reasons specified in the Notice of Termination for Cause constitute Cause under this Paragraph 8(a), and that Executive's employment is terminated effective as of the date specified in the Notice of Termination for Cause. Executive's rights to receive his salary and benefits hereunder shall not be affected during the period between the receipt of the Notice of Termination for Cause and the determination, if any, by the Board that the reasons specified in such notice constituted Cause. For purposes of this Agreement, "Cause" means:

(i) Executive commits a breach of any material term of this Agreement, or any material obligation of the Corporation, and such breach constitutes gross negligence or willful misconduct and, if such breach is capable of being cured, Executive Fails to cure such breach within 30 days of notice of such breach;

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(ii) Executive is convicted of, or pleads guilty or nolo contendere to a felony;

(iii) Executive's commission of any act that would cause any license of the Corporation or its subsidiaries or affiliates to be revoked, suspended, or not be renewed after proper application;

(iv) gross negligence in the performance of Executive's duties and responsibilities;

(v) refusal of Executive to follow proper and achievable written direction of the Board, provided that this shall not be Cause if Executive in good faith believes the direction to be illegal, unethical or immoral and so notifies the Board;

(vi) material fraud or dishonesty with regard to the Corporation (other than good faith expense account disputes); or

(vii) continuous refusal to attempt to perform Executive's responsibilities and duties after written notice.

(b) Good Reason. Executive may terminate his employment at any time for any of the following reasons (each of which is referred to herein as "Good Reason") by giving the Corporation notice of the effective date of such termination (which effective date may be the date of such notice):

(i) the Corporation commits a breach of any material term of this Agreement and, if such breach is capable of being cured, the Corporation fails to cure such breach within 30 days of receipt of notice of such breach; or

(ii) a material change of position, duties or the assignments of duties materially inconsistent with Executive's position as Executive Officer of the Corporation.

(c) Change in Control. Executive may, at his option, terminate his employment upon a "Change in Control." For purposes of this Agreement, "Change of Control" shall mean:

(i) the obtaining by any party of fifty percent (50%) of more of the voting shares of the Corporation pursuant to a "tender offer" for such shares as provided under Rule 14d-2 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any subsequent comparable federal rule or regulation governing tender offers; or

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(ii) individuals who were members of the Board immediately prior to any particular meeting of the Corporation's shareholders which involves a contest for the election of directors fail to constitute a majority of the members of the Board following such election; or

(iii) the Corporation's executing an agreement concerning the sale of substantially all of its assets to a purchaser which is not a subsidiary; or

(iv) the Corporation's adoption of a plan of dissolution or liquidation;

(v) the Corporation's executing an agreement concerning a merger of consolidation involving the Corporation in which the Corporation is not the surviving corporation or if, immediately following such merger or consolidation, less than fifty percent 50%) of the surviving corporation's outstanding voting stock is held by persons who are stockholders of the Corporation immediately prior to such merger of consolidation.

(d) Executive's Rights to Terminate. Executive may, at his option, terminate his employment hereunder for any reason upon 60 days' prior written notice to the Corporation.

(e) Death. This Agreement shall terminate automatically upon Executive's death.

(f) Disability. The term "Disability" as used in connection with termination of the employment of Executive shall mean the inability of Executive to substantially perform his material duties hereunder due to physical or mental disablement which continues for a period of six (6) consecutive months, during the term of employment (during which six (6) month period Executive's salary and benefits shall continue) as determined by an independent qualified physician mutually acceptable to the Corporation and Executive (or his personal representative).

Notwithstanding the above, in the event of Disability, Executive shall be entitled to participate in and be covered by the Corporation's group health plan until Executive is able to obtain health insurance on substantially the same terms and conditions as provided in the Corporation's group health plan; provided, however, that if the Corporation's group health plan does not allow Executive and his dependents to continue coverage, then the Corporation and Executive agree to negotiate a mutually satisfactory alternative to provide Executive with the benefits intended by this Paragraph 8(f).

(g) Without Cause. The Corporation may, at its option,

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terminate Executive's employment without Cause at any time upon written notice to Executive.

(h) Date of Termination. For purposes of this Agreement, the term "Date of Termination" shall mean the date that any party gives notice, through action or otherwise, that it intends to terminate this Agreement pursuant to the terms hereof or the date, if any, specified by the terminating party in such notice as the effective date of termination; provided, however, with respect to termination for Cause, the Date of Termination shall be the date of receipt by Executive of written notice form the Board as required by Paragraph 8(a) hereof. In addition, where Executive gives notice to terminate this Agreement and the effective date of termination is other than the date the Corporation receives notice of termination, the Corporation reserves the right to accelerate the Termination Date to the date Executive notified the Corporation of his intent to terminate this Agreement.

9. OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

(a) Without cause or for Good Reason. If the Corporation shall terminate Executive's employment without Cause or if Executive shall terminate his employment for Good Reason, this Agreement shall terminate without further obligation to Executive hereunder, other that the obligation (i) to continue to pay Executive in accordance with the Corporation's normal payroll payment procedures his Base Salary from the Date of Termination at the rate in effect on the Date of Termination through the next anniversary of the Effective Date; and (ii) to continue to provide Executive with the benefits set forth in Paragraph 4(a) through the next anniversary of the Effective Date.

(b) Voluntary. If Executive terminates his employment for other than Good Reason (a "Voluntary Termination"), this Agreement shall terminate without further obligation to Executive hereunder, other than the obligation (i) to continue to pay Executive in accordance with the Corporation's normal payroll payment procedures his Base Salary through the Date of Termination at the rate in effect on the Date Termination; and (ii) to continue to provide Executive with benefits of the type described in Paragraph 4(a) through the day preceding the Date of Termination.

(c) Cause. If Executive's employment shall be terminated by the Corporation for "Cause" the Corporation shall continue to pay Executive his Base Salary through the Date of Termination at the rate in effect upon the Date of Termination. Thereafter, the Corporation shall have no further obligation to Executive.

(d) Death. If Executive's employment is terminated by reason of Executive's death, the corporation shall pay to Executive's heirs or estate, the Base Salary at the rate in effect on the day preceding death through the next anniversary of the Effective Date, in one lump sum, payable within sixty days of the date of death.

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(e) Disability. If Executive's employment is terminated by reason of Disability, the Corporation shall (i) continue in accordance with the Corporation's normal payroll payment procedures to pay Executive his Base Salary form the Date of Termination at the rate in effect on the Date of Termination, through the next anniversary of the Effective Date; provided, however, that if an event or condition is determined to be the cause of Disability, by an independent qualified physician acceptable to Executive and the Corporation, and such event or condition occurs at any time in the last six months of the Term, then the Corporation shall continue to pay Executive his Base Salary in accordance with the Corporation's normal payroll procedures for a period of Six (6) months beyond the Term; and (ii) continue to provide Executive with benefits of the type described in Paragraph 4(a) through the next anniversary of the Effective Date; provided, however, that if the Corporation's group health plan does not allow Executive and his dependents to continue coverage, then the Corporation and Executive agree to negotiate a mutually satisfactory alternative to provide Executive with the benefits intended by this Paragraph 9(e).

(f) Change of Control. If Executive terminates his employment within 90 days following a Change of Control, the Corporation shall (i) continue in accordance with the Corporation's normal payroll payment procedures to pay Executive his Base Salary at the rate in effect on the Date of Termination through the next anniversary of the Effective Date; and (ii) continue to provide Executive with benefits of the type described in Paragraph 4(a) through the day preceding the Date of Termination.

10. NON-COMPETITION. Executive acknowledges and recognizes the highly competitive nature of the Corporation and its affiliates and Executive accordingly covenants and agrees, that at all times for a period of twelve (12) consecutive months subsequent to the end of the Term or the Date of Termination, whichever occurs earlier, as follows:

(a) Executive will not directly or indirectly own, manage, operate, finance, join control or participate in the ownership, management, organization , financing or control of, or be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise with any business or enterprise engaged in a business the same as or substantially similar to the business of the Corporation and its affiliates except as a holder of fewer that 5% of the outstanding shares or other equity interests of a company whose shares or other equity interests are registered under Section 12 of the Exchange Act.

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(b) Executive will not directly or indirectly induce any employee of the Corporation or any of its affiliates to engage in any activity in which Executive is prohibited from engaging by subparagraph (a) above or to terminate their employment with the corporation or any of its affiliates, and will not directly or indirectly employ or offer employment to any person who was employed by the Corporation or any of its affiliates unless such person shall have been terminated without cause or ceased to be employed by any such entity for a period of at least 12 months.

(c) Executive will not use or permit his name to be used in connection with any business or enterprise engaged in the business the same as or similar to Corporation or its affiliates or any other business engaged in by Corporation or any of its affiliates.

(d) Executive will not use the name of the Corporation or any name similar thereto, but nothing in this clause shall be deemed, by implication, to authorize or permit use of such name after expiration of such period.

(e) Executive will not make any statement or take any action intended to impair the goodwill or the business reputation of the Corporation or any of is affiliates, or to be otherwise detrimental to the interests of the Corporation or any of its affiliates, including any action or statement intended, directly or indirectly, to benefit a competitor of the Corporation or any of its affiliates, except as may be required by applicable law or by a local, state or federal regulatory agency.

(f) Executive will not (a) disclose any customer lists or any part thereof to any person, firm, corporation, association or other entity for any reason or purpose whatsoever; (b) assist in obtaining any of the Corporation's customers for any other similar business; (c) encourage any customer to terminate, change or modify its relationship with the Corporation; or (d) solicit or divert or attempt to solicit or divert the Corporation's customers.

(g) The Corporation shall have the right, subject to applicable law, to inform any other third party that the Corporation reasonably believes to be, or to be contemplating participating with Executive or receiving from Executive properties of the Corporation in violation of this Agreement and of the rights of the Corporation hereunder, and that participation by any such third party with Executive in activities in violation of this Paragraph 10 may give rise to claims by the Corporation against such third party;

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(h) Executive and the Corporation agree that in light of the specialized nature of the industry and the national-customer base of the Corporation's business, that the restrictions set forth in this Paragraph 10 shall apply to Executive within the territory of the United States of America. It is expressly understood and agreed that although Executive and the Corporation consider the restriction contained in the Paragraph 10 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum intent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein; provided, however that the provisions of this Paragraph 10 shall not apply if Executive is terminated without Cause or Executive terminates for Good Reason.

(i) The failure of Executive to abide by the provisions of this Paragraph 10 shall be deemed a material breach of this Agreement. The primary purpose of the covenant not to compete is the Corporation's legitimate interest in protecting its economic welfare and business goodwill. The Corporation and the Executive further agree that this covenant shall in no way be construed as a mere limitation on competition nor shall it be construed as a restraint on Executive's right to engage in a common calling.

11. PROPRIETARY INFORMATION. Executive agrees that at all times during the Term of this Agreement and after Executive is no longer employed by the Corporation, Executive shall not use for his personal benefit, or disclose, communicate or divulge to, or use for the direct or indirect benefit on any person, firm, association or company other than the Corporation, any Proprietary Information. "Proprietary Information" means information relating to the properties, prospects, products, services or operations of the Corporation or any direct or indirect affiliate thereof that is not generally known, is proprietary to the Corporation or such affiliate and is made known to Executive or learned or acquired by Executive while in the employ of the Corporation, including, by way of illustration, but not limitation, information

concerning trade secrets, processes, structures, formulae, data and know-how, improvements, inventions, product concepts, techniques, marketing plans, strategies, forecasts, customer lists and information about the Corporation's employees and/or consultants (including, without limitation, the compensation, job responsibility and job performance of such employees and/or consultants).

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However, Proprietary Information shall not include (i) at the time of disclosure to Executive such information that was in the public domain or later entered the public domain other than as result of a beach of an obligation herein; or (ii) subsequent to disclosure to Executive, Executive received such information form a third party under no obligation to maintain such information in confidence, and the third party came into possession of such information other than as a result of a breach of an obligation herein. All materials or articles of information of any kind furnished to Executive by the Corporation or developed by Executive in the course of his employment thereunder are and shall remain the sole property of the Corporation; and if the Corporation requests the return of such information at any time during, upon or after the termination of Executive's employment hereunder, Executive shall immediately deliver the same to the Corporation.

12. OWNERSHIP OF PROPRIETARY INFORMATION. Executive agrees that all Proprietary Information shall be the sole property of the Corporation and its assigns, and the Corporation and its assigns shall be the sole owner of all licenses and other rights in connection with such proprietary Information. At all times during the Term of this Agreement and after Executive is no longer employed by the Corporation, Executive will keep the strictest confidence and trust all Proprietary Information and will not use or disclose such Proprietary Information, or anything relating to such information, without the prior written consent of the Corporation, except as many be necessary in the ordinary course of performing his duties under this Agreement.

13. DOCUMENTS AND OTHER PROPERTY. All materials or articles of information of any kind furnished to Executive in the course of his employment hereunder are and shall remain the sole property of the Corporation; and if the Corporation requests the return of such information at any time during, upon or after the termination of Executive's employment hereunder, Executive shall immediately deliver the same to the Corporation. Executive will not, without the prior written consent of the Corporation, retain any documents, data or property, or any reproduction thereof of any description, belonging to the Corporation or pertaining to any Proprietary Information.

14. THIRD-PARTY INFORMATION. The Corporation from time to time receives from third parties confidential or proprietary information subject to a duty on the Corporation's part to maintain the confidentiality of such information and to use it only for certain limited purposes ("Third-party Information"). At all times, until after the later of (a) the Expiration Date, (b) the fifth anniversary of the Date of Termination or (c) the period of time the Corporation must maintain the Third-Party Information as confidential, Executive will hold Third-Party Information in the strictest confidence and will not disclose or use Third-Party Information except as permitted by the agreement between the Corporation and such third party.

15. INTELLECTUAL PROPERTY. Any and all improvements, inventions, designs, ideas, works of authorship, copyrightable works, discoveries, trademarks, copyrights, trade secrets, formulae, processes, techniques, know-how, and data, whether or not patentable (collectively "Products"), made or conceived or reduced to practice or learned by Executive, either

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along or jointly with others, during the period of Executive's employment (whether or not during normal working hours) that are related to or useful in the actual or anticipated business of the Corporation, or result from tasks assigned Executive by the Corporation or result from Executive's use of premises or equipment owned, leased, or contracted for by the Corporation (a) during the period of this Agreement, or (b) within a period of one year after the Date of Termination, which may be directly or indirectly useful in, or relate to, the business of the Corporation, shall be promptly and fully disclosed by Executive to the Board and, if such intellectual property was made, developed or created pursuant to Executive's employment hereunder, such intellectual property shall be the Corporation's exclusive property as against Executive, and Executive shall promptly deliver to an appropriate representative of the Corporation as designated by the Board all papers, drawings, models, data and other material relating to any invention made, developed or created by him as aforesaid. Executive shall, at the request of the Corporation and without any payment therefor, execute any documents necessary or advisable in the opinion of the Corporation's counsel or direct issuance of patents or copyrights to the Corporation with respect to such Products as are to be the Corporation's exclusive property as against Executive or to vest in the Corporation title to such Products as against executive. The expense of securing any such patent or copyright shall be borne by the Corporation. Executive shall be compensated, in accordance with the Corporation's "Creative Awards" standard policy, for all Products created or developed by the Executive either prior to his employment (if delivered to the Corporation) or during the term of his Employment.

16. EQUITABLE RELIEF. Executive acknowledges that, in view of the nature of the business in which the Corporation is engaged, the restrictions contained in paragraphs 10 through 15, inclusive (the "Restrictions") are reasonable and necessary in order to protect the legitimate interest of the Corporation, and that any violation thereof would result in irreparable injuries to the Corporation, and Executive therefor further acknowledges that, if Executive violates, or threatens to violate, any of the Restrictions, the Corporation shall be entitled to obtain from any court of competent jurisdiction, without the posting of any bond or other security, preliminary and permanent injunctive relief as well as damages and an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights shall be cumulative and in addition to any other rights or remedies in law or equity to which the Corporation may be entitled.

17. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the heirs and representatives of Executive and the successors and assigns of the Corporation. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, reorganization, consolidation, acquisition of property or stock, liquidation or otherwise) to all or a significant portion of its assets, by agreement in form and substance satisfactory to Executive, expressly to assume and agree to perform this

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Agreement in the same manner and to the same extent that the Corporation would be required to perform this Agreement if no such succession had taken place. Regardless whether such agreement is executed, this Agreement shall be binding upon any successor of the Corporation in accordance with the operation of law and such successor shall be deemed the "Corporation," for purposes of this Agreement.

18. NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or mailed within the continental United States by first-class certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) if to the Board or the Corporation, to:

Intercell Corporation
370 Seventeenth Street, Suite 3290
Denver, Colorado 80202
Attention: President

(b) if to Executive:

Paul H. Metzinger
370 Seventeenth Street, Suite 3290
Denver, Colorado 80202

Such addresses may be changed by written notice sent to the other party at the last recorded address of that party.

19. ARBITRATION OF ALL DISPUTES.

(a) Any controversy or claim arising out of or relating to this Agreement or the breach thereof (including the arbitrability of any controversy or claim), shall be settled by arbitration in the City of Denver in accordance with the laws of the State of Colorado by three arbitrators, one of whom shall be appointed by the Corporation, one by Executive and the third of whom shall be appointed by the first two arbitrators. If the first two arbitrators cannot agree on the appointment of a third arbitrator, then the third arbitrator shall be appointed by the American Arbitration Association. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association, except with respect to the selection of arbitrators which shall be as provided in this paragraph 19. The cost of any arbitration proceeding hereunder shall be borne equally by the Corporation and Executive. The award of the arbitrators shall be binding upon the parties. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

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(b) If it shall be necessary or desirable for Executive to retain legal counsel and incur other costs and expenses in connection with the enforcement of any or all of his rights under this Agreement, and provided that Executive substantially prevails in the enforcement of such rights, the Corporation shall pay (or Executive shall be entitled to recover from the Corporation, as the case may be) Executive's reasonable attorneys' fees and costs and expenses in connection with the enforcement of his rights including the enforcement of any arbitration award.

20. NO ASSIGNMENT. Except as otherwise expressly provided herein, this Agreement is not assignable by any party and no payment to be made hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or other charge.

21. EXECUTION IN COUNTERPARTS. This Agreement may be executed by parties hereto in two or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall constitute one and the same instrument. The facsimile signature of any party to this Agreement shall be considered an original signature of such person.

22. JURISDICTION AND GOVERNING LAW. Jurisdiction over disputes with regard to this Agreement shall be exclusively in the courts of the State of Colorado, and this Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of Colorado, other than the conflict of laws provisions of such laws.

23. SEVERABILITY. If any provision of this Agreement shall be adjudged by any court of competent jurisdiction to be invalid or unenforceable for any reason, such judgment shall not affect, impair or invalidate the remainder of this Agreement.

24. ENTIRE AGREEMENT. This Agreement embodies the entire agreement of the parties hereof, and supersedes all other oral or written agreements or understandings between them regarding the subject matter hereof. No change, alteration or modification hereof may be made except in a writing, signed by each of the parties hereto.

25. HEADINGS DESCRIPTIVE. The headings of the several paragraphs of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day year first above written.

INTERCELL CORPORATION

By: /s/ Thomas W. Vander Stel
____
Thomas W. Vander Stel, Chief Financial Officer

EXECUTIVE

By: /s/ Paul H. Metzinger
____
Paul H. Metzinger

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EXHIBIT 11

INTERCELL CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET LOSS PER SHARE

<S>	Years ended September 30, 1998 <C>	1997 <C>
Net loss	$(9,493,000)	$(16,481,000)
Deemed dividends on Series B,C, and D preferred stock relating to in-the-money conversion terms	(57,000)	(1,072,000)
Accrued dividends on Series D preferred stock.	(113,000)	--
Accretion on Series B and C preferred stock.	(123,000)	(460,000)
Net loss applicable to common shareholders	$(9,786,000)	$(18,013,000)
Weighted average number of common shares outstanding	33,992,163	18,114,038
Common equivalent shares representing shares issuable upon exercise of outstanding options and warrants	--	--
	33,992,163	18,114,038
Basic and diluted loss per share applicable to common shareholders:		
Loss from continuing operations	$(0.16)	$(0.38)
Loss from discontinued operations	(0.13)	(0.31)
Basic and diluted loss per common share	$(0.29)	$(0.99)

<FN>

* No impact to weighted average number of shares as the inclusion of additional shares assuming the exercise of outstanding options and warrants would have been antidilutive.

Full diluted and supplementary net loss per share is not presented as the amounts are not dilutively or incrementally different from primary net loss per share amounts.
</TABLE>

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WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM INTERCELL
CORPORATION'S FINANCIAL STATEMENT AS OF SEPTEMBER 30, 1998 AND IS QUALIFIED IN
ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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