

OLYMPIC CASCADE FINANCIAL CORP
Form S-3/A
July 25, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 25, 2003
REGISTRATION NO. 333-103583

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO.1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OF 1933

OLYMPIC CASCADE FINANCIAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	875 NORTH MICHIGAN AVENUE, SUITE 1560, CHICAGO, IL 60611	36-41
(State or other jurisdiction of incorporation or organization)	(Address, including zip code, and telephone number, including area code, or registrant's principal executive offices)	(IRS identifica

MARK GOLDWASSER
President and Chief Executive Officer
120 Broadway, 27th Floor
New York, New York 10271
(212) 417-8000
(Name, Address, Including Zip Code, And Telephone Number,
Including Area Code Of Agent For Service)

Please Send Copies Of All Communications To:

Mitchell C. Littman, Esq.
Steven D. Uslander, Esq.
Littman Krooks LLP
655 Third Avenue
New York, New York 10017
(212) 490-2020

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. []

If delivery of the Prospectus is expected to be made pursuant to Rule 434, please check the following box. []

Calculation Of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (1)
Common Stock (\$.02 par value per share)	4,604,454	\$0.33	\$1,519,470

(1) Includes: (i) 1,093,109 shares of Common Stock held by the selling shareholders named within; (ii) 1,854,998 shares of Common Stock issuable upon conversion of 27,825 shares of our Series A Preferred Stock held by the selling shareholders named within; and (iii) 1,656,347 shares of Common Stock issuable upon exercise of warrants held by certain selling shareholders. In addition to the shares set forth in the table, the amount to be registered includes an indeterminate number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock and upon exercise of the warrants, as such number may be adjusted as a result of stock splits, stock dividends and antidilution provisions in accordance with Rule 416.

(2) Estimated solely for purposes of calculating registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based upon the average high and low trading price of the Common Stock

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reported on The American Stock Exchange on February 28, 2003.

(3) This fee has been paid previously.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

ii

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING SHAREHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER FOR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JULY , 2003

PROSPECTUS

OLYMPIC CASCADE FINANCIAL CORPORATION

4,604,454 SHARES OF COMMON STOCK

This prospectus relates the resale, from time to time, of up to 4,604,454 shares of Common Stock which are held by certain of our shareholders named within. These shares include 1,093,109 shares of Common Stock held by certain selling shareholders, 1,656,347 shares of Common Stock issuable upon exercise of warrants held by certain selling shareholders and 1,854,998 shares of Common Stock issuable upon conversion of 27,825 shares of Series A Preferred Stock held by certain selling shareholders.

As of July 23, 2003, there were 3,367,558 shares of Common Stock issued and outstanding. The 4,604,454 shares of Common Stock being registered in this prospectus represent 66.9% of the currently outstanding shares of Common Stock, calculated on a fully diluted basis.

The prices at which such shareholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any of the proceeds from the sale of the shares being sold in this prospectus. We will receive, however, proceeds from the exercise of warrants of approximately \$2,797,589 if all the warrants held by the selling shareholders named in this prospectus are exercised.

Several of the selling shareholders named in this prospectus are beneficial owners of more than five (5%) percent of our Common Stock. The selling shareholders and their respective percentage of shares, calculated on a

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fully diluted basis, being registered for sale in this prospectus are: Steven A. Rothstein IRA (the beneficiary of which is the wife of Steven A. Rothstein, our former Chairman, Chief Executive Officer and principal shareholder), 34%; Triage Partners LLC (of which Steven B. Sands and Martin S. Sands, our Co-Chairmen, are the Co-Managers and Members), 65%; One Clark LLC (of which Mark Goldwasser, our President and Chief Executive Officer is the Manager), 100%; Mark Goldwasser on an individual basis, 6%; Gregory P. Kusnick and Karen Jo Gustafson, as Joint Tenants with Right of Survivorship, 100%; and Gregory C. Lowney and Maryanne K. Snyder, as Joint Tenants with Right of Survivorship, 100%.

Our Common Stock is traded on The American Stock Exchange and The Chicago Stock Exchange under the symbol OLY. We currently do not meet certain listing standards of The American Stock Exchange and may be delisted as a result. See "Risk Factors" beginning on page 5. On July 23, 2003, the last reported sale price for our Common Stock on The American Stock Exchange was \$0.95 per share.

INVESTING IN OUR SECURITIES INVOLVES CERTAIN RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 5 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED WHETHER THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July __, 2003.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. YOU SHOULD READ THIS SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION REGARDING OUR COMPANY AND OUR COMMON STOCK APPEARING ELSEWHERE IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. REFERENCE TO SELLING SHAREHOLDERS REFERS TO THOSE SHAREHOLDERS LISTED UNDER SELLING SHAREHOLDERS, WHO MAY SELL SHARES, FROM TIME TO TIME, AS DESCRIBED IN THIS PROSPECTUS.

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OLYMPIC CASCADE FINANCIAL CORPORATION

OVERVIEW

We are a financial services organization operating through our wholly-owned subsidiary, National Securities Corporation, a Washington corporation, organized in 1947. National conducts a national securities brokerage business through its main offices in Seattle, Washington and New York City, as well as 56 other branch offices located throughout the country. National's business includes securities brokerage for individual and institutional clients, market-making trading activities, asset management and corporate finance services.

Our business plan includes the growth of our retail and institutional brokerage business. In response to the slowdown in the financial markets, we have scaled back certain business activities, including proprietary trading, market-making trading, and online investing services. We believe that consolidation within the industry is inevitable. Concerns attributable to the weakened market and increased competition help explain the increasing number of acquisition opportunities continuously introduced to us. We are focused on maximizing the profitability of our existing operations, while we continue to seek additional selective strategic acquisitions.

We are a Delaware corporation and were formed in 1996. Our executive offices are located at 875 North Michigan Avenue, Suite 1560, Chicago, IL 60611 and our telephone number is (312) 751-8833.

SIGNIFICANT DEVELOPMENTS

INVESTMENT TRANSACTION

In fiscal year 2002, we completed a series of transactions in which certain new investors obtained a significant ownership in us through a \$1,572,500 investment and by purchasing a majority of shares held by Steven A. Rothstein and family, our former Chairman, Chief Executive Officer and principal shareholder. In this Investment Transaction, the investors included Triage Partners LLC (of which Steven B. Sands and Martin S. Sands, our Co-Chairmen, are the Co-Managers and Members), and One Clark LLC (of which Mark Goldwasser, our President and Chief Executive Officer, is the Manager). The investors purchased an aggregate of \$1,572,500 of Series A Preferred Stock at \$100 per share.

Each holder of the Series A Preferred Stock is entitled at any time, and from time to time, to convert any or all of the outstanding shares of its Series A Preferred Stock into shares of Common Stock. Each share of the Series A Preferred Stock is convertible into Common Stock based upon a conversion ratio equal to the conversion price in effect at the time of conversion divided by \$1.50 per share. Accordingly, each share of Series A Preferred Stock is convertible into 66.6666 shares of Common Stock. A total of 27,825 shares of Preferred Stock, convertible into 1,854,998 shares of Common Stock, were issued in the Investment Transaction and in a transaction with Steven A. Rothstein described in Miscellaneous Transactions below. The number of shares is subject

to adjustments as the result of the payment of stock dividends (and other

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distributions) and subdivisions, combinations, and reclassifications.

In connection with the Investment Transaction, Triage Partners LLC also purchased 285,000 shares of Common Stock from Mr. Rothstein and his affiliates at a price of \$1.50 per share. Additionally, Mr. Rothstein, James C. Holcomb, Jr. and D.S. Patel each resigned from our Board of Directors, and Peter Rettman, Mr. Goldwasser, Martin S. Sands, Steven B. Sands, Robert J. Rosan and Andrew Zaro were each appointed to our Board of Directors. Our Board of Directors currently consists of Mr. Rettman, Gary A. Rosenberg, Mr. Goldwasser, Martin S. Sands, Steven B. Sands and Mr. Rosan. As a result of these transactions, as of the date of this prospectus, Triage Partners LLC and One Clark LLC are beneficial owners of 20.8% and 13.5% of our Common Stock, respectively, calculated on a fully diluted basis.

Concurrent with the Investment Transaction, two unrelated individual noteholders, Gregory P. Kusnick and Karen Jo Gustafson, as Joint Tenants with Right of Survivorship, and Gregory C. Lowney and Maryanne K. Snyder, as Joint Tenants with Right of Survivorship, holding \$2.0 million of our debt, converted one-half of their debt into the same class of Series A Preferred Stock that was sold in the Investment Transaction. The noteholders also had 100,000 of their 200,000 warrants to acquire shares of Common Stock repriced from an exercise price of \$5.00 per share to \$1.75 per share.

PRIVATE OFFERING

In the first quarter of fiscal year 2003, we consummated a Private Offering of our securities to a limited number of accredited investors pursuant to Rule 506 of Regulation D under the Securities Act. Each Unit in the Private Offering sold for \$0.65 and consisted of one share of our Common Stock and one three-year warrant to purchase one share of our Common Stock at a per share price of \$1.25. Net proceeds of \$554,500 closed in the first quarter of fiscal year 2003, and we issued 1,016,186 shares of Common Stock and 1,016,186 warrants. National acted as the placement agent on a best efforts basis for the Private Offering. In consideration of the services rendered by National, at each closing, National was (i) paid a cash fee equal to ten percent (10%) of the gross proceeds received by us at each closing, and (ii) issued warrants to purchase such number of Units equal to ten percent (10%) of the Units sold in the Private Offering, at the same valuation received by investors in the Private Offering. The offering period for the Private Offering expired on February 17, 2003.

MISCELLANEOUS TRANSACTIONS

In the fourth quarter of fiscal year 2002, we raised an aggregate of \$210,000 by the sale of Series A Preferred Stock (on the same terms and conditions as the equity sold to investors in the Investment Transaction) to the individual retirement account of Steven A. Rothstein.

RISK FACTORS

INVESTING IN OUR SHARES INVOLVES A SIGNIFICANT DEGREE OF RISK.

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PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY THE FOLLOWING RISK FACTORS AND ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS OR INCORPORATED BY REFERENCE BEFORE INVESTING IN COMMON STOCK. EACH OF THESE RISK FACTORS COULD ADVERSELY AFFECT OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION, AS WELL AS ADVERSELY AFFECT THE VALUE OF AN INVESTMENT IN COMMON STOCK. THESE FACTORS ARE NOT INTENDED TO REPRESENT A COMPLETE LIST OF THE GENERAL OR SPECIFIC FACTORS THAT MAY AFFECT US. OTHER FACTORS, INCLUDING GENERAL ECONOMIC FACTORS AND BUSINESS STRATEGIES, MAY HAVE A SIGNIFICANT EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OPERATING RESULTS HAVE RESULTED IN REPORTING LOSSES; ADDITIONAL FINANCING MAY BE REQUIRED.

We have reported losses of approximately \$159,000 in the first quarter of fiscal year 2003, losses of approximately \$3.4 million in fiscal year 2002 and losses of approximately \$7.9 million in fiscal year 2001. There is no assurance that we will be profitable in the near term. Our losses are primarily attributable to the recent market slow-down and volatility. We anticipate that with increased revenues we will return to profitability; however, there can be no assurance that revenues will increase and profitability will return.

In order for us to have the opportunity for future success and profitability, we must successfully obtain additional financing, either through borrowings, public offerings, private offerings, or some type of business combination (e.g., merger, buyout, etc.). We have actively pursued a variety of funding sources, and have consummated certain transactions, including the Investment Transaction and Private Offering, described in this prospectus, in order to address our capital requirements. If we continue to experience operating losses, additional financing will be necessary, and there can be no assurance that we will be successful in such pursuits. The issuance of new securities to raise capital will cause the dilution of shares held by current shareholders.

BECAUSE OUR STOCK MAY BE SUBJECT TO "LOW PRICE STOCK" RULES, THE MARKET FOR OUR STOCK MAY BE LIMITED.

The Securities and Exchange Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a market price less than \$5.00. Our stock is presently covered by those rules, and may continue to be so. The penny stock rules require broker-dealers to make a special suitability determination before selling our stock to investors who are not either regular customers or accredited investors. As a result, the potential market for our stock may be limited.

OUR BUSINESS IS AFFECTED BY MARKET FLUCTUATIONS, LIQUIDITY AND VOLATILITY.

Our revenue and profitability may be adversely affected by market fluctuations, market liquidity and declines in the volume of securities transactions. National acts as a market maker in publicly traded common stocks. In market making transactions, we undertake the risk of price changes or being unable to resell the common stock we hold or being unable to purchase the common stock we have sold. These risks are heightened by the illiquidity of many of the common stocks we trades and/or make a market. Any losses from our trading activities could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, we maintain trading positions that can be adversely affected by the level of volatility in the financial markets.

OUR BUSINESS COULD BE ADVERSELY AFFECTED BY A BREAKDOWN IN THE FINANCIAL MARKETS.

As a securities broker-dealer, National's business is materially affected by conditions in the financial markets and economic conditions generally, both in the United States and elsewhere around the world. Many factors or events could lead to a breakdown in the financial markets including war, terrorism, natural catastrophes and other types of disasters. These types of events could cause people to begin to lose confidence in the financial markets and their ability to function effectively. If the financial markets are unable to effectively prepare for these types of events and ease public concern over their ability to function, our revenues are likely to decline and our operations will be adversely affected.

OUR REVENUES MAY CONTINUE TO DECLINE IF ADVERSE MARKET OR ECONOMIC CONDITIONS PERSIST.

Current unfavorable financial and economic conditions have reduced the number and size of the transactions in which we provide underwriting and placement agency services. Revenues from these activities are directly related to the number and size of the transactions in which we participate and therefore have been adversely affected by the sustained market downturn. Additionally, the downturn in market conditions led to a decline in the volume of transactions that we executed for our customers and, therefore, to a decline in the revenues we received from commissions and spreads. If these adverse financial and economic conditions persist, we will incur a further decline in transactions and revenues that we receive from commissions and spreads.

COMPETITION WITH LARGER FINANCIAL FIRMS MAY HAVE A NEGATIVE EFFECT OUR BUSINESS.

We compete directly with national and regional full-service broker-dealers and a broad range of other financial service firms, including banks and insurance companies. Competition has increased as smaller securities firms have either ceased doing business or have been acquired by or merged into other firms. Mergers and acquisitions have increased competition from these firms, many of which have significantly greater financial, technical, marketing and other resources than we have. Many of these firms offer their customers more products and research than currently offered by us. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. We also face competition from companies offering discount and/or electronic brokerage services, including brokerage services provided over the Internet, which we are currently not offering and do not intend to offer in the foreseeable future. These competitors may have lower costs or provide more services, and may offer their customers more favorable commissions, fees or other terms than those offered by us. To the extent that issuers and purchasers of securities transact business without our assistance, our operating results could be adversely affected.

THE FAILURE TO MEET THE LISTING CRITERIA OF THE AMERICAN STOCK EXCHANGE MAY RESULT IN THE DELISTING OF OUR COMMON STOCK.

Our Common Stock is listed on the AMEX. The AMEX has certain guidelines under which it considers removing securities from listing on the AMEX. On

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February 5, 2003, we received a letter from AMEX indicating that we were not in compliance with certain listing standards relating to (1) shareholders' equity of less than \$2.0 million and losses from continuing operations and/or net losses in two out of our three most recent fiscal years, and (2) the requirement to have and maintain an audit committee comprised of at least three independent directors. We submitted a plan to AMEX indicating compliance with item (1) above within a maximum of 18 months, and we are actively seeking another independent director to satisfy item (2) above. On May 19, 2003 the AMEX notified us that it accepted our plan of compliance and granted us an extension of time to August 5, 2004 to satisfy the financial standards, and an extension of time to July 28, 2003 to comply with the independent audit committee requirement. In the event that we fail to comply with the listing standards or AMEX determines that our

6

compliance program is not satisfactory, our Common Stock may be removed from AMEX and could trade on the OTC Bulletin Board or in the "pink sheets" maintained by the National Quotation Bureau, Inc. Such alternatives are generally considered to be less efficient markets, and our stock price, as well as the liquidity of our Common Stock, may be adversely impacted as a result.

WE ARE CURRENTLY SUBJECT TO EXTENSIVE SECURITIES REGULATION AND THE FAILURE TO COMPLY WITH THESE REGULATIONS COULD SUBJECT US TO PENALTIES OR SANCTIONS.

The securities industry and our business are subject to extensive regulation by the Securities and Exchange Commission, state securities regulators and other governmental regulatory authorities. We are also regulated by industry self-regulatory organizations, including the NASD and the Municipal Securities Rulemaking Board. We are a registered broker-dealer with the Securities and Exchange Commission and member firms of the NASD.

Broker-dealers are subject to regulations which cover all aspects of the securities business, including sales methods and supervision, trading practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, record keeping, and the conduct of directors, officers and employees. The regulatory environment is also subject to change.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. These regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements. If we are found to have violated an applicable regulation, administrative or judicial proceedings may be initiated against us that may result in a censure, fine, civil penalties, issuance of cease-and-desist orders, the deregistration or suspension of our broker-dealer activities, the suspension or disqualification of the our officers or employees, or other adverse consequences. The imposition of any of these or other penalties could have a material adverse effect on our operating results and financial condition.

WE RELY ON CLEARING BROKERS AND TERMINATION OF THE AGREEMENTS WITH THESE CLEARING BROKERS COULD DISRUPT OUR BUSINESS.

We recently changed from a self-clearing system to using clearing brokers to process our securities transactions and maintain customer accounts on

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a fee basis for us. The clearing brokers also provide billing services, extend credit and provide for control and receipt, custody and delivery of securities. Our broker-dealers depend on the operational capacity and ability of the clearing brokers for the orderly processing of transactions. In addition, by engaging the processing services of a clearing firm, we are exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If the clearing agreements are terminated for any reason, we would be forced to find alternative clearing firms. We cannot assure you that we would be able to find an alternative clearing firm on acceptable terms to them or at all.

We permit our clients to purchase securities on a margin basis or sell securities short, which means that the clearing firm extends credit to the client secured by cash and securities in the client's account. During periods of volatile markets, the value of the collateral held by the clearing brokers could fall below the amount borrowed by the client. If margin requirements are not sufficient to cover losses, the clearing brokers sell or buy securities at prevailing market prices, and may incur losses to satisfy client obligations. We have agreed to indemnify the clearing brokers for losses they incur while extending credit to our clients.

7

CREDIT RISK EXPOSES US TO LOSSES CAUSED BY FINANCIAL OR OTHER PROBLEMS EXPERIENCED BY THIRD PARTIES.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include: trading counterparts, customers, clearing agents, exchanges, clearing houses, and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations owed to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from holding securities of third parties, executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, and extending credit to clients through bridge or margin loans or other arrangements. Significant failures by third parties to perform their obligations owed to us could adversely affect our revenues and perhaps our ability to borrow in the credit markets.

ADVERSE RESULTS OF CURRENT LITIGATION AND POTENTIAL SECURITIES LAW LIABILITY WOULD RESULT IN FINANCIAL LOSSES AND DIVERT MANAGEMENT'S ATTENTION TO BUSINESS.

Many aspects of our business involve substantial risks of liability. There has been an increase in litigation and arbitration within the securities industry in recent years, including class action suits seeking substantial damages. We are subject to potential claims by dissatisfied customers, including claims alleging they were damaged by improper sales practices such as unauthorized trading, sale of unsuitable securities, use of false or misleading statements in the sale of securities, mismanagement and breach of fiduciary duty. National may be liable for the unauthorized acts of its retail brokers if it fails to adequately supervise their conduct. As an underwriter, we may be subject to substantial potential liability under federal and state law and court decisions, including liability for material misstatements and omissions in securities offerings. We may be required to contribute to a settlement, defense

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costs or a final judgment in legal proceedings or arbitrations involving a past underwriting and in actions that may arise in the future. National carries Errors and Omissions insurance to protect against arbitrations; however, the policy is limited in items and amounts covered and there can be no assurance that it will cover a complaint. The adverse resolution of any legal proceedings involving us could have a material adverse effect on our business, financial condition, results of operations or cash flows.

WE DEPEND ON KEY PERSONNEL.

We depend on the continued services of our management team, particularly Mark Goldwasser, our President and Chief Executive Officer, as well as our ability to hire additional members of management, and to retain and motivate our other officers and key employees. In November 29, 2001, Mr. Goldwasser voluntarily terminated his employment agreement with us in exchange for a profit participation in National's branch office in New York City. Our future success depends on our continuing ability to attract and retain highly qualified personnel.

THE PRICE OF OUR COMMON STOCK IS VOLATILE.

The price of our Common Stock has fluctuated substantially. The market price of our Common Stock may be highly volatile as a result of factors specific to us and the securities markets in general. Factors affecting volatility may include variations in our annual or quarterly financial results or those of our competitors; the continued listing of our Common Stock on AMEX; conditions in the economy in general; and changes in applicable laws or regulations, or their judicial or administrative interpretations affecting us or our subsidiary or the securities industry. In addition, volatility of the market price of our Common Stock is further affected by our thinly traded nature.

8

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This prospectus contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements deal with our current plans, intentions, beliefs and expectations and statements of future economic performance. Statements containing terms such as "believes," "does not believe," "plans," "expects," "intends," "estimates," "anticipates" and other phrases of similar meaning are considered to contain uncertainty and are forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from what is currently anticipated. We make cautionary statements in certain sections of this prospectus, including under "Risk Factors" beginning on page 5. You should read these cautionary statements as being applicable to all related forward-looking statements wherever they appear in this prospectus, in the materials referred to in this prospectus, in the materials incorporated by reference into this prospectus, or in our press releases.

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No forward-looking statement is a guarantee of future performance, and you should not place undue reliance on any forward-looking statement.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents, which have been filed by us with the Securities and Exchange Commission pursuant to the Exchange Act (Commission File No. 001-12629) are incorporated by reference in this prospectus:

- Our Annual Report on Form 10-K for the fiscal year ended September 30, 2002;
- Our Quarterly Report on Form 10-Q for the quarter ended December 31, 2002;
- Definitive Proxy Statement relating to our 2003 Annual Meeting filed with the Securities and Exchange Commission on January 28, 2003;
- Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.

In addition, all documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of the offering of the Common Stock offered hereby shall be deemed to be incorporated by reference in this prospectus and to be a part of this prospectus from the date of filing of such documents.

We hereby undertake to provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon the written or oral request of any such person, a copy of any and all of the above documents. Such requests should be addressed to the Acting Chief Financial Officer, Olympic Cascade Financial Corporation, 875 North Michigan Avenue, Suite 1560, Chicago, IL 60611.

USE OF PROCEEDS

The proceeds from the sale of the Common Stock offered in this prospectus are solely for the account of the selling shareholders. Accordingly, we will not receive any proceeds from the sale of the shares by the selling shareholders. However, we will receive proceeds from the exercise of warrants of approximately \$2,797,589 if all the warrants held by certain selling shareholders named in this prospectus are exercised. The proceeds consist of warrants to purchase 1,194,728 shares of Common Stock exercisable at \$1.25 per share, warrants to purchase 101,619 shares of Common Stock exercisable at \$0.65 per share, warrants to purchase 180,000 shares of Common Stock exercisable at \$5.00 per share, warrants to purchase 175,000 shares of Common Stock exercisable at \$1.75 per share and warrants to purchase 5,000 shares of Common Stock exercisable at \$6.375 per share. There can be no assurance that such warrants will be exercised. In the event that any or all of the warrants are exercised, the proceeds will be used for general corporate purposes.

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SELLING SHAREHOLDERS

BACKGROUND

We issued shares of Common Stock, Series A Preferred Stock convertible into shares of Common Stock and warrants exercisable into shares of Common Stock to certain selling shareholders in the following private transactions:

- o PRIVATE OFFERING. In the first quarter of fiscal year 2003, we consummated a Private Offering of our securities to a limited number of accredited investors pursuant to Rule 506 of Regulation D under the Securities Act. Each Unit in the Private Offering sold for \$0.65 and consisted of one share of our Common Stock and one three-year warrant to purchase one share of our Common Stock at a per share price of \$1.25. Net proceeds of \$554,500 closed in the first quarter of fiscal year 2003, and we issued 1,016,186 shares of Common Stock and 1,016,186 warrants.
- o On December 23, 2002, we issued an aggregate of 130,770 Units in the Private Offering for \$85,000 to investors consisting of Benjamin Haimowitz and Naomi Haimowitz, Kevin Deane, Mark Ginsburg and Michael Cushing. Each Unit sold for \$0.65 and consisted of one share of Common Stock and one three-year warrant to purchase one share of Common Stock at a per share price of \$1.25. We agreed to prepare and file a registration statement for the resale of the shares of Common Stock and the shares of Common Stock issuable upon exercise of the warrants.
- o On December 23, 2002, we issued to National, in consideration for National acting as the placement agent for the Private Offering, warrants to purchase 13,077 shares of Common Stock exercisable at \$0.65 per share and warrants to purchase 13,077 shares of Common Stock exercisable at \$1.25 per share. These warrants were reallocated by National to Greg Traina, Scott Martinson, Sara Wheldon and Eric James, registered representatives of National, as indicated in the selling shareholder table below. We agreed to prepare and file a registration statement for the resale of the shares of Common Stock issuable upon exercise of the warrants.
- o On November 27, 2002, we issued an aggregate of 885,416 Units in the Private Offering for \$575,520 to investors consisting of William Worrell, Jr., Barbara Hulse, Seymour Lippman, Chris Dewey, David Coates, Judy Uman, Bruce W. Durkee & Kathy Durkee, I. Michael Goodman, Ralph Gitz, Martens Maarten and Ronald Kurt Ebert. Each Unit sold for

\$0.65 and consisted of one share of Common Stock and one three-year Warrant to purchase one share of Common Stock at a per share price of \$1.25. We agreed to prepare and file a registration statement for the resale of the shares of Common Stock and the shares of Common Stock issuable upon

exercise of the warrants.

- o On November 27, 2002, we issued to National, in consideration for National acting as the placement agent for the Private Offering, warrants to purchase 88,542 shares of Common Stock exercisable at \$0.65 per share and warrants to purchase 88,542 shares of Common Stock exercisable at \$1.25 per share. These warrants were reallocated by National to Monteforte, Paul Sinno, Mike Bergin, Robert Setteducati, Thomas Parigian, Mark Goldwasser, Frantz Pierre and Lenny Billa, registered representative of National, as indicated in the selling shareholder table below. We agreed to prepare and file a registration statement for the resale of the shares of Common Stock issuable upon exercise of the warrants.
- o INVESTMENT TRANSACTION. On December 28, 2001, we completed a series of transactions under which certain new investors obtained a significant ownership in us through purchasing 15,725 shares of Series A Preferred Stock for consideration of \$1,572,500 (\$10.00 per share) and by purchasing 285,000 shares of Common Stock from Steven A. Rothstein and family, our former Chairman, Chief Executive Officer and principal shareholder. The purchasers in the Investment Transaction were Triage Partners LLC (of which Steven B. Sands and Martin S. Sands, our Co-Chairmen, are the Co-Managers and Members) and One Clark LLC (of which Mark Goldwasser, our President and Chief Executive Officer is the Manager) who participated on an equal pro-rata basis with respect to the preferred stock purchase. Pursuant to the terms of the Securities Purchase Agreement, each of Triage Partners LLC and One Clark LLC subsequently purchased an additional 2,500 shares of Series A Preferred Stock for consideration of \$250,000 (\$10.00 per share). The Series A Preferred Stock is convertible into Common Stock at a price of \$1.50 per share. As part of the Investment Transaction, Triage Partners LLC purchased 285,000 shares of Common Stock from Mr. Rothstein and his affiliates at a price of \$1.50 per share. The shares sold by Mr. Rothstein represented a majority of common stock beneficially owned by Mr. Rothstein. We agreed to include the shares issuable upon conversion of the Series A Preferred Stock in the registration statement which this prospectus is a part.
- o Concurrent with the Investment Transaction, two unrelated individual noteholders, Gregory P. Kusnick and Karen Jo Gustafson, as Joint Tenants with Right of Survivorship, and Gregory C. Lowney and Maryanne K. Snyder, as Joint Tenants with Right of Survivorship, holding \$2.0 million of our debt converted one-half of the principal amount of such debt into the same class of Series A Preferred Stock that was sold in the Investment Transaction. In exchange for the instruments evidencing \$1.0 million of the \$2.0 million of the promissory notes and previously issued warrants to purchase 100,000 shares of Common Stock with an exercise price of \$5.00 per share, each noteholder was issued 5,000 shares of Series A Preferred Stock, a warrant to purchase 50,000 shares of Common Stock with an exercise price of \$1.75 per share and a warrant to purchase 50,000 shares of Common Stock with an exercise price of \$5.00 per share. We agreed to include the shares issuable upon conversion of the Series A Preferred Stock and the shares issuable upon exercise of the warrants in the registration statement which this

prospectus is a part.

11

o MISCELLANEOUS TRANSACTIONS.

- o On January 21, 2003, we issued 76,923 shares of the Common Stock and a three-year warrant to purchase 76,923 shares of Common Stock at a per share price of \$1.25 to D'Ancona & Pflaum LLC, in consideration for, and payment of, \$50,000 of legal fees. We agreed to include the shares of Common Stock and the shares of Common Stock issuable upon exercise of the warrants in the registration statement which this prospectus is a part.
- o On August 13, 2002, we issued 600 shares of Series A Preferred Stock for \$60,000 to the individual retirement account of Steven A. Rothstein, on the same terms and conditions as the equity sold to investors in the Investment Transaction. We agreed to include the shares issuable upon conversion of the Series A Preferred Stock in the registration statement which this prospectus is a part.
- o On July 31, 2002, we issued 1,500 shares of Series A Preferred Stock for \$150,000 to the individual retirement account of Steven A. Rothstein, on the same terms and conditions as the equity sold to investors in the Investment Transaction. We agreed to include the shares issuable upon conversion of the Series A Preferred Stock in the registration statement which this prospectus is a part.
- o On November 28, 2001, we issued a warrant to purchase 5,000 shares of Common Stock exercisable at \$5.00 per share to the individual retirement account of Steven A. Rothstein, pursuant to the terms of a \$50,000 loan made in August 2001. We agreed to include the shares of Common Stock issuable upon exercise of the warrant in the registration statement which this prospectus is a part.
- o On January 25, 2001, we issued a warrant to purchase 75,000 shares of Common Stock at a per share price of \$5.00 to Peter Rettman in connection with an aggregate of \$2,000,000 of demand notes issued by us in favor of Gregory P. Kusnick and Karen Jo Gustafson, as Joint Tenants with Right of Survivorship, and Gregory C. Lowney and Maryanne K. Snyder, as Joint Tenants with Right of Survivorship. Additionally, on February 1, 2001, we issued a warrant to purchase 75,000 shares of Common Stock at a per share price of \$5.00 to Peter Rettman in connection with a demand note for \$1,000,000 issued by us in favor of Mr. Rettman. Concurrent with the Investment Transaction, we re-priced the warrant to purchase 75,000 shares of Common Stock from a price of \$5.00 per share to a price of \$1.75 per share. We agreed to include the shares of Common Stock issuable upon exercise of the warrants in the registration statement which this prospectus is a part.
- o On June 30, 2000, we acquired Canterbury Securities

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Corporation, our former subsidiary and a registered broker-dealer. As part of the transaction, we issued five-year warrants to acquire an aggregate of 5,000 shares of Common Stock at a price of \$6.375 per share to Gerald E. Morris, Frank J. Cardello, Gary A. Rosenberg Trust u/a/d 10/10/80 (an affiliate of our director, Gary A. Rosenberg). We agreed to include the shares of Common Stock issuable upon exercise of the warrants in the registration statement which this prospectus is a part.

TABLE

The following table sets forth the number of shares of Common Stock owned by each of the selling shareholders as of the date of this prospectus, the number of shares owned by them covered by this prospectus and the amount and percentage of shares to be owned by each selling stockholder after the sale of all of the shares offered by this prospectus. The table also sets forth the number of shares of Common Stock certain selling shareholders will receive upon conversion of the Series A Preferred Stock and upon exercise of warrants. Except as indicated below, none of the selling shareholders has had any position, office or other material relationship with us within the past three years other than as a result of the ownership of our shares or other securities. The information included below is based on information provided by the selling shareholders. Because the selling shareholders may offer some or all of their shares, no definitive estimate as to the number of shares that will be held by the selling shareholders after such offering can be provided and the following table has been prepared on the assumption that all shares of Common Stock offered hereby will be sold.

The applicable percentages of ownership are based on an aggregate of 3,367,558 shares of Common Stock issues and outstanding on July 23, 2003. This number does not include 1,854,998 shares of Common Stock issuable upon conversion of 27,825 shares of Series A Preferred Stock and shares of Common Stock issuable upon exercise of outstanding warrants and options held by the selling shareholders.

Name	Shares Owned	Shares Which May Be Acquired Upon Exercise Of Warrants	Percentage of Shares Owned Before Offering (1)	Shares Offered
Steven A. Rothstein IRA	426,363 (4) (5)	5,000 (6)	12.1%	145,000

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Triage Partners LLC	809,199 (7) (8)	-	20.8%	524,199
One Clark LLC	524,133 (9)	-	13.5%	524,133
Gregory P. Kusnick and Karen Jo Gustafson, as Joint Tenants with Right of Survivorship	333,333 (10)	100,000 (11)	11.4%	433,333
Gregory C. Lowney and Maryanne K. Snyder, as Joint Tenants with Right of Survivorship	333,333 (10)	100,000 (11)	11.4%	433,333
William Worrell, Jr.	153,848	153,848	4.4%	307,696
Barbara Hulse	61,540	61,540	1.8%	123,080
Seymour Lippman	76,924	76,924	2.2%	153,848
Chris Dewey	76,924	76,924	2.2%	153,848
David Coates	76,923	76,923	2.2%	153,846
Judy Uman	38,462	38,462	1.1%	76,924
Bruce W. Durkee & Kathy Durkee	61,600	61,600	1.8%	123,200
I. Michael Goodman	76,923	76,923	2.2%	153,846
Ralph Gitz	153,848	153,848	4.4%	307,696
Martens Maarten	76,924	76,924	2.2%	153,848
Ronald Kurt Ebert	31,500	31,500	*	63,000
Benjamin Haimowitz and Naomi Haimowitz	30,769	30,769	*	61,538
Kevin Deane	38,462	38,462	1.1%	76,924
Mark Ginsburg	23,077	23,077	*	46,154
Michael Cushing	38,462	38,462	1.1%	76,924
Roger Monteforte	-	38,858 (27)	1.1%	38,858
Paul Sinno	-	28,010 (28)	*	28,010
Mike Bergin	-	8,090 (29)	*	8,090
Robert Setteducati	-	8,088 (30)	*	8,088
Thomas Parigian	-	8,088 (31)	*	8,088
Mark Goldwasser	792,819 (32)	15,386 (33)	19.3%	15,386
Frantz Pierre	-	21,538 (34)	*	21,538
Lenny Billa	-	25,950 (35)	*	25,950
Greg Traina	-	15,930 (36)	*	15,930

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Scott Martinson	-	7,162 (37)	*	7,162
Sara Wheldon	-	6,138 (38)	*	6,138
Eric James	-	20,000 (39)	*	20,000
D'Ancona & Pflaum, LLC	76,923	76,923	2.2%	153,846
Peter Rettman	-	150,000 (41)	4.3%	150,000
Gerald E. Morris	-	2,250 (42)	*	2,250
Frank J. Cardello	-	500 (43)	*	500
Gary A. Rosenberg Trust u/a/d 10/10/80	27,250 (44)	2,250 (45)	*	2,250
TOTAL	2,948,107	1,656,347	-	4,604,454

14

* Less than 1%

- (1) Calculated based on Rule 13d-3(d)(i). In calculating this amount for each selling shareholder, we treated as outstanding the number of shares of Common Stock issuable upon exercise of that selling shareholder's warrants and/or the number of shares of Common Stock issuable upon conversion of that selling shareholder's Series A Preferred Stock, but we did not assume exercise of any other selling shareholder's warrants or conversion of any other selling shareholder's Series A Preferred Stock.
- (2) Assumes sale of all shares offered by the selling shareholder.
- (3) Calculated based on Rule 13d-3(d)(i). In calculating this amount for each selling shareholder, we treated as outstanding 1,854,998 shares of Common Stock issuable upon conversion of 27,825 shares of Series A Preferred Stock and the shares of Common Stock issuable upon exercise of that selling shareholder's warrants, but we did not assume exercise of any other selling shareholder's warrants.
- (4) Includes 140,000 shares of Common Stock issuable upon conversion of 2,100 shares of Series A Preferred Stock issued to Steven A. Rothstein IRA in connection with a private placement transaction. Mr. Rothstein is our former Chairman, Chief Executive Officer and principal shareholder. Mr. Rothstein's wife is the beneficiary of the Steven A. Rothstein IRA. Mr. Rothstein has voting control over the IRA shares.
- (5) Includes all shares beneficially owned by Mr. Rothstein including 274,660 shares of which Triage Partners LLC has been granted a voting proxy.
- (6) Includes 5,000 shares of Common Stock issuable upon the exercise (at a price per share of \$5.00) of a warrant issued to Steven A. Rothstein IRA in connection with a loan.
- (7) Includes 524,199 shares of Common Stock issuable upon conversion of 7,863 shares of Series A Preferred Stock issued in connection with a private placement transaction. Steven B. Sands and Martin S. Sands, our Co-Chairmen, and the Co-Managers and Members of Triage Partners LLC, share voting control over the shares.
- (8) Does not include a voting proxy over 274,660 shares beneficially owned by Mr. Rothstein. See footnote 5.
- (9) Includes 524,133 shares of Common Stock issuable upon conversion of 7,862

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- shares of Series A Preferred Stock issued in connection with a private placement transaction. Mark Goldwasser, our President, Chief Executive Officer and Director, and the Manager of One Clark LLC, has voting control over the shares. See footnote 27 for beneficial ownership and ownership percentages of Mr. Goldwasser.
- (10) Includes shares of Common Stock issuable upon conversion of 5,000 shares of Series A Preferred Stock issued in connection with a private placement transaction.
 - (11) Includes (i) 50,000 shares of Common Stock issuable upon the exercise (at a price per share of \$1.75) of a warrant issued in connection with a private placement transaction and (ii) 50,000 shares of Common Stock issuable upon the exercise (at a price per share of \$5.00) of a warrant issued in connection with a private placement transaction.
 - (12) Includes 153,848 shares of Common Stock and 153,848 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
 - (13) Includes 61,540 shares of Common Stock and 61,540 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
 - (14) Includes 76,924 shares of Common Stock and 76,924 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.

15

- (15) Includes 76,924 shares of Common Stock and 76,924 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (16) Includes 76,923 shares of Common Stock and 76,923 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (17) Includes 38,462 shares of Common Stock and 38,462 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (18) Includes 61,600 shares of Common Stock and 61,600 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (19) Includes 76,923 shares of Common Stock and 76,923 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (20) Includes 153,848 shares of Common Stock and 153,848 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (21) Includes 76,924 shares of Common Stock and 76,924 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (22) Includes 31,500 shares of Common Stock and 31,500 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (23) Includes 30,769 shares of Common Stock and 30,769 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (24) Includes 38,462 shares of Common Stock and 38,462 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (25) Includes 23,077 shares of Common Stock and 23,077 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.

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- (26) Includes 38,462 shares of Common Stock and 38,462 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (27) Includes 19,429 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 19,429 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (28) Includes 14,005 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 14,005 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (29) Includes 4,045 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 4,045 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (30) Includes 4,044 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 4,044 shares of Common Stock issuable

16

- upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (31) Includes 4,044 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 4,044 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (32) Mr. Goldwasser is our President, Chief Executive Officer and Director. Includes shares beneficially owned by One Clark LLC, of which Mr. Goldwasser is the Manager, including 524,133 shares of Common Stock issuable upon conversion of 7,862 shares of Series A Preferred Stock issued in connection with a private placement transaction. See footnote 6.
- (33) Includes 7,693 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 7,693 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (34) Includes 10,769 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 10,769 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (35) Includes 12,975 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 12,975 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (36) Includes 7,965 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 7,965 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (37) Includes 3,581 shares of Common Stock issuable upon the exercise (at a

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- price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 3,581 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (38) Includes 3,069 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 3,069 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (39) Includes 10,000 shares of Common Stock issuable upon the exercise (at a price per share of \$0.65) of a warrant issued in connection with a private placement transaction and 10,000 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in connection with a private placement transaction.
- (40) Includes 76,923 shares of the Common Stock and 76,923 shares of Common Stock issuable upon the exercise (at a price per share of \$1.25) of a warrant issued in consideration for, and payment of, \$50,000 of legal fees.
- (41) Includes 75,000 shares of Common Stock issuable upon the exercise (at a price per share of \$5.00) of a warrant issued in connection with a loan and 75,000 shares of Common Stock issuable upon the exercise (at a price per share of \$1.75) of a warrant issued in connection with a loan. Mr. Rettman is a member of our board of directors.
- (42) Includes 2,250 shares of Common Stock issuable upon the exercise (at a price per share of \$6.375) of a warrant issued in connection with the acquisition of our former subsidiary, Canterbury Securities Corporation.
- (43) Includes 500 shares of Common Stock issuable upon the exercise (at a price per share of \$6.375) of a warrant issued in connection with the acquisition of our former subsidiary, Canterbury Securities Corporation.

17

- (44) Includes shares beneficially owned by Gary A. Rosenberg, a member of our board of directors.
- (45) Includes 2,250 shares of Common Stock issuable upon the exercise (at a price per share of \$6.375) of a warrant issued in connection with the acquisition of our former subsidiary, Canterbury Securities Corporation. Mr. Rosenberg is the trustee of the trust and has voting control over the shares.

18

PLAN OF DISTRIBUTION

We are registering for resale 4,604,454 shares of Common Stock with this prospectus on behalf of the selling shareholders named in this prospectus. These shares include (i) an aggregate of 1,854,998 shares of Common Stock certain selling shareholders will receive conversion of 27,825 shares of Series A Preferred Stock and (ii) an aggregate of 1,656,347 shares of Common Stock issuable upon exercise of warrants. The selling shareholders will act independently of us in making decisions with respect to the timing, manner and size of each sale. We have agreed to bear certain expenses in connection with

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the registration of the shares of Common Stock offered and being sold by the selling shareholders. The selling shareholders will bear all brokerage commissions and similar selling expenses, if any, attributable to sales of the shares. Sales of shares may be affected by the selling stockholders, from time to time, in one or more types of transactions (which may include block transactions) on The American Stock Exchange, in the over-the-counter market, in negotiated transactions, or a combination of such methods of sale, at market prices prevailing at the time of sale, or at negotiated prices. These transactions may or may not involve brokers or dealers.

The selling stockholders may affect sales of shares:

- In ordinary brokerage transactions in which the broker solicits purchasers or executes unsolicited orders, or transactions in which the broker may acquire the share as principal and resell the shares into the public market in any manner permitted by the selling shareholders under this prospectus;
- In connection with the pledge of shares registered in this prospectus to a broker/dealer or other pledgee to secure debts or other obligations, and the sale of the shares so pledged upon a default;
- Through the writing or settlement of non-traded and exchange-traded put or call option contracts, and by means of the establishment or settlement of other hedging transactions including forward sale transactions. In addition, the selling shareholders may loan their shares to broker/dealers who are counterparties to hedging transactions and such broker/dealers may sell the shares so borrowed into the public market;
- In private transactions and transactions otherwise than on The American Stock Exchange, on any other national securities exchange or in over-the-counter market on which shares of Common Stock maybe listed or quoted at the time of any sale;
- In block trades, in which a broker-dealer will attempt to sell the shares as agent for the selling shareholders, but may take a position and resell a portion of the block as principal to facilitate the transaction;
- Through a combination of any of the above transactions.

Broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling stockholder and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both (this compensation to a particular broker-dealer might be in excess of customary commissions).

The selling shareholders and any broker-dealers that act in connection with the sale of shares might be deemed to be "underwriters" within the meaning of Section 2(a)(11) of the Securities Act. In this case, any commissions received by broker dealers and any profit on the resale of the shares sold by

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them while acting as principals might be deemed to be underwriting discounts or commissions under the Securities Act. We have agreed to indemnify the selling shareholders named in this prospectus against certain liabilities, including liabilities arising under the Securities Act. The selling shareholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because the selling shareholders may be deemed to be "underwriters" within the meaning of Section 2(a)(11) of the Securities Act, the selling shareholders will be subject to the prospectus delivery requirements of the Securities Act.

The selling shareholders also may resell all or a portion of their shares in open market transactions in reliance upon Rule 144 under the Securities Act, if they meet the criteria and conform to the requirements of Rule 144.

LEGAL MATTERS

The validity of the issuance of the Common Stock offered in this prospectus has been passed upon for us by Littman Krooks LLP, 655 Third Avenue, New York, New York 10017.

EXPERTS

Our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended September 28, 2002 have been audited by Grassi & Co., CPAs, P.C., independent public accountants, as set forth in their report included in this prospectus and incorporated in this prospectus by reference. The consolidated financial statements are incorporated in this prospectus in reliance upon such report given upon the authority of that firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Those reports, proxy statements and other information may be obtained:

- At the Public Reference Room of the Securities and Exchange Commission, Room 1024-Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549;
- At the public reference facilities at the Securities and Exchange Commission's regional offices located at Seven World Trade Center, 13th Floor, New York, New York 10048 or Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661;
- By writing to the Securities and Exchange Commission, Public

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Reference Section, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549;

- From the Internet site maintained by the Securities and Exchange Commission at <http://www.sec.gov>, which contains reports, proxy and information statements and other information regarding issuers that file electronically with the Securities and Exchange Commission.

Some locations may charge prescribed or modest fees for copies.

We have filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, with respect to the Common Stock offered hereby. This prospectus, which is a part of the registration statement, does not contain all the information set forth in, or annexed as exhibits to, such registration statement, certain portions of which have been omitted pursuant to rules and regulations of the Securities and Exchange Commission. For further information with respect to our company and the Common Stock, reference is made to such registration statement, including the exhibits thereto, copies of which may be inspected and copied at the aforementioned facilities of the Securities and Exchange Commission. Copies of such registration statement, including the exhibits, may be obtained from the Public Reference Section of the Securities and Exchange Commission at the aforementioned address upon payment of the fee prescribed by the Securities and Exchange Commission.

TABLE OF CONTENTS

Section	Page
Prospectus Summary.....	3
Risk Factors.....	5
Special Information Regarding Forward Looking Information.....	9
Incorporation of Certain Documents By Reference.....	9
Use of Proceeds.....	10
Selling Shareholders.....	10
Plan of Distribution.....	19

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Legal Matters.....	20
Experts.....	20
Available Information.....	20

4,604,454 SHARES

COMMON STOCK

OLYMPIC CASCADE FINANCIAL CORPORATION

PROSPECTUS

July , 2003

22

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with this offering are as follows:

	Amount
SEC Registration Fee.....	\$ 122.93
Accounting Fees and Expenses.....	\$ 5,000

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Legal Fees and Expenses.....	\$25,000
Miscellaneous.....	\$ 5,000
Total..... ..	\$36,122.93

All the above expenses will be borne by the Registrant.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 125(a) of the DGCL provides in relevant part that "[a] corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful." With respect to derivative actions, Section 145(b) of the DGCL provides in relevant part that "[a] corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor . . . [by reason of the person's service in one of the capacities specified in the preceding sentence] against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the corporation except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper."

Our Certificate of Incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty to the full extent permitted by Delaware law.

Our Amended and Restated By-laws provide that:

- We must indemnify our directors and officers to the fullest extent permitted by Delaware law, subject to certain very limited exceptions;
- We may indemnify our other employees and agents to the same

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extent that we indemnify our officers and directors, unless otherwise required by law, our certificate of incorporation, our bylaws or agreements; and

- We must advance expenses, as incurred, to our directors and executive officers in connection with legal proceedings to the fullest extent permitted by Delaware law, subject to certain very limited exceptions.

We have obtained liability insurance for our officers and directors.

The above discussion of the our Certificate of Incorporation and Amended and Restated By-laws and of Section 145 of the Delaware General Corporation Law is not intended to be exhaustive and is respectively qualified in its entirety by such restated Certificate of Incorporation, Amended and Restated By-laws and statute.

ITEM 16. EXHIBITS

(a) Exhibits

Exhibit Number -----	Description -----
5	Opinion of Littman Krooks LLP as to the legality of the secur
23.1	Consent of Grassi & Co., CPAs, P.C. *
23.2	Consent of Littman Krooks LLP, included in the opinion filed
24	Power of Attorney, included in the signature page of this Reg

* To be filed by amendment.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act; and
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed

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with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (i) and (ii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 and Section 15(d) of the Exchange Act that are incorporated by reference in the registration statement.

(2) That, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering as such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) That, insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York in the State of New York on July 25, 2003

OLYMPIC CASCADE FINANCIAL CORPORATION

By /s/ Mark Goldwasser

Mark Goldwasser
President, Chief Executive Officer and Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Robert H. Daskal, our Acting Chief Financial Officer, his or her attorney-in-fact, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Registration Statement on Form S-3 (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated below on the 25th day of July 2003.

Signature	Date
/s/ Mark Goldwasser ----- Mark Goldwasser President, Chief Executive Officer and Director	July 25, 2003
/s/ Robert H. Daskal ----- Robert H. Daskal Acting Chief Financial Officer	July 25, 2003
/s/ Steven B. Sands ----- Steven B. Sands Co-Chairman of the Board	July 25, 2003
/s/ Martin S. Sands	July 25, 2003

Martin S. Sands
Co-Chairman of the Board

26

/s/ Robert J. Rosan

July 25, 2003

Robert J. Rosan
Director

/s/ Gary A. Rosenberg

July 25, 2003

Gary A. Rosenberg
Director

/s/ Peter Rettman

July 25, 2003

Peter Rettman
Director

27

a majority in interest of the Common Stock. Page 24 of 35 IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written. FLEMINGTON PHARMACEUTICAL LINDSAY A. ROSENWALD, M.D. CORPORATION By: _____
By _____ Name: Name: Lindsay A. Rosenwald, M.D. Title: Page 25 of 35 THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY APPLICABLE STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR AN EXEMPTION THEREFROM. ANY SUCH TRANSFER MAY ALSO BE SUBJECT TO APPLICABLE STATE SECURITIES LAWS. FLEMINGTON PHARMACEUTICAL CORPORATION Warrant for the Purchase of Shares of Common Stock No. _____ Shares FOR VALUE RECEIVED, Flemington Pharmaceutical Corporation, a Delaware corporation (the "Company"), hereby certifies that _____ or its registered assigns (the "Holder") is entitled to purchase from the Company, subject to the provisions of this Warrant (the "Warrant"), at any time commencing upon the date hereof (the "Initial Exercise Date"), and prior to 5:00 P.M., New York City time, on the date which is seven (7) years from the date hereof (the "Termination Date"), _____ fully paid and non-assessable shares of the common stock, \$.001 par value, of the Company ("Common Stock"), at an initial exercise price of \$0.75 per share of Common Stock for an aggregate exercise price of _____ (the aggregate purchase price payable for the Warrant Shares hereunder is hereinafter sometimes referred to as the "Aggregate Exercise Price"). The number of shares of Common Stock to be received upon exercise of this Warrant and the price to be paid for each share of Common Stock is subject to possible adjustment from time to time as hereinafter set forth. The shares of Common Stock or other securities or property deliverable upon such exercise as adjusted from time to time is hereinafter sometimes referred to as the "Warrant Shares." The exercise price of a share of Common Stock in effect at any time and as adjusted from time to time is hereinafter sometimes referred to as the "Per Share Exercise Price." The Per Share Exercise Price is

subject to adjustment as hereinafter provided; in the event of any such adjustment, the number of Warrant Shares shall be adjusted by dividing the Aggregate Exercise Price by the Per Share Exercise Price in effect immediately after such adjustment. The Aggregate Exercise Price is not subject to adjustment.

1. Exercise of Warrant. (a) The Holder may exercise this Warrant in whole or in part, at any time commencing upon the Exercise Date and prior to the Termination Date as follows: (i) by presentation and surrender of this Warrant (with the subscription form at the end hereof duly executed) at the address set forth in Subsection 8(a) hereof, together with payment, by certified or official bank check payable to the order of the Company, of the Aggregate Exercise Price or the proportionate part thereof if exercised in part. (ii) by the surrender of this Warrant (with the cashless exercise form at the end hereof duly executed) (a "Cashless Exercise") at the address set forth in Section 8(a) hereof. Such presentation and surrender shall be deemed a waiver of the Holder's obligation to pay the Aggregate Exercise Price, or the proportionate part thereof if this Warrant is exercised in part. In the event of a Cashless Exercise, the Holder shall exchange its Warrant for that number of Warrant Shares subject to such Cashless Exercise multiplied by a fraction, the numerator of which shall be the difference between (A) the last sale price of the Common Stock on the trading day prior to such date or, in case no such reported sales take place on such day, the average of the last reported bid and asked prices of the Common Stock on such day, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not listed or admitted to trading on any such exchange, the representative closing sale price of the Common Stock as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), or other similar organization if NASDAQ is no longer reporting such information, or, if the Common Stock is not reported on NASDAQ, the high per share sale Page 26 of 35 price for the Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or if not so available, the fair market value of the Common Stock as determined in good faith by the Board of Directors (the "Current Market Price") and (B) the Per Share Exercise Price, and the denominator of which shall be the then Current Market Price. For purposes of any computation under this Section 1(a), the then Current Market Price shall be based on the trading day immediately prior to the Cashless Exercise. (b) If this Warrant is exercised in part only, the Company shall, upon presentation of this Warrant upon such exercise, execute and deliver (along with the certificate for the Warrant Shares purchased) a new Warrant evidencing the rights of the Holder hereof to purchase the balance of the Warrant Shares purchasable hereunder upon the same terms and conditions as herein set forth. Upon proper exercise of this Warrant, the Company promptly shall deliver certificates for the Warrant Shares to the Holder duly legended as authorized by the subscription form. No fractional shares or scrip representing fractional shares shall be issued upon exercise of this Warrant; provided that the Company shall pay to the holders of the Warrant cash in lieu of such fractional shares.

2. Reservation of Warrant Shares; Fully Paid Shares; Taxes. The Company hereby represents that it has, and until expiration of this Warrant agrees that it shall, reserve for issuance or delivery upon exercise of this Warrant, such number of shares of the Common Stock as shall be required for issuance and/or delivery upon exercise of this Warrant in full, and agrees that all Warrant Shares so issued and/or delivered will be validly issued, fully paid and non-assessable, and further agrees to pay all taxes and charges that may be imposed upon such issuance and/or delivery.

3. Protection Against Dilution. (a) In the event the Company shall, at any time or from time to time after the date of issuance of this Warrant, issue or distribute to all of the holders of its shares of Common Stock evidence of its indebtedness, any other securities of the Company or any cash, property or other assets (any such event being herein called a "Special Dividend"), the Per Share Exercise Price shall be adjusted by multiplying the Per Share Exercise Price then in effect by a fraction, the numerator of which shall be the then Current Market Price (as defined in paragraph 3(k) below) of the Common Stock, less the Current Market Price of the Special Dividend issued or distributed in respect of one share of Common Stock, and the denominator of which shall be the Current Market Price of the Common Stock. Such adjustment shall be made successively whenever such a record date is fixed. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date for the determination of shareholders entitled to receive such distribution. (b) In case the Company shall hereafter (i) pay a dividend or make a distribution on its capital stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares or (iv) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Per Share Exercise Price shall be adjusted to be equal to a fraction, the numerator of which shall be the Aggregate Exercise Price and the denominator of which shall be the number of shares of Common Stock or other capital stock of the Company issuable upon exercise of this Warrant assuming this Warrant had been exercised

immediately prior to such action. An adjustment made pursuant to this subsection 3(b) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. (c)(i) Except as provided in subsections 3(a) and 3(b)(i), in the event the Company shall hereafter issue or sell any Common Stock, any securities convertible into Common Stock or any rights, options or warrants to purchase Common Stock or securities convertible into Common Stock, in each case for a price per share or entitling the holders thereof to purchase Common Stock at a price per share (determined by dividing (i) the total amount, if any, received or receivable by the Company in consideration of the issuance or sale of such securities plus the consideration, if any, payable to the Company upon exercise or conversion thereof (collectively, the "Total Consideration") by (ii) the number of additional shares of Common Stock issued, sold or issuable upon exercise or conversion of such securities) which is less than the then Current Market Price of the Common Stock (as defined below) but not below the current Per Share Exercise Price (which event is governed by subsection 3(c)(ii)), the Per Share Exercise Price shall be adjusted as of the date of such issuance or sale by multiplying the Per Share Exercise Price then in effect by a fraction, the numerator of which shall be (x) the sum of (A) the number of shares of Common Stock outstanding on the record date of such issuance or sale plus (B) the Total Consideration divided by the Current Market Price of the Common Stock, and the denominator of which shall be (y) the number of shares of Common Stock outstanding on the record date of such issuance or sale plus the maximum number of additional shares of Common Stock issued, sold or issuable upon exercise or conversion of such securities. (c)(ii) Except as provided in subsection 3(a) and 3(b)(i), in the event the Company shall hereafter issue or sell any Common Stock, any securities convertible into Common Stock or any rights, options or warrants to purchase Common Stock or securities convertible into Common Stock, in each case for a price per share or entitling the holders thereof to purchase Common Stock at a price per share (the "Issue Price"), (determined by dividing (i) the Total Consideration by (ii) the number of additional shares of Common Stock issuable upon exercise or conversion of such securities) which is less than the then current Per Share Exercise Price in effect on the record date of such issuance, the Per Share Exercise Price shall be adjusted to equal the Issue Price. (d) In the event of any capital reorganization or reclassification, or any consolidation or merger to which the Company is a party other than a merger or consolidation in which the Company is the continuing corporation, or in case of any sale or conveyance to another entity of the property of the Company as an entirety or substantially as an entirety, or in the case of any statutory exchange of securities with another corporation (including any exchange effected in connection with a merger of a third corporation into the Company), the Holder of this Warrant shall have the right thereafter to receive on the exercise of this Warrant the kind and amount of securities, cash or other property which the Holder would have owned or have been entitled to receive immediately after such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance had this Warrant been exercised immediately prior to the effective date of such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and in any such case, if necessary, appropriate adjustment shall be made in the application of the provisions set forth in this Section 3 with respect to the rights and interests thereafter of the Holder of this Warrant to the end that the provisions set forth in this Section 3 shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant. The above provisions of this subsection 3(e) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, statutory exchanges, sales or conveyances. The issuer of any shares of stock or other securities or property thereafter deliverable on the exercise of this Warrant shall be responsible for all of the agreements and obligations of the Company hereunder. Notice of any such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and of said provisions so proposed to be made, shall be mailed to the Holders of the Warrants not less than 30 days prior to such event. A sale of all or substantially all of the assets of the Company for a consideration consisting primarily of securities shall be deemed a consolidation or merger for the foregoing purposes. (e) In case any event shall occur as to which the other provisions of this Section 3 are not strictly applicable but as to which the failure to make any adjustment would not fairly protect the purchase rights represented by this Warrant in accordance with the essential intent and principles hereof then, in each such case, the Holders of Warrants representing the right to purchase a majority of the Warrant Shares subject to all outstanding Warrants may appoint a firm of independent public accountants of recognized national standing reasonably acceptable to the Company, which shall give their opinion as to the adjustment, if any, on a basis consistent with the essential intent and principles established herein, necessary to preserve the purchase rights represented by the Warrants. Upon receipt of such

opinion, the Company will promptly mail a copy thereof to the Holder of this Warrant and shall make the adjustments described therein. The fees and expenses of such independent public accountants shall be borne by the Company. (f) Whenever the Per Share Exercise Price payable upon exercise of each Warrant is adjusted pursuant to this Section 3, the number of shares of Common Stock underlying a Warrant shall simultaneously be adjusted to equal the number obtained by dividing the Aggregate Exercise Price by the adjusted Per Share Exercise Price. Page 28 of 35 (g) No adjustment in the Per Share Exercise Price shall be required unless such adjustment would require an increase or decrease of at least \$0.005 per share of Common Stock; provided, however, that any adjustments which by reason of this subsection 3(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 3 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be. Anything in this Section 3 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Per Share Exercise Price, in addition to those required by this Section 3, as it in its discretion shall deem to be advisable in order that any stock dividend, subdivision of shares or distribution of rights to purchase stock or securities convertible or exchangeable for stock hereafter made by the Company to its stockholders shall not be taxable. (h) Whenever the Per Share Exercise Price is adjusted as provided in this Section 3 and upon any modification of the rights of a Holder of Warrants in accordance with this Section 3, the Company shall promptly obtain, at its expense, a certificate of a firm of independent public accountants of recognized standing selected by the Board of Directors (who may be the regular auditors of the Company) setting forth the Per Share Exercise Price and the number of Warrant Shares after such adjustment or the effect of such modification, a brief statement of the facts requiring such adjustment or modification and the manner of computing the same and cause copies of such certificate to be mailed to the Holders of the Warrants. (i) If the Board of Directors of the Company shall declare any dividend or other distribution with respect to the Common Stock, the Company shall mail notice thereof to the Holders of the Warrants not less than 30 days prior to the record date fixed for determining stockholders entitled to participate in such dividend or other distribution. (j) If, as a result of an adjustment made pursuant to this Section 3, the Holder of any Warrant thereafter surrendered for exercise shall become entitled to receive shares of two or more classes of capital stock or shares of Common Stock and other capital stock of the Company, the Board of Directors (whose determination shall be conclusive and shall be described in a written notice to the Holder of any Warrant promptly after such adjustment) shall determine the allocation of the adjusted Per Share Exercise Price between or among shares or such classes of capital stock or shares of Common Stock and other capital stock. (k) For the purpose of any computation under Section 3 above, the then Current Market Price per share (the "Current Market Price") shall be deemed to be the last sale price of the Common Stock on the trading day prior to such date or, in case no such reported sales take place on such day, the average of the last reported bid and asked prices of the Common Stock on such day, in either case on the principal national securities exchange on which the Common Stock is admitted to trading or listed, or if not listed or admitted to trading on any such exchange, the representative closing bid price of the Common Stock as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), or other similar organization if NASDAQ is no longer reporting such information, or, if the Common Stock is not reported on NASDAQ, the high per share bid price for the Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization, or if not so available, the fair market value of the Common Stock as determined by agreement between the Company's Board of Directors, on the one part, and the Holders of Warrants representing the right to purchase a majority of the Warrant Shares subject to all outstanding Warrants, on the second part. If the Board of Directors and such Holders fail to agree on the Current Market Price within 60 days of the date of the action giving rise to any adjustment pursuant to this Section 3, such Holders shall be entitled to appoint a firm of independent public accountants or appraisers of recognized national standing reasonably acceptable to the Company, which shall give their opinion as to such Current Market Price on a basis consistent with the essential intent and principles established herein. Upon receipt of such opinion, the Company will promptly mail a copy thereof to the Holder of this Warrant and shall make the adjustments described therein. The fees and expenses of such independent public accountants or appraisers shall be borne by the Company. 4. Registration Under Securities Act of 1933. The resale of the Warrant Shares shall be registered on the Shelf Registration Statement (as defined in Article 8 of the Common Stock and Warrant Purchase Agreement (the "Purchase Agreement") dated as of December __, 2001, and certain purchasers and the Holder of Page 29 of 35 this Warrant shall have the registration rights as provided in Article 8 of the Purchase Agreement. If the Holder is not a party to the Purchase Agreement, by acceptance of this Warrant the Holder agrees to comply with provisions of Article 8 of the Purchase Agreement to the

same extent as if it were a party thereto. 5. Limited Transferability. This Warrant may not be sold, transferred, assigned or hypothecated by the Holder except in compliance with the provisions of the Act and the applicable state securities "blue sky" laws, and is so transferable only upon the books of the Company which it shall cause to be maintained for such purpose. The Company may treat the registered Holder of this Warrant as he or it appears on the Company's books at any time as the Holder for all purposes. The Company shall permit any Holder of a Warrant or his duly authorized attorney, upon written request during ordinary business hours, to inspect and copy or make extracts from its books showing the registered holders of Warrants. All Warrants issued upon the transfer or assignment of this Warrant will be dated the same date as this Warrant, and all rights of the holder thereof shall be identical to those of the Holder. 6. Loss, etc., of Warrant. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and of indemnity reasonably satisfactory to the Company, if lost, stolen or destroyed, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination. 7. Status of Holder. This Warrant does not confer upon the Holder any right to vote or to consent to or receive notice as a stockholder of the Company, as such, in respect of any matters whatsoever, or any other rights or liabilities as a stockholder, prior to the exercise hereof. 8. Notices. No notice or other communication under this Warrant shall be effective unless, but any notice or other communication shall be effective and shall be deemed to have been given if, the same is in writing and is mailed by first-class mail, postage prepaid, to the address set forth in Section 11.5 of the Purchase Agreement. 9. Headings. The headings of this Warrant have been inserted as a matter of convenience and shall not affect the construction hereof. 10. Applicable Law. This Warrant shall be governed by and construed in accordance with the law of the State of Delaware without giving effect to principles of conflicts of law thereof. Page 30 of 35 IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its Chief Executive Officer and its corporate seal to be hereunto affixed and attested by its Secretary this December __, 2001 FLEMINGTON PHARMACEUTICAL CORPORATION By: _____ Name: Title: ATTEST:

_____, Secretary [Corporate Seal] SUBSCRIPTION The undersigned, _____, pursuant to the provisions of the foregoing Warrant, hereby elects to exercise the within Warrant to the extent of purchasing _____ shares of Common Stock thereunder and hereby makes payment of \$ _____ by certified or official bank check in payment of the exercise price therefor.

Dated: _____ Signature: _____ Address: _____ ASSIGNMENT FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto

_____ the foregoing Warrant and all rights evidenced thereby, and does irrevocably constitute and appoint _____, attorney, to transfer said Warrant on the books of Flemington Pharmaceutical Corporation. Dated: _____ Signature: _____

Address: _____ CASHLESS EXERCISE The undersigned _____, pursuant to the provisions of the foregoing Warrant, hereby elects to exchange its Warrant for _____ shares of Common Stock, par value \$.001 per share, of Flemington Pharmaceutical Corporation, pursuant to the Cashless Exercise provisions of the Warrant. Dated: _____ Signature: _____

Address: _____ PARTIAL ASSIGNMENT FOR VALUE RECEIVED

_____ hereby assigns and transfers unto _____ the right to purchase _____ shares of the Common Stock, no par value per share, of Flemington Pharmaceutical Corporation. covered by the foregoing Warrant, and a proportionate part of said Warrant and the rights evidenced thereby, and does irrevocably constitute and appoint _____, attorney, to transfer that part of said Warrant on the books of the Company. Dated: _____ Signature: _____ Address: _____