

Scio Diamond Technology Corp
Form PRRN14A
June 04, 2014

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

SCHEDULE 14A INFORMATION

Consent Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. 3)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Consent Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Consent Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Scio Diamond Technology Corporation
(Name of Registrant as Specified In Its Charter)

Thomas P. Hartness
Kristoffer Mack
Paul Rapello
Glen R. Bailey
Marsha C. Bailey
Kenneth L. Smith
Bernard M. McPheely
James Carroll
Robert M. Daisley
Michael McMahan
Ben Wolkowitz
Craig Brown
Ronnie Kobrovsky
Lewis Smoak

(Name of Person(s) Filing Consent Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
-

- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

June [4], 2014

Dear Fellow Stockholder of Scio Diamond Technology Corporation:

I am writing to you on behalf of a group of stockholders of Scio Diamond Technology Corporation (the “Company” or “Scio”). Collectively, our group currently owns more than 16% of the Company on a diluted basis.¹ As described in greater detail below, we are writing to request that you join our efforts to elect a new board to lead the company, and to that end, ask that you complete, sign and return the enclosed consent card ([BLUE] form) to consent your shares in furtherance of that change.

Each of us, like you, invested in Scio based on the belief (perhaps based on the founders’ representations) that the Company has great assets, big opportunities for growth and a chance to create significant stockholder value. In particular, we invested based on the belief and assurance that the Company’s unique asset, its intellectual property and proprietary processes for manufacturing diamonds (“Diamond Technology”), was valuable but under-exploited. It is now almost 10 years after some of us originally invested in the Diamond Technology and Scio’s predecessor entity. Despite a promise of the ability to synthetically create flawless diamonds, the Company has failed to generate positive earnings and the Company’s enterprise value has consistently fallen.

The current board of Scio (the “Board”) is comprised of five individuals—Edward Adams (chair), Robert Linares (Adams’ father-in-law), Theodore Strous, Gerald McGuire and James Korn (Messrs. McGuire and Korn were appointed as directors on May 29, as announced by Scio in its 8-K filed June 2, 2014). Both Mr. Adams and Mr. Linares have been involved with or led the Company for more than a decade while it has continuously failed to meet the projections and metrics offered to stockholders. In the last three years alone, the Company has reported net losses of more than \$13 million under their leadership. Despite reporting such multi-million dollar losses, the directors have awarded themselves during the last three years alone:²

- Compensation, consulting payments and bonuses in the amount of more than \$400,000.
- Payments to entities affiliated with directors in the amount of more than \$350,000.
- Warrants and options for thousands of shares of the Company.

Since 2011, and despite requests from numerous stockholders, the Board has refused to call an annual meeting of the stockholders—in violation of the Company’s Bylaws and applicable corporate laws.

For this reason, I and a group of other concerned stockholders have organized for the purpose of electing a new slate of directors to lead the Company, attempt to capitalize on its Diamond Technology, and increase the value for all stockholders. To this end, attached to this Consent Statement is a stockholder consent card that we would ask that you complete, sign and return to Alliance Advisors, LLC, which is assisting us as consent solicitor, at 200 Broadacres Drive, 3rd Fl., Bloomfield, NJ 07003.

By executing the consent card, you will consent your shares in favor the proposals described herein, including:

(1) Our group beneficially owns an aggregate of 5,141,178 shares of Common Stock, constituting approximately 10.2% of the shares of Common Stock outstanding on an undiluted basis, calculated assuming 50,264,312 shares of Common Stock outstanding as of the date of this Consent Statement, which is the number of shares of Common Stock reported as issued and outstanding as of February 11, 2014 by Scio on its Form 10-Q filed on February 14, 2014. Our group beneficially owns, on a diluted basis, an aggregate of 8,988,678 shares of Common Stock (including warrants to

purchase 3,816,250 shares of Common Stock and options to purchase 31,250 shares of Common Stock), constituting approximately 16.6% of the shares of Common Stock outstanding on a diluted basis, calculated assuming 54,111,812 shares of Common Stock outstanding as of the date of this Consent Statement, which includes 50,264,312 shares of Common Stock reported as issued and outstanding as of February 11, 2014 by Scio on its Form 10-Q filed on February 14, 2014, plus 3,847,500 shares of Common Stock, assuming the conversion of all warrants and options held by members of our group. The details of our group, including names and share ownership, can be found on our Statement on Schedule 13D filed with the Securities and Exchange Commission (the "Commission") on November 28, 2012, Amendment No. 1 filed with the Commission on March 24, 2014, Amendment No. 2 filed with the Commission on April 14, 2014, Amendment No. 3 filed with the Commission on May 8, 2014, Amendment No. 4 filed with the Commission on May 28, 2014, and Amendment No. 5 filed with the Commission on June 3, 2014.

(2) The Company's SEC filings are the source of the net loss figures and director compensation described in this letter.

1. Electing the individuals identified on Annex A of the accompanying Consent Statement to the Company's Board;
2. Repealing any amendments to the Company's Bylaws adopted by the Board without the approval of stockholders after May 13, 2010 (the date of the first public disclosure of the Bylaws); and
3. Amending and restating the Company's Bylaws as set forth in Annex B of the accompanying Consent Statement.

In addition, we would ask that you sign and return the stockholder consent ([BLUE] form), which could summarily adopt the proposals if executed by more than 50% of stockholders.

We wish to be clear that the focus of our efforts to change the leadership of the Company is limited to the current Board. We believe the Company's Chief Executive Officer, Michael McMahon, and his management team have been as productive as possible in light of the challenges posed by the current Board. As evidence of the confidence that we have in Mr. McMahon, he is included as one of the proposed new Board members described in Annex A of the accompanying Consent Statement.

Lastly, I would like to make clear that our sole objectives in these efforts are to help the Company succeed and enhance stockholder value. During this process, the current Board will likely attempt to make any number of accusations about both me and our group in an effort to divert the focus from their failures. If our participation in this process poses any problem for the stockholders, we will gladly make any changes necessary to support the stockholders' interests.

If you have any questions regarding the enclosed stockholder consent or the efforts of our group generally, please contact Alliance Advisors, LLC, which is assisting us as consent solicitor, at their address and toll-free numbers listed below.

Sincerely,

Bernard M. McPheely

If you have any questions, require assistance in consenting your shares, or need additional copies of Save Scio's Consent Statement, please contact:

ALLIANCE ADVISORS, LLC
200 Broadacres Drive, 3rd Fl., Bloomfield, NJ 07003
Banks and Brokers Call Collect: (973) 873-7721
Stockholders Call Toll-Free: (855) 973-0096

TABLE OF CONTENTS

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS	4
QUESTIONS AND ANSWERS RELATING TO THIS CONSENT STATEMENT	5
Who is making this solicitation?	5
What are we asking you to consent to?	5
Why are we soliciting your consent?	5
Who are the Nominees?	6
In light of some of the public comments he has made, has Mr. McMahon agreed to be a Nominee and will he serve as a director of the Company if elected by written consent?	6
Who can consent to the Proposals?	7
Won't there be an annual meeting of Stockholders later this year where we can elect directors of the Company?	7
Will my consent be valid under the Amended and Restated Bylaws announced by Scio effective April 8, 2014?	7
Will my consent be affected by, or have any effect on, the Common Stock purchase rights distributed for each share of Common Stock held by Stockholders of record on April 25, 2014?	8
When is the deadline for submitting consents?	9
How many consents must be granted in favor of each of the Proposals?	9
What should you do to consent?	9
Whom should you call if you have questions about the solicitation?	9
What does it mean if I receive more than one [BLUE] consent card at or about the same time?	9
How do I revoke a consent?	10
Who is paying for the solicitation on behalf of Save Scio?	10
PROPOSAL NO. 1: REPEAL OF ANY AMENDMENTS TO THE BYLAWS ADOPTED BY THE BOARD WITHOUT THE APPROVAL OF STOCKHOLDERS AFTER MAY 13, 2010	11
PROPOSAL NO. 2: ADOPTION OF PROPOSED AMENDED AND RESTATED BYLAWS	12
PROPOSAL NO. 3: ELECTION OF DIRECTORS	15
Arrangements between Save Scio and the Nominees	21
Compensation of the Company's Directors	21
EXECUTIVE COMPENSATION	23
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF THE COMPANY	25
CERTAIN RELATIONSHIPS WITH THE COMPANY	27
VOTING SECURITIES	29
PROCEDURAL INSTRUCTIONS	29
SAVE SCIO URGES YOU TO CONSENT TO THE BYLAW REPEAL PROPOSAL.	29
SAVE SCIO URGES YOU TO CONSENT TO THE ELECTION OF ALL NOMINEES.	29
YOUR CONSENT IS IMPORTANT	29
CONSENT PROCEDURES	30

NO APPRAISAL OR DISSENTER'S RIGHTS	31
STOCKHOLDER PROPOSALS FOR 2015 ANNUAL MEETING	31
ANNEX A	A-1
ANNEX B	B-1
ANNEX C	C-1

**PRELIMINARY CONSENT STATEMENT DATED JUNE 3, 2014
SUBJECT TO COMPLETION**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT
TO SEND US A PROXY**

THIS SOLICITATION IS BEING MADE BY SAVE SCIO AND NOT ON BEHALF OF THE BOARD

**SCIO DIAMOND TECHNOLOGY CORPORATION
CONSENT STATEMENT**

This Consent Statement and the enclosed [BLUE] consent card are being furnished to stockholders of Scio Diamond Technology Corporation, a Nevada corporation (the "Company"), by Thomas P. Hartness, Kristoffer Mack, Paul Rapello, Glen R. Bailey, Marsha C. Bailey, Kenneth L. Smith, Bernard M. McPheely, James Carroll and Robert M. Daisley, in connection with the solicitation of consents from you, the holders (the "Stockholders") of common stock, par value \$0.001 per share, of the Company ("Common Stock"). A solicitation of written consents is a process that allows a company's stockholders to act by submitting written consents to any proposed stockholder actions in lieu of voting in person or by proxy at an annual or special meeting of stockholders. Save Scio is soliciting written consents from the Stockholders to take certain actions (each, as more fully described in this Consent Statement, a "Proposal" and together, the "Proposals") without a stockholders' meeting, as authorized by Nevada law. Unless the context requires otherwise, we use the terms "Save Scio," "we," "our" or "us" throughout this Consent Statement to refer to Mr. Hartness, Mr. Mack, Mr. Rapello, Mr. Bailey, Mrs. Bailey, Mr. Smith, Mr. McPheely, Mr. Carroll and Mr. Daisley collectively.

Save Scio is soliciting written consents from the Stockholders to take the following actions:

1. The repeal of any amendments to the Bylaws of the Company (the "Bylaws") adopted by the Board of Directors of the Company (the "Board") without the approval of Stockholders after May 13, 2010 (the date of the first public disclosure of the Bylaws);
2. The amendment and restatement of the Bylaws, as set forth in Annex B of this Consent Statement (the "Proposed Amended and Restated Bylaws"); and
3. The election of Ben Wolkowitz, Kristoffer Mack, Bernard M. McPheely, Craig Brown, Ronnie Kobrovsky, Lewis Smoak and Michael McMahon (each a "Nominee" and collectively, the "Nominees") to fill the vacancies resulting from the increase in the size of the Board resulting from the adoption of Proposal No. 2, if adopted, and to serve as directors on the Board until the 2015 annual meeting of Stockholders or until their respective successors are duly elected and qualified.

Save Scio recommends that you consent your shares as follows:

1. CONSENT to the repeal of any amendments to the Bylaws adopted by the Board without the approval of Stockholders after May 13, 2010;
2. CONSENT to the adoption of the Proposed Amended and Restated Bylaws; and
3. CONSENT to the election of the Nominees to fill the vacancies resulting from the increase in the size of the Board, and to serve as directors on the Board until the 2015 annual meeting of Stockholders or until their respective successors are duly elected and qualified.

We are soliciting consents because we believe that our Nominees would contribute significantly to the Board and provide important guidance to senior management. After study and analysis, we believe that the Company has consistently underperformed as a result of factors including, but not limited to, poor oversight by the current Board. As a result, we have identified, and are submitting for election by written consent, a slate of seven highly qualified Nominees to join the Board. We believe that our Nominees possess the expertise, experience and commitment needed to maximize stockholder value. Each of our Nominees was selected after careful deliberation for what we believe to be his ability to improve Company performance and work constructively with the management team. We believe our Nominees will, consistent with the best interests of the Company, work diligently to deliver value to all Stockholders. We urge all Stockholders to support us in this effort by consenting to the election of our Nominees.

The effectiveness of each of the Proposals requires the affirmative consent of the holders of record of a majority of the Common Stock outstanding as of the date the first executed consent is delivered to the Company. Proposals No. 1 and No. 2 could be effective without further action when we deliver to the Company such requisite number of consents (see the section titled “Questions and Answers Relating to this Consent Statement”). Proposal No. 3 is subject to, or is conditioned upon, the effectiveness of Proposal No. 2.

Save Scio believes that the bylaw amendments purported to be adopted by the Company on April 14, 2014 which, among other things, eliminate the ability of stockholders to act by written consent in lieu of a meeting without advance approval by the Board, are illegal and invalid under Nevada law (see the section titled “Questions and Answers Relating to this Consent Statement”). In the event this is determined to be the case, for the Proposals to be effective, properly completed and unrevoked written consents representing more than 50% of the issued and outstanding shares of Common Stock must be delivered to the Company. Save Scio expects to receive consents dated as early as June [4], 2014. Consequently, Save Scio expects that it will deliver all properly completed and unrevoked written consents to the Proposals from Stockholders as soon as June [16], 2014. Nevertheless, we intend to set [July 31], 2014 as the goal for submission of written consents. Effectively, this means that you have until [July 31], 2014 to consent to the Proposals. **WE URGE YOU TO ACT PROMPTLY TO ENSURE THAT YOUR CONSENT WILL COUNT.** Save Scio reserves the right to submit to the Company consents at any time. See the section titled “Consent Procedures” for additional information regarding such procedures.

This Consent Statement is dated June [4], 2014, and this Consent Statement and the accompanying [BLUE] consent card are first being sent or given to the Stockholders on or about June [4], 2014.

PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED [BLUE] CONSENT CARD TODAY.

SAVE SCIO URGES YOU TO MARK THE [BLUE] CONSENT CARD (1) “CONSENT” TO SAVE SCIO’S PROPOSAL TO REPEAL ANY AMENDMENTS TO THE BYLAWS ADOPTED BY THE BOARD WITHOUT THE APPROVAL OF STOCKHOLDERS AFTER MAY 13, 2010, (2) “CONSENT” TO SAVE SCIO’S PROPOSAL TO ADOPT THE PROPOSED AMENDED AND RESTATED BYLAWS, AND (3) “CONSENT” TO THE ELECTION OF EACH OF THE NOMINEES AS DIRECTORS.

We urge you not to revoke your consent by signing any consent revocation card sent to you by the Company or otherwise, even as a sign of protest.

According to the Company’s public filings, there were 50,264,312 shares of Common Stock outstanding as of February 11, 2014. The Stockholders are entitled to one vote per share of Common Stock.

The Company has principal executive offices located at 411 University Ridge, Suite D, Greenville, SC 29601.

This Consent Statement is neither a request for the tender of, nor an offer with respect to, shares of Common Stock and does not convey record or beneficial ownership of shares of Common Stock to Save Scio.

IMPORTANT

PLEASE READ THIS CAREFULLY

If your shares of Common Stock are registered in your own name, please submit your consent to us today by following the instructions on the [BLUE] consent card.

If you hold your shares in “street” name with a bank, broker firm, dealer, trust company or other nominee, only they can exercise your right to consent with respect to your shares of Common Stock and only upon receipt of your specific instructions. Accordingly, it is critical that you promptly give instructions to consent to the Proposals to your bank, broker firm, dealer, trust company or other nominee. Please follow the instructions to consent provided on the enclosed [BLUE] consent card. If your bank, broker firm, dealer, trust company or other nominee provides for consent instructions to be delivered to them by telephone or Internet, instructions will be included with the enclosed [BLUE] consent card. Save Scio urges you to confirm in writing your instructions to the person responsible for your account and provide a copy of those instructions to Save Scio c/o Alliance Advisors, LLC, which is assisting us as consent solicitor, at 200 Broadacres Drive, 3rd Fl., Bloomfield, NJ 07003, so that Save Scio will be aware of all instructions given and can attempt to ensure that such instructions are followed.

Execution and delivery of a consent by a record holder of shares of Common Stock will be presumed to be a consent with respect to all shares held by such record holder unless the consent specifies otherwise.

Only holders of record of shares of Common Stock as of the close of business on the date the first executed consent is delivered to the Company will be entitled to consent to the Proposals. If you are a stockholder of record as of the close of business on that date, you will retain your right to consent even if you sell your shares of Common Stock after that date.

IF YOU TAKE NO ACTION, YOU WILL IN EFFECT BE REJECTING THE PROPOSALS. ABSTENTIONS AND FAILURES TO CONSENT WILL HAVE THE SAME EFFECT AS WITHHOLDING CONSENT.

If you have any questions about executing or delivering your [BLUE] consent card or require assistance, please contact:

ALLIANCE ADVISORS, LLC
200 Broadacres Drive, 3rd Fl., Bloomfield, NJ 07003
Banks and Brokers Call Collect: (973) 873-7721
Stockholders Call Toll-Free: (855) 973-0096

CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This Consent Statement contains forward-looking statements within the meaning of the federal securities laws. Statements that are not historical facts, including statements about our beliefs and expectations and the beliefs and expectations of analysts and others, are forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “continue,” the negative of these terms or other comparable terminology. These statements include, among others, our statements regarding the Company’s business outlook, anticipated financial and operating results, business strategy and means to implement the strategy, objectives, likelihood of success in implementing its strategy and achieving its objectives, and market valuations of the Company’s Common Stock.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our beliefs and assumptions (or those of others, as the case may be), which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding the likelihood of the market to value the Company at levels reflecting multiples at which companies deemed comparable to the Company are valued. These assumptions could prove inaccurate, and forward-looking statements also involve risks and uncertainties. Accordingly, actual outcomes could differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on our current assumptions and expectations. You should recognize these statements for what they are and not rely on them as facts. Further, forward-looking statements speak only as of the date they are made, and, except to the extent required by law, we undertake no obligation to update publicly any of them in light of new information or future events.

QUESTIONS AND ANSWERS RELATING TO THIS CONSENT STATEMENT

The following are some of the questions you may have as a Stockholder, as well as the answers to those questions. The following is not a substitute for the information contained elsewhere in this Consent Statement, and the information contained below is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this Consent Statement. We urge you to read this Consent Statement carefully and in its entirety.

Who is making this solicitation?

Save Scio's members are Thomas P. Hartness, Kristoffer Mack, Paul Rapello, Glen R. Bailey, Marsha C. Bailey, Kenneth L. Smith, Bernard M. McPheely, James Carroll and Robert M. Daisley. For information regarding persons who are participating in the solicitation of written consents, and potential interests in the matters described in this Consent Statement, please see Annex A of this Consent Statement.

What are we asking you to consent to?

We are asking you to consent to the following actions on the [BLUE] consent card:

1. CONSENT to the repeal of any amendments to the Bylaws adopted by the Board without the approval of Stockholders after May 13, 2010 (the "Bylaw Repeal Proposal");
2. CONSENT to the adoption of the Proposed Amended and Restated Bylaws (the "Bylaw Adoption Proposal"); and
3. CONSENT to the election of the Nominees to fill the vacancies resulting from the increase in the size of the Board pursuant to Proposal No. 2, if enacted, and to serve as directors on the Board until the 2015 annual meeting of Stockholders or until their respective successors are duly elected and qualified.

Please see the sections titled "Proposal No. 1: Repeal of Any Amendments to the Bylaws Adopted by the Board Without the Approval of Stockholders after May 13, 2010", "Proposal No. 2: Adoption of Proposed Amended and Restated Bylaws" and "Proposal No. 3: Election of Directors" for a more complete description.

Why are we soliciting your consent?

After study and analysis, we believe that the Company has consistently underperformed as a result of factors including, but not limited to, poor oversight by the current Board. As announced by the Company in its 8-K filed with the Commission on June 2, 2014, the Board appointed two new directors, Gerald McGuire and James Korn to the Board on May 29, 2014. Pursuant to Article II, Section 1(c) of the Bylaws, the Board may appoint additional directors, but only between successive annual meetings of the Stockholders. The Board has not convened an annual meeting of the Stockholders since the Company, formerly known as "Krossbow Holding Corporation", acquired the assets of a corporation with the name "Scio Diamond Technology Corporation" (the name of which was assumed by the Company) on August 5, 2011. None of the current directors of the Company have been nominated by the Board for election by the Stockholders at an annual or special meeting of the Stockholders or for election by written consent in lieu of a meeting of the Stockholders. As a result, we have identified, and are submitting for election by Stockholder consent, a slate of seven highly qualified Nominees to join the Board. We believe that our proposed Nominees possess the expertise, experience and commitment needed to maximize Stockholder value. Each of our Nominees was selected after careful deliberation for what we believe to be his ability to improve Company performance, and work

constructively with the management team. We believe our Nominees will, consistent with the best interests of the Company, work diligently to deliver value to all Stockholders.

The proposals to repeal any amendments to the Bylaws adopted by the Board without the approval of Stockholders after May 13, 2010 and to adopt the Proposed Amended and Restated Bylaws of the Company are intended primarily to facilitate the election of the Nominees by increasing the size of the Board to 12, but are also intended to improve corporate governance by allowing more directors with different perspectives and management philosophies on the Board, and by instituting bylaws which are more appropriate for a publicly reporting Nevada corporation. For example, the Proposed Amended and Restated Bylaws eliminate the Board's ability to fix the quorum for its meetings at less than a majority of the directors. The Proposed Amended and Restated Bylaws also increase stockholder protection by preserving the stockholders' right to act by written consent in lieu of a meeting. The Proposed Amended and Restated Bylaws will also improve corporate functioning by clarifying the duties of the Company's officers. For a more detailed description of the changes which would be made by the adoption of the Proposed Amended and Restated Bylaws, see the section titled "Proposal No. 2: Adoption of Proposed Amended and Restated Bylaws".

The proposal to repeal any amendments to the Bylaws adopted by the Board without the approval of Stockholders after May 13, 2010, if effected, could have the effect of repealing a bylaw amendment that is not inconsistent with or disadvantageous to the election of the Nominees or other Proposals presented in this Consent Statement.

We urge all Stockholders to support us in this effort by "CONSENTING" to the repeal of any amendments to the Bylaws adopted by the Board without the approval of Stockholders after May 13, 2010, "CONSENTING" to

the adoption of the Proposed Amended and Restated Bylaws and “CONSENTING” to the election of our Nominees.

Who are the Nominees?

We are proposing that Ben Wolkowitz, Kristoffer Mack, Bernard M. McPheely, Craig Brown, Ronnie Kobrovsky, Lewis Smoak and Michael McMahon be elected as directors of the Company to serve on the Board until the 2015 annual meeting of Stockholders or until their respective successors are duly elected and qualified. Information with respect to the Nominees, and potential interests of the Nominees in the matters described in this Consent Statement, are included in the section titled “Proposal No. 3: Election of Directors” and Annex A of this Consent Statement.

The Board currently consists of three directors, the candidates for which will stand for election or re-election at the next annual meeting of Stockholders, which the Company has announced may be held in its fiscal 3rd quarter of this year (the “2014 Annual Meeting”). Save Scio, and the other participants hereunder, through this Consent Statement, are soliciting consents to elect the Nominees to serve as directors on the Board to fill vacancies created by the increase in the size of the Board to 10, pursuant to Proposal No. 2, if enacted by Stockholder consent. The Nominees are not running in opposition to the Company’s nominations for directors, if any, at the 2014 Annual Meeting, and at present it is not the intent of Save Scio to remove any of the incumbent members of the Board.

If elected, the Nominees would be a majority of the directors and would alone be able to adopt resolutions or otherwise cause the Board to act. Save Scio, and the other participants hereunder, expect the Nominees to be able to actively engage other members of the Board in full discussion of the issues facing the Company and resolve them together. By utilizing their respective experiences and working constructively with other Board members and management, Save Scio believes the Nominees can effect positive change at the Company.

Save Scio has determined that Messrs. Wolkowitz, Mack, Brown, McPheely, Kobrovsky and Smoak are “independent” directors, based upon the independence criteria set forth in the corporate governance listing standards of The NASDAQ Stock Market, the exchange that Save Scio selected in order to determine whether the Nominees meet the independence criteria of a national securities exchange, as required by Item 407(a) of Regulation S-K (“Regulation S-K”). Mr. McMahon is not considered to be independent under those standards.

To Save Scio’s knowledge the Company has no standing audit, compensation or nominating committees, and accordingly the full Board fulfills the functions that would otherwise be filled by such committees. As announced by the Company in a press release filed as an exhibit to a Form 8-K filed with the Commission on April 29, 2014, the Board announced the completions of Committee Charters for the Board’s Audit, Compensation, Nominating and Corporate Governance Committees. As of the date of this Consent Statement, the Board has not announced the appointment of any members of these committees. Messrs. Wolkowitz, Mack, Brown, McPheely, Kobrovsky and Smoak meet the independence criteria applicable to members of such committees as set forth in the corporate governance listing standards of The NASDAQ Stock Market. Mr. McMahon does not meet those criteria.

In light of some of the public comments he has made, has Mr. McMahon agreed to be a Nominee and will he serve as a director of the Company if elected by written consent?

Yes. Mr. McMahon has publicly stated in a press release attached to the Company’s soliciting materials filed on April 22, 2014, among other things, that:

- he does not “have any plans on working with” Save Scio;

- he does “not otherwise support [Save Scio’s] proposals in any manner;”
- “the proposals and maneuvers” [like that of Save Scio] “are detrimental to all of [the Company’s] shareholders;”
- “the management team of Scio has and will continue to support and execute the actions of the Board;” and
- “in [his] judgment, during [his] tenure as CEO, the Board’s actions have intended to enhance and protect shareholder value.”

Notwithstanding these statements, Mr. McMahon has confirmed to Save Scio that he has consented and will continue to consent to being named as a Nominee in this Consent Statement and, if elected, to serving as a director of the Company.