ACCELR8 TECHNOLOGY CORP
Form 10QSB
June 14, 2005

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended April 30, 2005

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

For the transition period from ________ to ________

Commission file number 0-11485

ACCELR8 TECHNOLOGY CORPORATION
(Exact name of small business issuer as specified in its charter)

COLORADO	84-1072256
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7000 Broadway, Bldg., 3-307. Denver, CO 80221
(Address of principal executive office)

(303) 863-8088
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at June 11, 2005
Common Stock, no par value	9,961,210

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Accelr8 Technology Corporation
Balance Sheets

ASSETS

	April 30, 2005 (Unaudited)	July 31, 2004
Current assets:		
Cash and cash equivalents	$ 5,898,398	$ 7,233,430
Accounts receivable	51,918	15,948
Other Accounts Receivable	1,359	50,000
Inventory	24,099	30,287
Prepaid expenses and other current assets	85,206	33,972
Current Assets of Discontinued Operations	--	7,225
Note receivable (Note 7)	133,333	133,333
Total current assets	6,194,313	7,504,195
Property and equipment, net	246,511	216,733
Note Receivable (Note 7)	266,667	266,667
Investments, net	744,678	666,305
Intellectual property, net (Note 3)	3,929,237	4,070,832
Total assets	$ 11,381,406	$ 12,724,732

LIABILITIES AND SHAREHOLDERS' EQUITY

	April 30, 2005	July 31, 2004
Current liabilities:		
Accounts payable	$ 109,488	$ 96,844
Accrued compensation and other liabilities	59,766	46,793
Liabilities for discontinued Operations	--	43,150
Deferred revenue (Note 4)	65,000	60,000
Total current liabilities	234,254	246,787
Long-term liabilities:		
Deferred compensation	797,672	741,305
Total liabilities	1,031,926	988,092
Commitments and Contingencies (Note 9)		
Shareholders' equity (Notes 6 & 7)		
Common stock, no par value; 11,000,000 shares authorized; 9,961,210 shares issued and outstanding, respectively	12,863,020	12,863,020
Contributed capital	461,049	461,049
Accumulated deficit	(2,700,989)	(1,313,829)
Shares held for employee benefit (1,129,110 shares at cost)	(273,600)	(273,600)
Total shareholders' equity	10,349,480	11,736,640
Total liabilities and shareholders' equity	$ 11,381,406	$ 12,724,732

See accompanying notes to unaudited financial statements.

Accelr8 Technology Corporation
Statements of Operations
(Unaudited)

	Three Months Ended		Nine months Ende	
	April 30, 2005	April 30, 2004	April 30, 2005	Apri 20
Revenues:				
Consulting fees	$ --	$ --	$ 90,000	$
License Fees (Note 5)	--	--	62,750	
OptiChem(TM) revenue	120,104	26,262	230,109	
Net revenues	120,104	26,262	382,859	
Costs & expenses:				
Cost of sales-OptiChem	49,481	22,243	103,710	
General and administrative	205,526	198,275	703,125	7
Marketing and sales	9,880	5,928	32,054	
Research and development	383,190	127,830	808,001	4
Amortization	58,827	58,128	176,350	1
Depreciation	7,655	13,710	51,318	
Total Costs and Expenses	714,559	426,114	1,874,558	1,4
Loss from operations	(594,455)	(399,852)	(1,491,699)	(1,3
Other income (expense):				
Interest and dividend income	41,213	15,808	109,474	
Unrealized gain (loss) on investment	(11,367)	(22,270)	(6,706)	
Miscellaneous	1,771	--	1,771	
Total other income (expense)	31,617	(6,462)	104,539	
Income from discontinued operations (Note 8)	--	71,780	--	1
Net Loss	$ (562,838)	$ (334,534)	$(1,387,160)	$(1,1
Net loss per share - basic and diluted	$ (0.06)	$ (0.03)	$ (0.14)	$
Weighted average shares outstanding - basic and diluted	9,961,210	9,961,210	9,961,210	9,9

See accompanying notes to unaudited financial statements.

Accelr8 Technology Corporation
Statements Of Cash Flows
For the Nine months Ended April 30, 2005 and 2004
(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net loss	$(1,387,160)	$(1,129,656)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	51,318	31,828
Amortization	176,350	174,385
Increase (decrease) in fair value of stock options granted for consulting services		(45,000)
Unrealized holding (gain) loss on investment	6,706	(15,359)
Reinvestment of interest and dividends	(10,079)	(7,559)
Net change in assets and liabilities:		
Accounts receivable	12,671	(66,332)
Inventory	6,188	(63,303)
Prepaid expenses and other	(51,234)	(19,166)
Accounts payable	12,644	23,254
Accrued liabilities	12,973	(637)
Deferred revenue	5,000	65,000
Deferred compensation	56,367	79,168
Net cash (used in) provided by operating activities	(1,108,256)	(973,377)
Cash flows from investing activities:		
Purchase of fixed assets	(81,097)	(94,629)
Purchase of intellectual property	(34,754)	(22,427)
Purchase of investments	(75,000)	(75,000)
Net cash used in investing activities	(190,851)	(192,056)
Cash (used by) discontinued operations	(35,925)	(35,741)
Net (decrease) increase in cash and cash equivalents	(1,335,032)	(1,201,174)
Cash and cash equivalents, beginning of period	7,233,430	8,711,951
Cash and cash equivalents, end of period	$ 5,898,398	$ 7,510,777

See accompanying notes to unaudited financial statements.

Accelr8 Technology Corporation
Notes to Unaudited Financial Statements
For the Nine Months Ended April 30, 2005

Note 1. Basis of Presentation

The financial statements included herein have been prepared by Accelr8 Technology Corporation (the "Company") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with our annual audited financial statements dated July 31, 2004, included in our annual report on Form 10-KSB as filed with the SEC.

Management believes that the accompanying unaudited financial statements are prepared in conformity with generally accepted accounting principles, which require the use of management estimates, and contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the periods presented. The results of operations for the three month and nine month periods ended April 30, 2005 may not be indicative of the results of operations for the year ended July 31, 2005.

Note 2. Reclassification

Certain reclassifications have been made in the fiscal 2004 financial statements to conform to the classifications used in fiscal 2005. Such reclassifications have no effect on net income (loss) as previously reported.

Note 3. Intellectual Property

Intellectual property consisted of the following:

	April 30, 2005	July 31, 2004
OptiChem Technologies	$ 4,469,517	$ 4,454,538
Patents	200,021	180,245
Trademarks	49,019	49,019
Total intellectual property	4,718,557	4,683,802
Accumulated amortization	(789,320)	(612,970)
Net intellectual property	$ 3,929,237	$ 4,070,832

Intellectual properties are recorded at cost and are being amortized on a straight-line basis over their estimated useful lives of 20 years, which approximates the patent and patent application life of the OptiChem technologies. Amortization expense was $176,350 and $174,384 respectively, for the nine months ended April 30, 2005 and 2004.

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The Company routinely evaluates the recoverability of its long-lived assets based upon estimated future cash flows from or estimated fair value of such long-lived assets. If in management's judgment, the anticipated undiscounted cash flows or estimated fair value are insufficient to recover the carrying amount of the long-lived asset, the Company will determine the amount of the impairment, and the value of the asset will be written down. Management believes that the fair value of the technology exceeds the carrying value. However, it is possible that future impairment testing may result in intangible asset write-offs, which could adversely affect the Company's financial condition and results of operations.

Note 4. Deferred Revenue

The deferred revenue amount of $65,000 is composed of prepaid royalty fees of $50,000 and $15,000 of training fees included in the "License Agreement" with SCHOTT. See Note 5.

Note 5. License and Supply Agreements

On November 24, 2004, the Company entered into a worldwide exclusive manufacturing and marketing license agreement (the "License Agreement") with SCHOTT Jenaer Glas GmbH ("SCHOTT"). The Company also entered into a supply agreement (the "Supply Agreement") with SCHOTT for OptiChem coated amine-reactive slides manufactured by Accelr8.

Pursuant to the License Agreement SCHOTT paid the Company a non-refundable fee of $100,000, of which ($50,000) of such fee was credited against future royalties. An additional $15,000 in deferred revenue has been recorded for training supplied to SCHOTT. During the 2-year term of the License Agreement SCHOTT agreed to pay Accelr8 a royalty payment equal to 6% of net sales of products licensed under the License Agreement. If the total net sales during the initial 2-year term equal or exceed, $1,125,000, then the total royalty payable by SCHOTT for the initial term shall be a flat fee of $90,000. An optional 1-year extension may be exercised by SCHOTT by payment of a $90,000 upfront renewal fee.

Pursuant to the Supply Agreement, the Company will supply SCHOTT 10,000 OptiChem coated microarraying slides, including 1,000 slides purchased prior to the execution of the Supply Agreement, at a price of $14.00 each. The Supply Agreement also includes an option to SCHOTT until December 31, 2005 to negotiate an exclusive license for the application of OptiChem coatings on 96-well microtiter plates. In return, SCHOTT provided 7,500 glass substrates to Accelr8 at no charge. The option is valued at $12,750 and has been recorded as a license fee. The supply agreement was amended on April 25, 2005 to include the purchase of an additional 5,000 slides through July 15, 2005 under the same terms.

Note 6. Shareholders' Equity

Common Stock Options

At April 30, 2005, there were 860,000 stock options outstanding at prices ranging from $1.45 to $3.20 with expiration dates between May 6, 2005 and March 16, 2015. For the nine months ended April 30, 2005 and 2004, stock options exercisable into 860,000 and 762,500 shares of common stock, respectively, were not included in the computation of diluted earnings per share because their effect was antidilutive.

Note 7. Employee Stock Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported results in both annual and interim financial statements. The Company accounts for employee stock-based compensation arrangements using the intrinsic value method in accordance with Accounting Principals Board ("APB") No. 25 and related interpretations and has adopted the disclosure-only provisions of SFAS No. 123 as amended by SFAS No. 148. The following table illustrates the effect on net loss if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation.

	Nine Months Ended April 30, 2005	2004
Net loss - as reported	$(1,387,160)	$(1,129,656)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(430,272)	(5,595)
Pro forma net loss	$(1,817,432)	$(1,135,251)
Earnings per share:		
Basic and diluted - as reported	$ (.13)	$ (.11)
Basic and diluted - pro forma	$ (.18)	$ (.11)

Note 8. Sale of Software Migration Tools

On July 30, 2004, we completed the sale of the assets which consisted of tools for legacy-code modernization and the resale of third-party software (the "Software Migration Business") to Transoft Group Ltd. (the "Asset Sale"). The aggregate purchase price of the Asset Sale was $500,000; which was payable $100,000 in cash and the Company was issued a promissory note payable in three equal annual installments of $133,333 with annual interest of 4% on the unpaid balance payable quarterly. In addition, the purchase price included the assumption of support obligations under pre-existing support and maintenance

agreements. The assets, liabilities, results of operations and cash flows for the Software Migration Business have been classified as "Discontinued Operations" in the financial statements. Net income from the discontinued operations for the three and nine months ended April 30, 2004 was $71,780 and $184,533, respectively. A summary of income and expenses for these periods is below:

	Three Months Ended April 30, 2004	Nine Months Ended April 30, 2004

Revenues	$105,147	$322,627
Cost of sales	14,725	69,071
Administrative and marketing	18,642	69,023
Total costs and expenses	33,367	138,094
Income from discontinued operations	$ 71,780	$184,533

Note 9. Subsequent Event

On June 2, 2005, Accelr8 Technology Corporation ("Accelr8") and SCHOTT Jenaer Glas GmbH ("SCHOTT") entered into a supply agreement (the "Supply Agreement").

Pursuant to the Supply Agreement, Accelr8 will supply a minimum of 5,000 OptArray Slide HS streptavidin coated microarrying slides to SCHOTT on a non-exclusive basis, at a price of $20.82 each for the first 1,000 slides and $17.15 for the remaining slides purchased under the Supply Agreement. The Supply Agreement for Slide HS with SCHOTT expires on December 31, 2005. Accelr8 also granted an option non-exclusive right to SCHOTT to negotiate for a non-exclusive right to manufacture and sell, up to 12,500 glass slides, from January 1, 2006 to December 31, 2006. If SCHOTT exercises this right, SCHOTT shall pay Accelr8 $15,000 for training on manufacturing of Slide HS. In addition, for this right, SCHOTT agreed to provide 7,500 glass substrates to Accelr8 at no charge (valued at $12,750).

Accelr8 also offered SCHOTT until December 31, 2005 the right to negotiate an exclusive right for the manufacturing and worldwide sales of Slide HS coatings on microarraying slides. Schott must formally initiate negotiations by October 1, 2005. If SCHOTT exercises this right, SCHOTT shall pay Accelr8 $15,000 for training on manufacturing of Slide HS.

Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations

Forward Looking Information

This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company, intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements, which can be identified by the use of words such as "may," "will," "expect," "anticipate," "estimate," or "continue," or variations

thereon or comparable terminology, include the plans and objectives of management for future operations, including plans and objectives relating to the products and future economic performance of the Company. In addition, all statements other that statements of historical facts that address activities, events, or developments the Company expects, believes, or anticipates will or may occur in the future, and other such matters, are forward-looking statements.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on assumptions that the Company will retain key management personnel, that the Company will accurately anticipate market demand for the Company's products and that there will be no material adverse change in the Company's operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in forward-looking statements will be realized. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion should be read in conjunction with the Company's unaudited financial statements and related notes included elsewhere herein. The Company's future operating results may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, general public perception of issues and solutions, and other uncertain business conditions that may affect the Company's business. The Company cautions the reader that a number of important factors discussed herein, and in other reports, filed with the Securities and Exchange Commission including its 10-KSB for the year ended July 31, 2004, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Overview

Prior to January 2001, Accelr8 Technology Corporation ("Accelr8" or the "Company") was primarily a provider of software tools and consulting services.

On January 18, 2001, Accelr8 purchased the OpTest technology assets from DDx and commenced investment in development and optimization of OpTest's surface chemistry (OptiChem) and quantitation instrument (QuanDx(TM)). The Company's proprietary surface chemistry and its quantitation instruments support real-time assessment of medical diagnostics, food-borne pathogens, water-borne pathogens, and bio-warfare assessments. Presently the Company sells advanced microarray slides and specialty microtiter plates coated with its proprietary OptiChem activated surface chemistry for use in academic research, drug discovery and molecular diagnostics. This surface coating has the ability to shed sticky biomolecules that interfere with bio-analytical assays such as microarrays and immunoassays. Management believes that this property substantially improves analytical performance by enabling higher sensitivity, greater reproducibility, and higher throughput by virtue of simplified application methods.

We believe that the market for DNA/RNA and protein microarrays is growing because of increased demand for gene analysis and molecular diagnostics as measured by industry wide growth in unit sales, i.e., Affymetrix (NASDAQ:AFFX), Agilent (NYSE:A), and Applied Biosciences (NYSE:ABI).

In July 2003, the Company introduced its OptiPlate(TM) products, which are 96- and 384-well glass bottom microtiter plates for multiplexed microarraying. These products allow the customers to print a small microarray (as many as 2,000 spots) in each well. As with OptArray slides, the products support both DNA and protein arraying. The glass and chemical coatings are identical to those used in

OptArray slides. Management believes that this high throughput mode is essential in drug discovery and diagnostics where a lab must validate an assay over a large number of individual samples. The Company knows of only one other US company (Apogent Matrix) that is selling a plate for multiplexed microarraying.

On November 24, 2004, we entered into an exclusive global manufacturing and distribution licensing agreement (the "License Agreement) with Schott Nexterion (Schott Jenaer Glas GmbH, Jena, Germany "SCHOTT") and a supply agreement (the "Supply Agreement") for microarray slides using Accelr8's OptiChem(R) surface chemistry. (See Note 4 to the Financial Statements.) On June 2, 2005, the Company signed a new supply agreement (the "New Supply Agreement") with SCHOTT for a new product, a Streptavidin coated microarraying slide (the "Slide HS"). (See Note 9 to the Financial Statements.)

In January 2004, management commenced development of the BACcelr8r, a rapid bacterial identification and antibiotic resistance detection platform.

The BACcelr8r embodies all three of Accelr8's wholly owned core technologies: OptiChem surface chemistry, QuanDx optical detection, and YoDx(TM) accelerated assay processing. We believe that the same integrated technology combination will provide a platform for molecular analysis, as used in genomics and proteomics, and molecular diagnostics. We expect the benefits of BACcelr8r to be very high sensitivity, rapid results, high reproducibility, and relatively low cost per test and expect the BACelr8r will be initially used in the ICU (intensive care units) of hospitals for the diagnosis and treatment assessment of VAP (ventilator associated pneumonia).

In fiscal 2005 we intend to complete technical studies on materials and processes to be used in the BACcelr8r system. We believe that the BACcelr8r will significantly speed up bacterial testing and improve treatment outcomes. By developing and selling the system we intend to generate revenues and prove the value of our technology to large diagnostic companies. We believe that the most significant achievement of the BACcelr8r may be its ability to provide the physician with rapid antibiotic susceptibility tests results. We believe that this information should increase the number of lives saved by eliminating the often-ineffective use of "empiric therapy" (when specific bacteria have not been identified, the doctor prescribes a cocktail of drugs, hoping that the combination will kill the bacteria).

Furthermore, we believe that dramatic compression of time that the BACcelr8r will provide compared to standard culturing practices, will give doctors an increased chance of getting patients out of the Intensive Care Unit days ahead of present norms (typically 10 extra days for pneumonia). We believe that this reduction in ICU costs, estimated at $3-4,000 per day, should also

significantly reduce un-reimbursed hospital costs, improving the bottom line of an operating hospital budget. This is a very important factor in our marketing strategy. While we are aggressive in our estimates of time to market and costs to develop, we believe that we will be able to execute this business plan without further cash infusion at this time. We have an excellent team of fulltime scientists and a well-equipped lab that has allowed us to economically attain our milestones to date.

Changes in Results of Operations: nine months ended April 30, 2005 compared to nine months ended April 30, 2004.

On July 30, 2004, we completed the sale of the assets related to the Software Migration Business. See Note 8 to the financial statements for details.

The following revenues, costs and expenses relate only to our continuing operations.

Consulting fees during the nine-month period ended April 30, 2005 were $90,000 as compared to $0 for the nine-month period ended April 30, 2004. The consulting fees were the result of a contract completed on December 31, 2004 for a custom coating for an industrial customer.

During the nine month period ended April 30, 2005, license fees were $62,750 as compared to $0 for the nine-month period ended April 30, 2004. The license fees were 16.4% of total revenues. The license fees were the result of the License Agreement with SCHOTT to sell the Company's OptiChem surface chemistry technology (See Notes 4 and 5 to the Financial Statements.)

OptiChem revenues for the nine month period ended April 30, 2005 were $230,109 as compared to $85,514 for the nine month period ended April 30, 2004, an increase of $144,595 or 169.1%. This increase was primarily the result of sales of OptArray slides under the Supply Agreement with SCHOTT, and a custom application to a customer of SCHOTT for a new formula not covered by the Supply Agreement. OptiChem revenues for the nine months ended April 30, 2005 were 60.1% of total revenues and 100% of total revenues for the nine months ended April 30, 2004.

During the nine months ended April 30, 2005, sales of OptiChem slides to the Company's two largest customers were $216,064 and $6,620, representing 56.4% and 7.7% of the Company's total revenues. During the nine months ended April 30, 2004, sales to the Company's two largest customers were $35,150 and $34,300, representing 41.1% and 40.1% of total revenues. The largest customer during nine month period ended April 30, 2005 is SCHOTT. SCHOTT was the second largest during the nine month period ended April 30, 2004. The loss of this customer would have a material adverse effect on the Company's financial performance if the Company was unable to replace the revenue received from this customer.

Cost of sales for the nine months ended April 30, 2005 was $103,710, which represented 45.1% of OptiChem revenue compared to $38,777 during the nine months ended April 30, 2004, which represented 35.4% of OptiChem revenue. The decrease in the cost of sales expressed as a percentage of Optichem revenue was the result of efficiencies in producing a greater number of slides and lower cost of substrates used in the formulation of OptiChem.

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General and administrative expenses for the nine months ended April 30, 2005 were $703,125 as compared to $728,193 during the nine months ended April 30, 2004, a decrease of $25,068 or 3.4%. This decrease was largely due to the following increases and decreases:

Consulting Fees	$ 29,175
Corporate & Stockholder	(44,743)
Corporate Insurance	(16,915)
Deferred Compensation	(22,801)
Employee Benefits	9,289
Legal Fees	(40,718)
Premises Rent	(16,598)
Salaries	74,165
Other	4,078
Total	$ 25,068

Consulting fees increased due to a former employee being hired as a consultant and a consulting engagement for the valuation of our intellectual property. The decrease in Corporate and Stockholder was primarily the result of the payment of the one time fee for listing on the American Stock Exchange of $53,500 during the nine-month period ended April 30, 2004. Corporate insurance decreased due to the elimination of our errors and omissions insurance policy that covered the software development operations. The decrease in deferred compensation was due to the market fluctuations in the holding amounts of the securities in the Trust. Salaries and employee benefits increased due to the hiring of more employees for research and development of for the BACcelr8r project. The decrease in rent was a result of the consolidation of our corporate offices with our laboratory facility.

Marketing and sales expenses for the nine months ended April 30, 2005 were $32,054 as compared to $80,605 during the nine months ended April 30, 2004, a decrease of $48,551 or 60.2%. This decrease was largely due to an outside consultant being hired as an employee and the salary being classified in general and administrative and research.

Research and development expenses for the nine months ended April 30, 2005 were $808,001 as compared to $408,194 during the nine months ended April 30, 2004, an increase of $399,807 or 97.9%. This increase was largely due to the following:

Consulting Fees	$240,486
Laboratory Supplies	15,622
Salaries	140,227
Other	3,472
Total	$399,807

Consulting fees are due entirely to amounts paid to engineering consultants for work on the BACcelr8r project, as are the increases in laboratory supplies. Salaries increased due to hiring more scientists to perform research for the BACcelr8r project.

Depreciation for the nine months ended April 30, 2005 was $51,318 as compared to $34,968 during the nine months ended April 30, 2004, an increase of $16,350 or 46.8%. This increase results from the depreciation of additional laboratory equipment placed into service.

The increase in amortization was negligible for the nine months ended April 30, 2005 as compared to the nine-month period ended April 30, 2004.

As a result of these factors, loss from operations for the nine months ended April 30, 2005 was $1,491,699 as compared to a loss of $1,379,607 during the nine months ended April 30, 2004, an increased loss of $112,092 or 8.1%.

Interest income during the nine months ended April 30, 2005 was $109,474 as compared to $50,059 during the nine months ended April 30, 2004, an increase of $59,415 or 118.7%. Interest income increased as a result of the interest earned on the note from discontinued operations in the amount of $12,055 and an increase in the interest rate on the amounts of cash held by the Company.

An unrealized holding loss on marketable securities held in the deferred compensation trust for the nine months ended April 30, 2005 was $6,706 as compared to a gain of $15,359 for the nine months ended April 30, 2004, a difference of $22,065, or 143.7%. The change from a gain to a loss was the result of a decrease in the price of securities held in the deferred compensation trust. Discontinued operations during the nine-month period ended April 30, 2005 as $0 as compared to $184,553 during the nine-month period ended April 30, 2004.

As a result of these factors, net loss for the nine months ended April 30, 2005 was $1,387,160 as compared to $1,129,656 during the nine months ended April 30, 2004, an increased loss of $257,504 or 22.8%.

Changes in Results of Operations: Three months ended April 30, 2005 compared to three months ended April 30, 2004.

OptiChem revenue during the three month period ended April 30, 2005 were $120,104 as compared to $26,262 for the three months ended April 30, 2004. This increase was the result of increased sales of Slide H and of Slide HS, to existing customers.

During the three months ended April 30, 2005, sales to SCHOTT were $114,664 representing 95.5% of the Company's total revenues. During the three months ended April 30, 2004, sales to SCHOTT were $22,400 representing 85.3% of total revenues. The loss of this customer would have a material adverse effect on the Company's financial performance if the Company was unable to replace the revenue received from this customer.

Cost of OptiChem sales for the three months ended April 30, 2005 was $49,481, as compared to $22,243 during the three months ended April 30, 2004, an increase of $27,238 or 122.5% and is a direct reflection of the increased sales.

General and administrative expenses for the three months ended April 30, 2005 were $205,526, as compared to $198,275 during the three months ended April 30, 2004, an increase of $7,251 or 3.7% This increase was primarily due to the following increases and (decreases):

Salaries and Employee Benefits	$ 26,344
Consulting Fees	1,875
Corporate & Stockholder Expense	(18,780)
Deferred Compensation	8,676
Corporate Insurance	(4,283)
Legal Fees	(8,090)
Miscellaneous other	1,509
	$ 7,251

Marketing and sales expenses for the three months ended April 30, 2005 were $9,880, as compared to $5,928 during the three months ended April 30, 2004 an increase of $3,952 or 66.7%. This increase was largely comprised of a decrease in consultant stock option expense.

Research and development expenses for the three months ended April 30, 2005 were $383,190, as compared to $127,830 during the three months ended April 30, 2004, an increase of $255,360 or 199.8%. The following summarizes the major components of the increase:

Outside Engineering	$ 198,441
Consultant Option Expense	21,292
Laboratory Supplies and Expense	1,055

Premises Rent	(2,029)
Conferences	(2,300)
Salaries	42,230
Miscellaneous other	(3,329)

	$ 255,360
	=========

The major increase is in outside engineering fees for development of the BACcelr8r product. Salaries increased due to hiring of additional scientists for the BACcelr8r product. The fluctuations in the other categories are considered normal in the ordinary course of business.

The change in amortization was nominal.

Depreciation for the three months ended April 30, 2005 was $7,655, as compared to $13,710 during the three months ended April 30, 2004 a decrease of $6,055 or 44.2%.

As a result of these factors, loss from operations for the three months ended April 30, 2005 was $594,455, an increased loss of $194,603 or 48.7% as compared to a loss from operations of $399,852 for the three months ended April 30, 2004.

Interest and dividend income for the three months ended April 30, 2005 was $41,213, as compared to $ 15,808 during the three months ended April 30, 2004, an increase of $25,405 or 160.7% Interest income increased as a result of the interest earned on the note from discontinued operations in the amount of $400,000 and an increase in the interest rate on the amounts of cash held by the Company.

Unrealized gain (loss) on marketable securities held in the deferred compensation trust for the three months ended April 30, 2005 was a loss of $11,367 as compared to unrealized loss of $22,270 for the three months ended April 30, 2004. The decreased unrealized loss was a result of the change in market value of the underlying assets. The unrealized loss in marketable securities is reflected as decreased deferred compensation and included in general and administrative expenses.

Discontinued operations during the three-month period ended April 30, 2005 was $0 as compared to $71,780 during the three-month period ended April 30, 2004.

The Company has not recorded an income tax provision or benefit in either period. Deferred income tax assets and liabilities are computed to determine differences between the financial statement basis and the estimated income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. As of April 30, 2005, a valuation allowance has been recorded for the deferred tax asset, as management has not determined that it is more likely than not that this amount of the deferred tax asset will be realized.

As a result of these factors, net loss for the three months ended April 30, 2005 was $562,838, an increased loss of $228,304 or 68.2% as compared to a net loss of $334,534 during the three months ended April 30, 2004.

Capital Resources and Liquidity

At April 30, 2005, as compared to July 31, 2004, cash and cash equivalents, decreased by $1,335,032 from $7,233,430 to $5,898,398, or approximately 18.5% and the Company's working capital decreased by 17.9% from $7,257,408 to $5,960,059. During the same period, shareholders' equity decreased from $11,736,640 to $10,349,480 or approximately 11.8% as a result of a net loss of $1,387,160.

The net cash used in operating activities was $1,108,256, in the nine months ended April 30, 2005 compared to cash used in operating activities of $973,377 in the nine months ended April 30, 2004. The principal elements that gave rise to the difference are the increase in net losses of $257,504 and an increase in prepaid expenses in the amount of $32,068.

The Company has historically funded its operations generally through cash flow generated from operations and equity financing. The Company anticipates that current cash balances and working capital plus cash flow from operations will be sufficient to fund its capital and liquidity needs in the foreseeable future.

Item 3. Controls and Procedures

Under the supervision and with the participation of our management, including Thomas V. Geimer, the Chief Executive Officer and Chief Financial Officer of the Company, we have evaluated the effectiveness of our disclosure controls and procedures, as defined under the Securities Exchange Act of 1934, as amended, as the end of the period covered by this report. Based on that evaluation, Mr. Geimer has concluded that these disclosure controls and procedures are effective. There were no significant changes in our internal control over financial reporting during the quarter ended April 30, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

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a) Exhibits:

1. Exhibit 31.1 Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

2. Exhibit 31.2 Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

3. Exhibit 32.1 Certification of Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0f 2002.

b) Reports on Form 8-K:

Form 8-K filed on February 23, 2005 Disclosing Change in the Company's Accountants

Form 8-K filed on April 23, 2005 with letter to shareholders discussing its current business operations

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 14, 2005

ACCELR8 TECHNOLOGY CORPORATION

/s/ Thomas V. Geimer

Thomas V. Geimer, Secretary, Chief Executive Officer and Chief Financial Officer

/s/ Joan D. Montgomery

Joan D. Montgomery, Principal Accounting Officer