ACCELR8 TECHNOLOGY CORP
Form 10QSB
June 16, 2008

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, 2008

[ ] 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 [ ]

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

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

Class	Outstanding at June 13, 2008
Common Stock, no par value	10,171,210

Transitional small business disclosure format [ ] yes [X] no

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Accelr8 Technology Corporation
Condensed Balance Sheets

ASSETS

	April 30, 2008	J
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 1,276,760	$
Accounts receivable	0	
Inventory	98,860	
Prepaid expenses and other current assets	34,747	
Total current assets	1,410,367	
Property and equipment, net	49,434	
Investments, net	1,092,970	
Intellectual property, net (Note 3)	3,370,975	
Total assets	$ 5,923,746	$

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 77,599	$
Accrued compensation and other liabilities	16,598	
Deferred revenue	128,177	
Total current liabilities	222,374	
Long-term liabilities:		
Deferred compensation	1,151,961	
Total liabilities	1,374,335	
Commitments and Contingencies		
Shareholders' equity		
Common stock, no par value; 14,000,000 shares authorized; 10,171,210 and 9,971,210 shares respectively issued and outstanding	13,678,020	
Contributed capital	702,615	
Accumulated (deficit)	(9,557,624)	
Shares held for employee benefit (1,129,110 shares		

at cost)	(273,600)
Total shareholders' equity	4,549,411
Total liabilities and shareholders' equity	$ 5,923,746

Accelr8 Technology Corporation
Condensed Statements of Operations
For the three and nine months ended April 30, 2008 and 2007
(Unaudited)

	3 Months Ended April 30		9 Mo
	2008	2007	2008
Revenues:			
OptiChem revenues	$ 0	$ 22,687	$ 53,6
Technical consulting revenue	0	0	
Royalties	6,352	0	6,3
Option fees	54,545	--	100,0
License fees	0	--	100,0
Total revenues	60,897	22,687	259,9
Costs and expenses:			
Research and development	153,722	247,524	674,8
General and administrative	201,704	211,007	609,9
Amortization	60,404	60,046	182,1
Marketing and sales	1,356	2,190	10,4
Depreciation	12,036	18,382	39,1
Cost of sales	0	4,035	9,0
Total costs and expenses	429,222	543,184	1,525,7
Loss from operations	(368,325)	(520,497)	(1,265,7
Other income:			
Interest and dividend income	16,720	26,130	52,9
Unrealized Gain (Loss) on investments	(19,163)	15,788	(37,1
Gain (Loss) on sale of equipment	0	0	51,7
Other Income	0	2,042	
Total other income	(2,443)	43,960	67,5
Net Loss	$ (370,768)	$ (476,537)	$ (1,198,1
Net loss per share:			
Basic and diluted net loss	$ (.04)	$ (0.05)	$ (0.

per share			
Weighted average shares outstanding	10,096,586	9,971,210	10,012,7

Accelr8 Technology Corporation
Condensed Statements Of Cash Flows
For the Nine months Ended April 30, 2008 and 2007
(Unaudited)

	2008
Cash flows from operating activities:	
Net loss	$(1,198,131)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:	
Depreciation	39,146
Amortization	182,141
Fair value of stock options granted for services	67,335
Unrealized holding (gain) loss on investments	37,181
Realized (Gain) on sale of investments, interest and dividend reinvestment	(27,601)
(Gain) on sale of fixed assets	(51,761)
(Increase) decrease in assets:	
Accounts receivable	5,625
Inventory	8,995
Prepaid expense and other	(10,281)
Increase (decrease) in liabilities:	
Accounts payable	13,000
Accrued liabilities	(15,788)
Deferred revenue	69,831
Deferred compensation	49,412
Net cash (used in) operating activities	(830,896)
Cash flows from investing activities:	
Sales Proceeds - Fixed Assets	70,000
Purchases of equipment and patent costs	(81,013)

Contribution to deferred compensation trust	(75,000)
Net cash (used in) investing activities	(86,013)
Cash flows from financing activities:	
Sale of Common Stock & Warrants	800,000
Net cash provided by financing activities	800,000
Decrease in cash and cash equivalents	(116,909)
Beginning balance	1,393,669
Ending balance	$ 1,276,760

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, 2007 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 months and nine months ended April 30, 2008 may not be indicative of the results of operations for the year ended July 31, 2008.

Note 2. Summary of Significant Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses

during the reporting period. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, accounts receivable, and notes receivable, including receivables from major customers. The Company grants credit to domestic and international clients in various industries. Exposure to losses on accounts receivable is principally dependent on each client's financial position. The Company performs ongoing credit evaluations of its clients' financial condition.

Estimated Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, investments and other long-term liabilities approximates fair value at April 30, 2008 and 2007. The carrying value of all other financial instruments potentially subject to valuation risk, principally consisting of accounts receivable and accounts payable, also approximate fair value.

Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48") "Accounting for Uncertainty in Income Taxes," on August 1, 2007. The adoption of FIN 48 resulted in no adjustment to opening retained earnings. The Company has no unrecognized tax benefits and does not anticipate any increase in unrecognized benefits during the year ending July 31, 2008 relative to any tax positions taken prior to August 1, 2007. Should the Company determine that any penalty and interest be accrued as a result of current or future tax positions taken on its returns, such penalties and interest will be accrued in its financial statements as other non-interest expense and as interest expense during the period in which such determination is made.

The Company files federal and state income tax returns. These returns are subject to examination by taxing authorities for all tax years after 2001.

Note 3. Recently Issued Accounting Pronouncements

In February 2007, the FASB issued FASB SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, to expand the use of fair value measurement by permitting entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective beginning the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial statements.

In December 2007, the FASB issued FAS 160 which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions.

In addition, net income attributable to the noncontrolling interest will be

included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. FAS 160 is effective for annual periods beginning on or after December 15, 2008. The Company does not expect the adoption of FAS 160 to have an effect on its financial statements.

In December 2007, the FASB issued SFAS 141(revised 2007), Business Combinations ("SFAS 141R"). SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, intellectual property research & development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the impact, if any, of SFAS 141R on its financial statements.

Note 4. Intellectual Property

Intellectual property consisted of the following:

	April 30, 2008	July 31, 2007
OptiChem(R) Technologies	$ 4,454,538	$ 4,454,538
Patents	375,004	293,991
Trademarks	49,019	49,019
Total intellectual property	4,878,561	4,797,548
Accumulated amortization	(1,507,586)	(1,325,445)
Net intellectual property	$ 3,370,975	$ 3,472,103

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(R) technologies. Amortization expense was $182,141 and $180,137, respectively, for the nine months ended April 30, 2008 and 2007.

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 5. License and Supply Agreements

On November 24, 2007 the Company extended the non-exclusive Slide H license for three more years, to expire on November 23, 2010. Terms of the extended license are similar to those of the original license, which is $100,000, $50,000 for a prepaid license and $50,000 in prepaid royalties. The Company granted another royalty-bearing license to Schott Jenaer Glas GmbH for Streptavidin slides (Slide HS) for two years that expires on December 31, 2008. The terms were $100,000, $50,000 for a prepaid license and $50,000 in prepaid royalties. The Company entered into an exclusive seven-year license with NanoString Technologies Inc. on October 5, 2007. The license grants to NanoString the right to apply OptiChem(R) coatings to NanoString's proprietary molecular detection products. Pursuant to the license agreement, NanoString paid the Company a non-refundable fee of $100,000 of which $50,000 was credited against future royalties. Under the royalty-bearing license, NanoString is to pay the Company a royalty at the rate of eight percent (8%) of net sales for sales up to $500,000 of NanoString licensed products. The royalty rate on the second $500,000 of net sales is six percent (6%), and the royalty thereafter is four percent (4%).

Note 6. Employee Stock Based Compensation

On April 30, 2008, there were 1,187,500 common stock options outstanding at prices ranging from $1.45 to $4.50 with expiration dates between January 18, 2008 and December 11, 2017. For the nine months ended April 30, 2008 and 2007, stock options exercisable into 1,087,500 and 987,500 shares of common stock, respectively, were not included in the computation of diluted earnings per share because their effect was antidilutive.

For the quarters ended April 30, 2008 and 2007, the company accounted for stock based compensation to employees and directors using SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R), which replaces SFAS 123 and supersedes APB Opinion No. 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition. Under the modified prospective application method, we apply the standard to new awards, and to awards modified, repurchased, or cancelled. Additionally, compensation cost for the unvested portion of awards are recognized as compensation expense as the requisite service is rendered.

The fair value of options granted under the stock option agreements and stock-based compensation plans discussed above is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants for the nine months ended April 30, 2008 and 2007: no dividend yield; risk free interest rate of 4% to 5%; expected life of 3-10 years; and expected volatility of 66% to 51%. The weighted average remaining contractual life of options outstanding at April 30, 2008 and 2007 was 4.11 and 4.46 years, respectively.

As of April 30, 2008, the total unrecognized share-based compensation cost related to unvested stock options was approximately $294,144. For the nine month period ended April 30, 2008 and 2007 the Company recognized $67,335 and $28,540, respectively in stock based compensation costs related to the issuance of stock options to employees. This cost was calculated in accordance with SFAS No. 123R and is reflected in the Company's operating expenses.

Note 7. Sale of Securities

On March 6, 2008, the Company held a closing on the sale of an aggregate of 200,000 shares of the Company's no par value Common Stock sold at $4.00 per share (the "Common Stock") and warrants to purchase 100,000 shares of Common Stock at a purchase price of $5.50 per share that expire 30 months from the date of issuance (the "Warrants")(the "Common Stock and the Warrants are referred to herein as the "Securities").

Pursuant to the Stock Purchase Agreements, if during the period commencing on March 6, 2008 and ending on March 6, 2009, the Company issues additional shares (the "Additional Shares") of Common Stock or Common Stock Equivalents (as defined in the Stock Purchase Agreement) at a purchase, exercise or conversion price less than $4.00 per share (subject to certain adjustments for splits, recapitalizations and reorganizations), then the Company will issue additional shares of Common Stock to the investors so that the effective purchase price per share will be the same per share purchase, exercise or conversion price of the Additional Shares (subject to certain exceptions set forth in the Stock Purchase Agreement). Notwithstanding the foregoing, the effective price per share will not be adjusted below $3.00 per share.

The Warrants have customary weighted-average anti-dilution rights with respect to any subsequent issuance of common stock or common stock equivalents at a price less than $5.50 per share (subject to adjustment), and otherwise in connection with forward or reverse stock splits, stock dividends, recapitalizations, and the like. The anti-dilution provisions are not applicable to employee stock options and shares issued in connection with certain mergers and acquisitions.

The Company received $800,000 in proceeds from the sale of the Securities. The Company paid no commissions in connection with the Offering.

Note 8. Subsequent Events

Subsequent to April 30, 2008, the Company and Becton, Dickinson and Company ("BD") entered into a Research and Option Agreement (the "Agreement").

The Agreement provides for the establishment of a research program from the date of the Agreement until October 31, 2009 whereby BD will fund certain research work by the Company relating to the Company's BACcel(TM) rapid pathogen diagnostics platform (the "BACcel(TM) Platform"). The research program includes mutually agreed upon milestones to support BD's product development planning. Under the terms of the Agreement, in connection with the research program, the Company will receive certain periodic payments from BD between the date of the Agreement and July 1, 2009.

The Agreement also grants BD an option to acquire for an upfront payment an exclusive license (the "Exclusive License") from the Company for certain know-how and patent rights relating to the BACcel(TM) Platform. The Exclusive License also provides for the Company to receive royalty payments on worldwide sales. The Exclusive License contains certain diligence requirements for BD to develop and commercialize such products. If BD exercises the option but fails to meet certain terms of the Exclusive License, the Company has the option to convert the Exclusive License to a non-exclusive license. If BD does not exercise the Exclusive License, Accelr8 will receive a non-exclusive license from BD for certain intellectual property.

Pursuant to the Agreement, from the date of the Agreement until October 31, 2009, the Company agreed not to engage in or participate in any discussions or negotiations with parties other than BD for the joint development of, licensing of or intellectual property relating to the BACcel(TM) Platform.

Unless earlier terminated pursuant to the terms of the Agreement, the Agreement shall terminate upon the Exclusive License Agreement or the non-exclusive license from BD to the Company coming into effect.

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 than 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, the Company will be successful in the development of the BACcel(TM) system, the Company will have sufficient capital to complete the development of the BACcel(TM) system, the Company will be able to protect its intellectual property, the Company's ability to respond to technological change, 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 condensed 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 the risks in the section entitled "Risk Factors" its 10-KSB for the year ended July 31, 2007, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Overview

Our vision is to develop and commercialize an innovative diagnostic system for use with critically ill patients for rapid identification of bacteria and specific strains based on the presence of major antibiotic resistance mechanisms. Our business strategy is to demonstrate the value of our technology in the broad market for biomedical products with the intent of licensing our proprietary technology to established market leaders.

We are developing the BACcel(TM) system, a rapid bacterial diagnostic platform, by integrating our proprietary technologies into an automated system. Proprietary technologies include OptiChem(R) surface coatings, and various innovative assay processing methods. We have received patents or we have patent applications pending for the major technology components, methods, and systems.

The BACcel(TM) system development project began with a number of innovative analytical biological concepts that had no direct precedent, but which adapted well-accepted microbiological testing principles for automated analysis. Until now, these testing principles have only been applied to cultures that contain hundreds of millions of bacteria descended from single organisms, hand-selected as cultured colonies grown from a patient specimen.

The BACcel(TM) system is based on simple transformations of standard methods, using advanced automation technology to achieve substantially better performance than is possible with current testing methods. We believed that speed and precision should be possible by analyzing, as individuals, many thousands of cells extracted directly from the patient specimen. This contrasts with standard culturing in which the descendants of fewer than ten cells are presumed to represent the entire infectious bacterial population in a specimen, and with which many hours of repeated growth are required to perform analyses. Typically, initial testing requires 2-3 days, which is too late to help guide the physician to make treatment decisions for critically ill patients who often become infected with drug-resistant bacteria. As a result, initial therapy typically proves inadequate in 20% to 40% of such cases, causing high mortality, serious medical complications, and extended length of stay.

Published studies on ICU patients consistently show that a hospital-acquired infection doubles the risk of mortality and complications. Infection with a multi-resistant organism quadruples risks relative to comparable un-infected patients. The most important reason for elevated risk is inadequate initial therapy, caused by widespread and complex mechanisms of drug resistance.

We intend the BACcel(TM) system to report bacterial quantitation and identification within 2 hours of patient specimen processing. We plan to augment the first reported identification with additional identification of major antibiotic resistance mechanisms. We believe that resistance mechanism identification will require no more than 4 additional hours of testing, with some results becoming available more quickly than others.

The purpose of this strategy is to narrow the drug choices for initial therapy by identifying major resistance mechanisms that are likely to cause drugs to fail. If successful, this approach would help the physician to subtract ineffective drugs from the list of available drugs, leaving those that are most likely to control the infection as initial therapy.

For example, the first report might state that a significant number of common "Staph" is present in a patient specimen, likely causing a patient's infection.

The second report might then state that all of the organisms fall into a major antibiotic resistance group known as "MRSA" (methicillin resistant Staphylococcus aureus, often referred to as "superbugs" in news reports because of their multiple drug resistance). This identification eliminates from consideration the most important drugs otherwise preferred for treating Staph infections.

The second report would include the identification of additional important resistance mechanisms that might similarly rule out the next most important drugs. In this way, we believe that the BACcel(TM) system will systematically test for the most significant resistance mechanisms. This would leave the physician with specific drug choices that are most likely to prove effective. From these, the physician would then be able to hold in reserve those drugs considered "salvage" or "last choice" drugs. This approach of reserving drugs helps to delay the emergence of resistance for the few drugs still available to treat highly resistant strains.

Without specific guidance, the physician now has no choice but to use these reserved drugs to assure initial infection control but accelerating their loss of effectiveness over time.

Popular news media have reported widely about MRSA as a multi-resistant "superbug." However, organizations such as the CDC (US Centers for Disease Control and Prevention) and IDSA (Infectious Diseases Society of America) have also identified other multi-drug resistant organisms as presenting even greater threats. They include Pseudomonas, Acinetobacter, E. coli, and Klebsiella. In the hospital ICU, MRSA typically causes no more than about 30% of mortality from acquired infections. The other organisms just listed account for a much higher percentage.

To the best of management's knowledge, based on outside opinions and direct market research, the Company is the only organization in the world to be developing a rapid diagnostic solution, and one that includes these organisms and strain types.

To date, we have established the functional requirements of the BACcel(TM) platform. We have begun testing the specific analyses required in the BACcel(TM) system and published the results at major scientific and clinical conferences. We have been guided by leading medical experts in our development strategy and product design.

During the next twelve months, the Company intends to expand its experimental data to characterize and validate test performance to be used in future versions of the BACcel(TM) system. In addition, we expect to further define requirements for a commercial research product in advance of clinical product development.

In parallel to the BACcel(TM) system development, we have developed and independently licensed OptiChem(R) surface coatings to other companies for use in microarraying and other molecular detection products. We have granted Schott Jenaer Glas GmbH, a global leader in high-quality glass manufacturing, a non-exclusive license to manufacture and market microarraying slides using OptiChem(R) coatings. We have also licensed NanoString Technologies Inc. to use OptiChem(R) in their innovative molecular bar-coding systems for high-sensitivity gene expression analysis.

During the nine months ended April 30, 2008, we placed two development systems

in outside academic research facilities. One system is in the Denver Health Medical Center. The other is in Barnes-Jewish Hospital, St. Louis. The outside investigators are using the systems for technical validation of the analytical methods.

We intend to give three presentations at the American Society for Microbiology meeting to be held in June 2008. The presentations describe the results of studies on rapid antibiotic resistance mechanism identification, rapid testing for Acinetobacter identification, and detection and enumeration of bacteria extracted directly from human respiratory specimens.

During the quarter ended April 30, 2008, we continued the scale-up of our proprietary antibody development methods. The first antibodies were raised against Acinetobacter, for which no commercial antibodies are available. We believe that the scale-up will provide material for BACcel(TM) system development, outside research support, and additional test development. We also advanced the development of antibodies required for additional organisms, and initiated other types of testing used for identification of bacteria.

Effective May 16, 2008, we entered into a Research and Option Agreement with Becton, Dickinson and Company. Pursuant to the Research and Option Agreement, BD will fund certain research work by the Company relating to the Company's BACcel(TM) system. The immediate funding relieves Accelr8 of the need to independently raise funds to support BACcel(TM) technical milestone achievement set forth in the Research and Option Agreement through September 2009. If BD exercises the licensing option, Management believes that the agreement would then further relieve Accelr8 of the need to raise the large amount of funding required for BACcel(TM) product development, protect shareholders from the potentially significant dilution and mitigate the risks associated with BACcel (TM) commercialization.

The agreement also enables Accelr8 to seek additional commercial applications for its proprietary technology. Management believes that this expands the opportunity horizon for shareholders.

Recently Issued Accounting Pronouncements

In February 2007, the FASB issued FASB SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, to expand the use of fair value measurement by permitting entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 is effective beginning the first fiscal year that begins after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial statements.

In December 2007, the FASB issued FAS 160 which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions.

In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. FAS 160 is effective for annual periods beginning on or after December 15, 2008. The Company does not expect the adoption of FAS 160 to have an effect on its

financial statements.

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Changes in Results of Operations: three months ended April 30, 2008 compared to three months ended April 30, 2007.

During the three months ended April 30, 2008, OptiChem(R) revenues were $0 as compared to $22,687 during the three month period ended April 30, 2007, a decrease of $22,687 or 100% due to sales of custom coated slides to NanoString now reverting to being reported under royalty income, as a result of the sales of a OptiChem(R) license in October, 2007.

There were option fees of $54,545 during the three months ended April 30, 2008 compared to $0 during the three months ended April 30, 2007. The option fee for the three months ended April 30, 2008 consisted of the earned portion of an option from Becton Dickinson & Company.

Research and development expenses for the three months ended April 30, 2008 were $153,722 as compared to $247,524 during the three months ended April 30, 2007, a decrease of $93,802 or 38%. The decrease was primarily the result of a reduction in the use of outside engineering firms related to the development of the BACcel(TM) system and decreased salaries paid due to attrition.

During the three months ended April 30, 2008, general and administrative expenses were $201,704 as compared to $211,007 during the three months ended April 30, 2007, a decrease of $9,303 or 4.4%. The decrease was primarily due to decreases in salaries, related taxes and benefits of $57,345.

The increase in amortization was negligible for the three months ended April 30, 2008 as compared to the three month period ended April 30, 2007.

Marketing and sales expenses for the three months ended April 30, 2008 were $1,356 as compared to $2,190 during the three months ended April 30, 2007, a decrease of $834. The decrease was primarily due reduced expenses relating to presentations at scientific conferences.

Depreciation for the three months ended April 30, 2008 was $12,036 as compared to $18,382 during the three months ended April, 2007, a decrease of $6,346 or 34.5%. This decrease resulted from the increased age of assets and related depreciation as well as sale of equipment, in previous quarters, no longer being used.

Costs of goods sold during the three months ended April 30, 2008 were $0 as compared to $4,035 during the three months ended April 30, 2007, a decrease of $4,035 or 100%. The decrease in costs of goods sold was primarily the result of no sales of custom coated slides to NanoString, which now owns a license to

OptiChem(R).

As a result of the above factors, loss from operations for the three months ended April 30, 2008 was $368,325 as compared to a loss of $520,497 during the three months ended April 30, 2007, a decrease loss of $152,172 or 29.2%.

Interest and dividend income during the three months ended April 30, 2008 was $16,720 as compared to $26,130 during the three months ended April 30, 2007, a decrease of $9,410 or 36.0%. Interest income decreased as a result of decreased interest rates and reduced amounts of cash held by the Company.

An unrealized holding loss on investments held in the deferred compensation trust for the three months ended April 30, 2008 was $19,163 as compared to an unrealized gain of $15,788 during the three months ended April 30, 2007, a decrease of $34,951. The change was a result of decreased value of the underlying securities.

As a result of these factors, net loss for the three months ended April 30, 2008 was $370,768 as compared to $476,537 during the three months ended April 30, 2007, a decreased loss of $105,769 or 22.2%.

Changes in Results of Operations: Nine months ended April 30, 2008 compared to nine months ended April 30, 2007.

During the nine months ended April 30, 2008, OptiChem(R) revenues were $53,642 as compared to $77,805 during the nine month period ended April 30, 2007, a decrease of $24,163 or 31.1%. The decrease was a result of licensing of OptiChem(R) to NanoString and receiving royalty income during the nine months ended April 30, 2008 as compared to sales revenue nine months ended April 30, 2007.

Consulting fees during the nine-month period ended April 30, 2008 were $0 as compared to $22,000 during the nine-month period ended April 30, 2007, a decrease of $22,000 or 100%. The $22,000 in consulting fees related to a Feasibility Testing Agreement that was completed during the nine-month period ended April 30, 2007. No technical consulting fees were billed or received during the nine months end April 30, 2008.

Option fees during the nine months ended April 30, 2008 were $100,000 as compared to $14,250 during the nine months ended April 30, 2007, an increase of $85,750. The option fee for the nine months ended April 30, 2008 consisted of an option from Becton Dickinson & Company.

License fees during the nine months ended April 30, 2008 were $100,000 as compared to $50,000 during the nine months ended April 30, 2007, an increase of $50,000 or 100%. The license fees during the nine months ended April 30, 2008 were the result of a License Agreement entered into with Schott Jenaer Glas GmbH to produce and sell the Company's technology on coated OptiChem(R) Slide H and an exclusive license with NanoString.

Research and development expenses for the nine months ended April 30, 2008 were $674,897 as compared to $813,864 during the nine months ended April 30, 2007, a decrease of $138,967 or 17.1%. The decrease was primarily the result of decreased supplies, a reduction in the use of outside engineering firms related to the development of the BACcel(TM) system and decreased salaries.

During the nine months ended April 30, 2008, general and administrative expenses were $609,989 as compared to $730,179 during the nine month period ended April 30, 2007, a decrease of $120,190 or 16.5%. The decrease was primarily due to reductions in salaries and related taxes and benefits.

The increase in amortization was negligible for the nine months ended April 30, 2008 as compared to the nine month period ended April 30, 2007.

Marketing and sales expenses for the nine months ended April 30, 2008 were $10,499 as compared to $5,788 during the nine months ended April 30, 2007, an increase of $4,711 or 81.3%. The increase was primarily due to expenses in connection with scientific conference attendance.

Depreciation for the nine months ended April 30, 2008 was $39,146 as compared to $55,146 during the nine months ended April 30, 2007, a decrease of $16,000 or 29.0%. The decreased depreciation was the result of the increased age of assets and certain disposals of equipment no longer being used.

Cost of goods sold during the nine months ended April 30, 2008 were $9,032 as compared to $14,761 during the nine months ended April 30, 2007, a decrease of $5,729 or 38.8%. The decrease in cost of goods sold was primarily the result of products being produced by others under licensing agreements as compared to the Company producing the products.

As a result of the above factors, loss from operations for the nine months ended April 30, 2008 was $1,265,710 as compared to a loss of $1,635,820 during the nine months ended April 30, 2007, a decrease in losses of $370,110 or 22.6%.

Investment and dividend income during the nine months ended April 30, 2008 was $52,999 as compared to $89,750 during the nine months ended April 30, 2007 a decrease of $36,751 or 41%. Interest income decreased as a result of decreased interest rates and reduced amounts of cash held by the Company.

An unrealized holding losses on investments held in the deferred compensation trust for the nine months ended April 30, 2008 was $37,181 as compared to a gain of $71,802 for the nine months ended April 30, 2007, a difference of $108,983. The change was a result of decreased value of the underlying securities.

Gain on the sale of equipment was $51,761 during the nine months ended April 30, 2008 as compared to $0 during the nine months ended April 30, 2007. The gain on the sale of equipment was the result of the sale of microarray printers.

As a result of these factors, net loss for the nine months ended April 30, 2008 was $1,198,131 as compared to $1,472,226 during the nine months ended April 30, 2007, a decreased loss of $274,095 or 18.6%.

Capital Resources and Liquidity

During the nine months ended April 30, 2008 and April 30, 2007, we did not generate positive cash flows from operating activities. The Company has historically funded its operations generally through its existing cash balances, cash flow generated from operations and sales of equity securities. Our primary use of capital has been for the research and development of the BACcel(TM) system. Notwithstanding our investments in research and development, there can be no assurance that the BACcel(TM) system or any of our other products will be successful, or even if they are successful, will provide sufficient revenues to

continue our current operations. Our working capital requirements are expected to increase in line with the growth of our business. We have no lines of credit or other bank or off balance sheet financing arrangements. We believe our capital requirements will continue to be met with our existing cash balance, additional issuance of equity or debt securities and/or a capital infusion from potential partners in the development of the BACcel(TM) system. If we are unable to realize any revenues from our products, we will require additional funds from other sources to continue operations. Further, if capital requirements vary materially from those currently planned, we may require additional capital sooner than expected.

At April 30, 2008, as compared to July 31, 2007, cash and cash equivalents decreased by $116,909 from $1,393,669 to $ 1,276,760, or approximately 8.4 % and the Company's working capital decreased $188,291 or 13.7% from $1,376,284 to $1,187,993. During the same period, shareholders' equity decreased from $4,880,207 to $4,549,411 as a result of losses incurred, charges related to stock options and the additional $800,000 of equity raised during the year. Our working capital requirements are expected to increase in line with the growth of our business.

The net cash used in operating activities was $830,896 during the nine months ended April 30, 2008 compared to cash used in operating activities of $1,128,087 during the nine months ended April 30, 2007. The principal elements that gave rise to the decrease of cash used in operating activities were a result of lower net losses for the period and lower outside consultant fees.

Cash provided by financing activities during the nine months ended April 30, 2008 was $800,000. The cash provided by financing activities was the result of the sale of shares of our common stock to accredited investors of an aggregate of $800,000. As a result of the cash raised in the Offering, management believes that current cash balances plus cash flow from operations will be sufficient to fund our capital and liquidity needs for the next eighteen months.

Thereafter, the Company may have to seek capital resources from other sources to meet its obligations in the future. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at all. Additional issuances of equity or convertible debt securities, if any, will result in dilution to our current common stockholders.

Item 3. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including Thomas V. Geimer, the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of April 30, 2008. Based on that evaluation, Mr. Geimer concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Mr. Geimer also confirmed that there was no change in the Company's internal control over financial reporting during the quarter ended April 30, 2008.

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

Exhibit No.	Description
10.1*	Research and Option Agreement between Accelr8 Technology Corporation and Becton, Dickinson and Company effective May 16, 2008
31.1	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.

* Portions of this exhibit have been omitted and filed separately with the

Office of the Secretary of the Securities and Exchange Commission pursuant to a confidential treatment request.

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 16, 2008

ACCELR8 TECHNOLOGY CORPORATION

/s/ Thomas V. Geimer

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

/s/ Bruce H. McDonald

Bruce H. McDonald, Principal
Accounting Officer