ACCELR8 TECHNOLOGY CORP
Form 10QSB
March 17, 2008

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 January 31, 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

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

Class	Outstanding at March 12, 2008
Common Stock, no par value	9,971,210

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Accelr8 Technology Corporation
Condensed Balance Sheets

ASSETS

	January 31, 2008	J
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 878,616	$
Accounts receivable	11,250	
Inventory	100,060	
Prepaid expenses and other current assets	19,228	
Total current assets	1,009,154	
Property and equipment, net	61,469	
Investments, net	1,100,367	
Intellectual property, net (Note 3)	3,399,751	
Total assets	$ 5,570,741	$

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 123,916	$
Accrued compensation and other liabilities	26,492	
Deferred revenue	189,074	
Total current liabilities	339,482	
Long-term liabilities:		
Deferred compensation	1,140,608	
Total liabilities	1,480,090	
Commitments and Contingencies		
Shareholders' equity		
Common stock, no par value; 14,000,000 shares authorized; 9,971,210 shares issued and outstanding	12,878,020	
Contributed capital	673,088	
Accumulated (deficit)	(9,186,857)	
Shares held for employee benefit (1,129,110 shares at cost)	(273,600)	

Total shareholders' equity	4,090,651
Total liabilities and shareholders' equity	$ 5,570,741

Accelr8 Technology Corporation
Condensed Statements of Operations
For the three and six months ended January 31, 2008 and 2007
(Unaudited)

	3 Months Ended January 31		6 Months
	2008	2007	2008
Revenues:			
OptiChem revenues	$ 39,058	$ 20,899	$ 53,642
Technical consulting revenues	--	--	--
Option fees	45,455	14,250	45,455
License fees	50,000	50,000	100,000
Total revenues	134,513	85,149	199,097
Costs and expenses:			
Research and development	252,109	246,969	521,176
General and administrative	157,215	255,491	408,282
Amortization	61,691	60,045	121,737
Marketing and sales	2,631	158	9,143
Depreciation	12,036	18,382	27,111
Cost of sales	7,719	2,147	9,032
Total costs and expenses	493,401	583,192	1,096,481
Loss from operations	(358,888)	(498,043)	(897,384
Other income:			
Interest and dividend income	12,612	28,856	36,278
Unrealized Gain (Loss) on investments	(44,371)	12,827	(18,019
Gain (Loss) on sale of equipment	50,407	--	51,762
Total other income	18,648	41,683	70,021
Net Loss	$ (340,240)	$ (456,360)	$ (827,364
Net loss per share:			
Basic and diluted net loss per share	$ (.03)	$ (.05)	$ (.08

Weighted average shares outstanding	9,971,210	9,971,210	9,971,210

Accelr8 Technology Corporation
Condensed Statements Of Cash Flows
For the Six months Ended January 31, 2008 and 2007
(Unaudited)

	2008	2007
Cash flows from operating activities:		
Net loss	$ (827,364)	$ (995,
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	27,111	36,
Amortization	121,737	120,
Fair value of stock options granted for services	38,058	21,
Unrealized holding (gain) loss on investments	18,019	(56,
Reinvested earnings - interest and dividends	(15,836)	(7,
(Gain) on sale of fixed assets	(51,761)	
(Increase) decrease in assets:		
Accounts receivable	(5,625)	(110,
Inventory	7,795	(3,
Prepaid expense and other	5,238	16,
Increase (decrease) in liabilities:		
Accounts payable	58,817	22,
Accrued liabilities	(5,894)	15,
Deferred revenue	130,728	12,
Deferred compensation	38,058	100,
Net cash (used in) operating activities	(460,919)	(827,
Cash flows from investing activities:		
Sales Proceed - Fixed Assets	70,000	
Purchases of equipment and patent costs	(49,134)	(
Contribution to deferred compensation trust	(75,000)	(75,
Net cash used in investing activities	(54,134)	(75,
Decrease in cash and cash equivalents	(515,053)	(902,
Beginning balance	1,393,669	3,004,
Ending balance	$ 878,616	$ 2,101,

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 six months ended January 31, 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 January 31, 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 ended 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. Intellectual Property

Intellectual property consisted of the following:

	January 31, 2008	July 31, 2007
OptiChem(R) Technologies	$ 4,454,538	$ 4,454,538
Patents	341,279	293,991
Trademarks	49,019	49,019
Total intellectual property	4,844,836	4,797,548
Accumulated amortization	(1,447,112)	(1,325,445)
Net intellectual property	$ 3,397,724	$ 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 $121,737 and $120,091, respectively, for the six months ended January 31, 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 4. 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 s ales 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 5. Employee Stock Based Compensation

Common Stock Options On January 31, 2008, there were 1,087,500 stock options outstanding at prices ranging from $1.45 to $3.60 with expiration dates between January 18, 2008 and December 11, 2017. For the three months and six months ended January 31, 2008 and 2007, stock options exercisable into 987,500 and 947,500 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 January 31, 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 will apply the standard to new awards, and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the unvested portion of awards outstanding as of the required effected date will be recognized as compensation expense as the requisite service is rendered after the required effective date.

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 three months and six months ended January 31, 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 January 31, 2008 and 2007 was 4.11 and 4.46 years.

As of January 31, 2008, the total unrecognized share-based compensation cost related to unvested stock options was approximately $217,679. For the three-month and six-month period ended January 31, 2008 the Company recognized $18,249 and $38,058 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 6. Subsequent Events.

On March 6, 2008, we held a closing on the sale (the "Offering") to accredited investors 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, we issue 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 we 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.

Investors in the units have "piggyback" registration rights with respect to the resale of the shares of Common Stock, as well as the shares issuable upon exercise of the Warrants.

The Securities were offered and sold in reliance upon Rule 506 promulgated under Section 4(2) of the Securities Act of 1933, as amended. The Securities sold in the Offering have not been registered under the Securities Act or state securities laws and may not be offered or sold absent registration with the SEC or an applicable exemption from the registration requirements. The Form of Stock Purchase Agreement and Form of Warrant used in the Offering are attached hereto as Exhibits 10.1 and 10.2, respectively.

Note 7. 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, IPR&D 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.

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, the Company will be successful in the development of the BACcel(R) system, the Company will have sufficient capital to complete the development of the BACcel(R) 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(R) 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(R) 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(R) 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(R) 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(R) 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, Accelr8 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(R) platform. We have begun testing the specific analyses required in the BACcel(R) 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(R) 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(R) 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 three months ended January 31, 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, we began 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(R) system development, outside research support, and additional test development.

We also continued to expand our marketing program to educate potential industry partners. In December, Becton Dickinson & Company (NYSE: BDX) acquired an exclusive right to negotiate the terms of a potential business relationship. The right expires on March 31, 2008.

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.

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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 January 31, 2008 compared to three months ended January 31, 2007.

During the three months ended January 31, 2008, OptiChem(R) revenues were $39,058 as compared to $20,899 during the three month period ended January 31, 2007, an increase of $18,159 or 86.9% due to increased sales of custom coated slides to Nanostring.

There were option fees of $45,455 during the three months ended January 31, 2008 compared to $14,250 during the three months ended January 31, 2007. This was the result of receiving an option payment from Becton Dickinson & Company of $100,000 which expires by its terms on March 31, 2008. This amount represents the earned portion of such option contract.

The license fees of $50,000 and $50,000 during the three months ended January 31, 2008 and 2007 were the result of License Agreements entered into with Schott Jenaer Glas GmbH for Slide H and HS to produce and sell the Company's technology, on coated OptiChem(R) slides.

Research and development expenses for the three months ended January 31, 2008 were $252,109 as compared to $246,969 during the three months ended January 31, 2007, an increase of $5,140 or 2.08%. This increase was primarily due to direct supply costs related to the development of the BACcel(R) system.

During the three months ended January 31, 2008, general and administrative expenses were $157,215 as compared to $255,491 during the three months ended January 31, 2007, a decrease of $98,276 or 38.5%. The decrease was primarily due to decreases in salaries of $15,800 and corporate and shareholder expenses of

$10,278 and fewer full time employees.

The increase in amortization was negligible for the three months ended January 31, 2008 as compared to the three month period ended January 31, 2007.

Marketing and sales expenses for the three months ended January 31, 2008 were $2,631 as compared to $158 during the three months ended January 31, 2007, an increase of $2,473. The increase was primarily due to expenses related to presentations at scientific conferences.

Depreciation for the three months ended January 31, 2008 was $12,036 as compared to $18,382 during the three months ended January 31, 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 no longer being used.

Costs of goods sold during the three months ended January 31, 2008 were $7,719 as compared to $2,147 during the three months ended January 31, 2007, an increase of $5,572 or 259.5%. The increase in costs of goods sold was primarily the result of an increase in the sales of custom coated slides to Nanostring.

As a result of the above factors, loss from operations for the three months ended January 31, 2008 was $358,888 as compared to a loss of $498,043 during the three months ended January 31, 2007, a decreased loss of $139,155 or 27.9%.

Interest and dividend income during the three months ended January 31, 2008 was $12,612 as compared to $28,856 during the three months ended January 31, 2007, a decrease of $16,244 or 56.3%. 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 January 31, 2008 was $44,371 as compared to an unrealized gain of $12,827 during the three months ended January 31, 2007, a decrease of $57,198. The change was a result of market fluctuations in the price of marketable securities held in the deferred compensation trust.

Gain on the sale of equipment was $50,407 during the three months ended January 31, 2008 as compared to $0 during the three months ended January 31, 2007. The gain on the sale of equipment was the result of demand for used microarray printers.

As a result of these factors, net loss for the three months ended January 31, 2008 was $340,240 as compared to $456,360 during the three months ended January 31, 2007, a decreased loss of $116,120 or 25.4%.

Changes in Results of Operations: Six months ended January 31, 2008 compared to six months ended January 31, 2007.

During the six months ended January 31, 2008, OptiChem(R) revenues were $53,642 as compared to $55,118 during the six month period ended January 31, 2007, a decrease of $1,476 or 2.7%. The decrease was minimal.

Consulting fees during the six-month period ended January 31, 2008 were $0 as compared to $22,000 during the six-month period ended January 31, 2007, a decrease of $22,000 or 100%. No technical consulting fees were billed or received during the six months end January 31, 2008.

Option fees during the six months ended January 31, 2008 were $45,455 as compared to $14,250 during the six months ended January 31, 2007. The option fee for the six months ended January 31, 2008 consisted of the earned portion of an option from Becton Dickinson & Company which will expire on March 31, 2008.

License fees during the six months ended January 31, 2008 were $100,000 as compared to $50,000 during the six months ended January 31, 2007, an increase of $50,000 or 100%. The license fees during the six months ended January 31, 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 six months ended January 31, 2008 were $521,176 as compared to $566,340 during the six months ended January 31, 2007, a decrease of $45,164 or 8.0%. This decrease was primarily due to decreased consulting/engineering fees related to the development of the BACcel(R) platform.

During the six months ended January 31, 2008, general and administrative expenses were $408,282 as compared to $519,172 during the six month period ended January 31, 2007, a decrease of $110,890 or 21.4%. The decrease was primarily due to decreases in salaries of $24,932, payroll taxes of $11,055 and legal fees of $3,656, offset by deferred compensation of $62,576.

Marketing and sales expenses for the six months ended January 31, 2008 were $9,143 as compared to $3,598 during the six months ended January 31, 2007, an increase of $5,545 or 154.1%. The increase was primarily due to expenses related to presentations at scientific conferences.

Depreciation for the six months ended January 31, 2008 was $27,111 as compared to $36,764 during the six months ended January 31, 2007, a decrease of $9,653 or 26.3%. The decreased depreciation was the result of some assets becoming fully depreciated during the year ended July 31, 2008, coupled with no new purchases of on-site lab equipment during the first six months of the current year and sale of used equipment.

Cost of goods sold during the six months ended January 31, 2008 were $9,032 as compared to $10,726 during the six months ended January 31, 2007, a decrease of $1,694 or 15.8%. The decrease in cost of goods sold was primarily the result of the corresponding decrease in sales of custom coated slides.

As a result of the above factors, loss from operations for the six months ended January 31, 2008 was $897,384 as compared to a loss of $1,115,323 during the six months ended January 31, 2007, a decrease of losses of $217,939 or 19.5%.

Investment and dividend income during the six months ended January 31, 2008 was $36,278 as compared to $63,620 during the six months ended January 31, 2007 a decrease of $27,342 or 43.0%. Interest income decreased as a result of decreased interest rates and the amounts of cash held by the Company.

An unrealized holding loss on investments held in the deferred compensation trust for the six months ended January 31, 2008 was $18,019 as compared to a gain of $56,014 for the six months ended January 31, 2007, a difference of $74,033. The change was the result of market fluctuations in the price of marketable securities held in the deferred compensation trust.

Gain on the sale of equipment was $51,762 during the six months ended January 31, 2008 as compared to $0 during the six months ended January 31, 2007. The gain on the sale of equipment was the result of demand for used microarray printers.

As a result of these factors, net loss for the six months ended January 31, 2008 was $827,364 as compared to $995,689 during the six months ended January 31, 2007, a decreased loss of $168,325 or 16.9%.

Capital Resources and Liquidity

At January 31, 2008, as compared to July 31, 2007, cash and cash equivalents decreased by $515,053 from $1,393,669 to $878,616, or approximately 37.0% and the Company's working capital decreased $706,612 or 51.3% from $1,376,284 to $669,672. During the same period, shareholders' equity decreased from $4,880,207 to $4,090,651.

The net cash used in operating activities was $460,919 during the six months ended January 31, 2008 compared to cash used in operating activities of $827,386 during the six months ended January 31, 2007. The principal elements that gave rise to the decrease of cash used in operating activities were a decrease in the net loss of $168,325, an increase in liabilities and deferred revenue that consists of: accounts payable of $58,817; deferred revenue of $130,728 and deferred compensation of $38,058 and partially offset by other gains.

Our primary use of capital has been for the research and development of the BACcel(R) system. The Company has historically funded its operations generally through its existing cash balances and cash flow generated from operations. Notwithstanding our investments in research and development, there can be no assurance that the BACcel(R) 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(R) 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.

On March 6, 2008, we held a closing on the sale of securities to accredited investors of an aggregate of $800,000 (the "Offering"). See Part II, Item 2 "Unregistered Sales of Equity Securities and Use of Proceeds" below. 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 12 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 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 January 31, 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. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended January 31, 2008.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

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

On March 6, 2008, we held a closing on the sale (the "Offering") to accredited investors 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, we issue 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 we 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.

Investors in the units have "piggyback" registration rights with respect to the resale of the shares of Common Stock, as well as the shares issuable upon exercise of the Warrants.

The Securities were offered and sold in reliance upon Rule 506 promulgated under Section 4(2) of the Securities Act of 1933, as amended. The Securities sold in the Offering have not been registered under the Securities Act or state securities laws and may not be offered or sold absent registration with the SEC or an applicable exemption from the registration requirements. The Form of Stock Purchase Agreement and Form of Warrant used in the Offering are attached hereto as Exhibits 10.1 and 10.2, respectively.

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

a) Exhibits:

1.	Exhibit 10.1	Form of Stock Purchase Agreement
2.	Exhibit 10.2	Form of Warrant
3.	Exhibit 31.1	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
4.	Exhibit 31.2	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
5.	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.

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: March 17, 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