US BIODEFENSE INC
Form 10QSB/A
February 21, 2007

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

<R>Amendment #1
to

FORM 10-QSB/A</R>

(Mark One)

[X]	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: August 31, 2006
Or

[ ]	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number: 000-31431

US BIODEFENSE, INC.
(Exact name of registrant as specified in its charter)

Utah	33-0052057
(State of Other Jurisdiction of Incorporation)	(IRS Employer Identification No.)
375 South 6th Avenue City of Industry, California	91746
(Address of Principal Executive Offices)	(Zip Code)

(626) 961-0562
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.
Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 39,059,047

US Biodefense, Inc.

Table of Contents

-2-

PART I - FINANCIAL INFORMATION
Item 1. Unaudited Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Annual Report on Form 10-KSB previously filed with the Commission on February 24, 2006, and subsequent amendments made thereto.

The accompanying notes are an integral part of these consolidated financial statements.

<R>

US Biodefense, Inc.
Balance Sheet

ASSETS	(Unaudited) August 31, 2006 (Restated)	November 30, 2005
Current assets		
Cash and cash equivalents	$59,834	$17,223
Marketable securities	150,000	150,000
Accounts receivable	10,634	---
Inventory	90,947	---
Prepaid expenses	---	20,000
Total current assets	311,415	187,223
Property and equipment, net of accumulated depreciation of $59 and $-0- at August 31, 2006 and November 30, 2005	2,418	---
Customer list	7,500	---
Licenses	---	20,000
Deposits	1,000	1,000
Total assets	322,333	208,223
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities		
Bank overdraft	---	3,947
Accounts payable and accrued expenses	85,050	79,167
Due to related parties	---	1,812
Accrued income taxes	9,596	9,596
Deferred revenues	37,500	101,667
Total current liabilities	132,146	196,189
Deferred taxes	19,150	19,150
Total liabilities	151,296	215,339
Stockholders equity:		
Common stock, $0.001 par value, 100,000,000 shares authorized, $.001 par value, 39,059,047 and 30,304,047 share issued and outstanding	39,059	30,304
Additional paid in capital	4,234,531	3,773,086
Other comprehensive deficit	30,850	30,850

Accumulated deficit	(4,134,403)	(3,841,356)
Total stockholders equity (deficit)	171,037	(7,116)
Total liabilities and stockholders equity (deficit)	$322,333	$208,223

See accompanying notes to financial statements

F1

US Biodefense, Inc.
Statements of Operations
For the three and nine
months ended August 31, 2006 and 2005
(Unaudited)

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2006	2005	2006	2005
	(Restated)		(Restated)	
Revenues				
Sales of tangible products	$31,326	$---	$31,326	$---
Revenue from services	37,500	---	37,500	---
Revenues Related parties	31,667	25,000	71,667	104,167
Total revenues	100,493	25,000	140,493	104,167
Cost of tangible products sold	28,820	---	28,820	---
	71,673	25,000	111,673	104,167
Expenses				
Research and development expenses	---	---	23,171	---
General and administrative expenses	78,148	42,217	85,349	111,385
General & administrative expenses Related party	---	3,000	3,500	3,000
Stock issued for consulting services	270,200	---	270,200	---
Impairment of assets	22,500	---	22,500	---
Total expenses	370,848	45,217	404,720	114,385
Net income (loss)	$(299,175)	$(20,217)	$(293,047)	$(10,218)
Weighted average number of shares outstanding - basic and fully diluted	34,885,714	10,101,349	31,831,269	10,101,349
Basic and diluted net income (loss)				

per common share	$(0.01)	$(0.00)	$(0.01)	$(0.00)

See accompanying notes to financial statements

US Biodefense, Inc.
Consolidated Statements of Stockhodlers Equity
For the period ended August 31, 2006

	Common Stock		Additional Paid-in	Accumulated	Other Comprehensive	
	Shares	Amount	Capital	Deficit	Income	Total
Balance, November 30, 2003	10,101,349	$ 10,101	$3,793,289	$(3,766,390)	$---	$37,000
Net loss for the year ended November 30, 2004	---	---	---	(28,964)	---	(28,964)
Balance November 30, 2004	10,101,349	10,101	3,793,289	(3,795,354)		8,036
Three for one stock split	20,202,698	20,203	(20,203)			
Change in unrealized gain on available for sale securities, net of tax effects of $ 19,150					30,850	30,850 ---
Net loss for the year ended November 30, 2005				(46,002)		(46,002)
Balance, November 30, 2005	30,304,047	$ 30,304	$3,773,086	$(3,841,356)	$30,850	$(7,116)
Stock issued for cash	2,000,000	2,000	198,000			200,000
Stock issued for consulting services	6,755,000	6,755	263,445			271,200
Capitalization of acquired company			1,000			
Net loss for the nine months ended August 31, 2006				(293,047)		(293,047)
Balance, August 31, 2006	39,059,047	$ 39,059	$4,235,531	$(4,134,403)	$30,850	$171,037

See accompanying notes to financial statements

US Biodefense, Inc.
Statement of Cash Flows
For the nine months ended August 31, 2006 2005
(Unaudited)

	2006 (Restated)	2005

Cash flows from operating activities		
Net income (loss)	$(293,047)	$(10,218)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	59	---
Impairment of assets	22,500	---
Stock issued for consulting services	270,200	---
Changes in operating assets and liabilities:		
Accounts receivable	(10,633)	---
Inventory	(90,947)	---
Prepaid expenses	20,000	---
Bank overdraft	(3,947)	---
Accounts payable and accrued expenses	5,882	(377)
Deferred revenues	(64,167)	(4,166)
Net cash (used for) provided by operating activities	(144,100)	(14,761)
Cash flows from financing activities		
Principal advance from (repayment to) related party	(1,812)	1,00
Proceeds from sale of common stock	201,000	---
Total cash flows from financing activities	199,188	1,000
Cash flows from investing activities		
Purchase of investment	---	(9,000)
Purchase of customer list	(7,500)	---
Purchase of licenses	(2,500)	---
Purchase of equipment	(2,477)	---
Total cash flows from (used for) investing activities	(12,477)	(9,000)
Increase (decrease in) cash and cash equivalents	42,611	(22,761)
Cash and cash equivalents, beginning of year	17,223	33,558
Cash and cash equivalents, end of year	$59,834	$10,797
Income taxes paid	$---	$---
Interest expense paid	$---	$---

Supplemental schedule of noncash investing and financing activities:

The Company acquired marketable equity securities with a fair market value of $150,000 in exchange for consulting services.
In conjunction with the acquisition, the Company acquired the following liabilities:

Deferred income	$125,000
Other comprehensive income to represent the increase in fair value of this marketable equity security	50,000

$150,000

See accompanying notes to financial statements
F4

US Biodefense, Inc.
Notes to Financial Statements

Note 1 - Background and Summary of Significant Accounting Policies

Background

US Biodefense , Inc. (the "Company"), a Utah corporation is headquartered in the City of Industry, California. The Company is a registered government contractor with the Department of Defense Logistics Agency. The Company is focused on designing and developing homeland security and biodefense products.

The Company was originally incorporated under the name Teal Eye, Inc. in the state of Utah on June 29, 1983. The Company then merged with Terzon Corp. and amended its Articles of Incorporation to change the name to Terzon Corp. On September 7, 1984, the Company amended its articles of incorporation changing its name to Candy Stripers Corporation, Inc. On January 6, 1998, the Company amended its Articles of Incorporation changing its name to Piedmont, Inc. On May 31, 2003, the Company amended its articles of Incorporation and changed its name to US Biodefense, Inc.

The accompanying financial statements for the nine months ended August 31, 2006, include the accounts of the Company and its wholly-owned subsidiaries Stem Cell Research Institute, Inc. and Emergency Disaster Systems, Inc. All significant intercompany transactions and balances have been eliminated.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company incurred a net loss for the nine months ended August 31, 2006 of $323,256 and at August 31, 2006, had an accumulated deficit of $4,164,613. In addition, the Company generates minimal revenue from its operations. These conditions raise substantial doubt as to the Company's ability to continue as a growing concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence.

Management intends to raise financing through the issuance of its common stock or other means and interests that it deems necessary, with a view to moving forward with the development of the emergency preparedness, homeland security and biodefense products.

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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at 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.

US Biodefense, Inc.
Notes to Financial Statements

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, prepaid expenses, accounts payable and deferred revenues, the carrying amounts approximate fair value due to their short maturities.

Revenue Recognition

The Company recognizes revenue from the sale of products, and from the performance of services to both related and non-related parties. The Company recognizes revenue from the sale of products on the gross amount charged basis. Under this method of recording the sale of products, the cost of goods sold reflects the cost of the goods sold to the customer plus the Company's cost of executing the transaction. the Company has chosen this method since it takes ownership of the products that it purchases for resale and assumes the risks and rewards of ownership of the goods.

For sale of products, revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the contract price is fixed or determinable, title and risk of loss has passed to the customer and collection is reasonably assured. The Company's sales are typically not subject to rights of return and, historically, sales returns have not been significant.

Revenues from services are recognized upon provision of services to the customer. Unearned service revenue is deferred and recognized ratably over the duration of the service term.

Accounts receivable of the Company are reviewed to determine if their carrying value has become impaired. The Company considers the assets to be impaired if the balances are greater than six months old management regularly reviews accounts receivable and will establish an allowance for potentially uncollectible amounts when appropriate. When accounts are written off, they will be charged against the allowance. Receivables are not collateralized and do not bear interest.

Concentration of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents.

The Company maintains its cash in well-known banks selected based upon management's assessment of the bank's financial stability. Balances may periodically exceed the $100,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalent.

Inventory

Inventory is stated at the lower of cost or market. Inventory consists of purchased items held for resale. Inventory will be monitored by Company management for excess and obsolete items, and will make the necessary valuation adjustment when required.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which is generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company will periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful lives of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. We use an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the years ended November 30, 2005, the Company has items that represent other comprehensive income, and accordingly, has included a schedule of comprehensive income in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs for the nine month periods ended August 31, 2006 or 2005.

Shipping and Handling

Costs incurred by the Company for shipping and handling are included in costs of revenues.

Income Taxes

The Company accounts for income taxes under SFAS 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Loss per Share

In accordance with SFAS No. 128, "Earnings Per Share," the basic income / (loss) per common share is computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income per common share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of August 31, 2006 and August 31, 2005, the Company does not have any equity or debt instruments outstanding that can be converted into common stock.

Stock-Based Compensation

Effective January 1, 2006, the Company prospectively adopted FAS 123 R , Stock -Based Payments, and related Securities and Exchange Commission rules included in Staff Accounting Bulletin No. 107. Under this method, compensation cost recognized beginning January 1, 2006 will include costs related to all share-based payments granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of FAS 123 R. Compensation cost for stock options granted to employees is recognized ratably over the vesting period.

Prior to January 1, 2006, the Company measured compensation cost for stock-based employeee compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. For non-employee stock-based compensations, the Company recognizes expense in accordance with FAS 123 and values the equity securities based on the fair value of the security on the date of grant.

Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No 46, "Consolidation of Variable Interest Entities" (an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidation Financial Statements). Interpretation 46 addresses consolidation by business enterprises of entities to which the usual condition of consolidation described in ARB-5 does not apply. The Interpretation changes the criteria by which one company includes another entity in its consolidated financial statements. The general requirement to consolidate under ARB-51 is based on the presumption that an enterprise's financial statement should include all of the entities in which it has a controlling financial interest (i.e., majority voting interest). Interpretation 46 requires a variable interest entity to receive a majority of the entity's residual returns or both. A company that consolidated a variable interest entity is called the primary beneficiary of that entity. In December 2003, the FASB concluded to revise certain elements of FIN 46, primarily to clarify the required accounting for interests in variable interest entities. FIN-46R replaces FIN-46. that was issued in January, 2003. FIN-46R exempts certain entities from its requirements and provides for special effective dates for entities that have fully or partially applied FIN-46 as of December 24, 2003. In certain situations, entities have the option of applying or continuing to apply FIN-46 for a short period of time before applying IN-46R. In general, for all entities that were previously considered special purpose entities, FIN 46 should be applied for registrants who file under Regulation SX in periods ending after March 31, 2004, and for registrants who file under Regulation SB, in periods ending after December 15, 2004. The Company does not expect the adoption to have a material impact on the Company's financial position or results of operations.

US Biodefense, Inc.
Notes to Financial Statements

During April 2003, the FASB issued SFAS 149 - "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", effective for contracts entered into or modified after September 30, 2003, except as stated below and for hedging relationships designated after September 30, 2003. In addition, except as stated below, all provisions of this Statement should be applied prospectively. The provisions of this Statement that relate to Statement 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, paragraphs 7(a) and 23(a), which relate to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after September 30, 2003. The adoption of this statement had no impact on the Company's financial statements.

During May 2003, the FASB issued SFAS 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for public entities at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instrument with characteristics of both liabilities and equity. It requires that an issuer classify a freestanding financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, Element of Financial Statements. The adoption of this statement had no impact on the Company's financial statements.

In December 2003, the FASB issued a revised SFAS No. 132, Employers Disclosures about Pensions and Other Postretirement Benefits which replaces the previously issued Statement. The revised Statement increases the existing disclosures for defined benefit pension plans and other defined benefit postretirement plans. However, it does not change the measurement or recognition of those plans as required under SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, and SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions. Specifically, the revised Statement requires companies to provide additional disclosures about pension plan assets, benefit obligations, cash flows, and benefit costs of defined benefit pension plans and other defined benefit postretirement plans. Also, companies are required to provide a breakdown of plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and target allocation percentages for these asset categories. The Company has implemented this pronouncement and has concluded that the adoption has no material impact to the financial statements.

In December, 2003, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition. SAB 104 supersedes SAB 11, Revenue Recognition in Financial Statements. SAB 104 s primary purpose is to rescind accounting guidance contained in SAB 101 related to multiple element revenue arrangements, superseded as a result of the issuance of EITF 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. Additionally, SAB 104 rescinds the SEC s Revenue Recognition in Financial Statements Frequently Asked Questions and Answers (the FAQ) issued with SAB 101 that had been codified in SEC Topic, 13, Revenue Recognition. Selected portions of the FAQ have been incorporated into SAB 104. While the wording of SAB 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB 101 remain largely unchanged by the issuance of SAB 104, which was effective upon issuance. The adoption of SAB 104 did not impact the financial statements.

US Biodefense, Inc.
Notes to Financial Statements

In March, 2004, the FASB approved the consensus reached on the Emerging Issues Task Forces (ETIF) Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments for investments are deemed to be temporarily impaired. In September 204, the FASB issued a FASB Staff Position (FSP) EITF 03-1-1 that delays the effective date of the measurement and recognition are effective only for annual periods ending after June15,2004. The Company has evaluated the impact of the adoption of the disclosure requirements of EITF 03-1 and does not believe it will have an impact to the Company s overall combined results of operations or combined financial position. Once the FASB reaches a final decision on the measurement and recognition provisions, the Company will evaluate the impact of the adoption of EITF 03-1.

In November 2004, the FASB issued SFAS No. 151 Inventory Costs, an amendment of ARB No. 43, Chapter 4 (SFAS No. 151 . The amendments made by SFAS 151 clarify that abnormal amount of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The Company has evaluated the impact of the adoption of SFAS 151, and does not believe the impact will be significant to the Company s overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 152, "Accounting for Real Estate Time-Sharing Transactions-an amendment of FASB Statements No. 66 and 67" ("SFAS 152") SFAS 152 amends SFAS No. 66, "Accounting for Sales of Real Estate", to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions". SFAS 152 also amends SFAS No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP04-2. SFAS 152 is effective for financial statements for fiscal years beginning after June 15, 2005, with earlier applications encouraged. The Company has evaluated the impact of the adoption of SFAS 152, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Asset, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions." The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. Opinion 29 provided an exception to its basis measurement principle (fair value) for exchanges of similar productive assets. That exception required that some nonmonetary exchanges, although commercially substantive, to be recorded on a carryover basis. By focusing the exception on exchanges that lack commercial substance, the FASB believes SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset

---

US Biodefense, Inc.
Notes to Financial Statements

exchanges occurring in fiscal periods beginning after the date of issuance. The provisions of SFAS No. 153 shall be applied prospectively. The Company has evaluated the impact of the adoption of SFAS 153, and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R will provide investors and other users of financial statements with more compete and neutral financial information by requiring that the compensation costs relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value based method been used. Public entities (other than those filing as small business issuers) will be required to apply SFAS 123R as of the first interim or annual reporting period that begins after June 15, 2005. The Company has evaluated the impact of the adoption of SFAS 123R and does not believe the impact will be significant to the Company's overall results of operations or financial position.

In June, 2005, the Financial Accounting Standards Board ('FASB") issued SFAS No. 154, *Accounting Changes and Error Corrections - a replacement of APB No. 20 and FAS No. 3" ("SFAS No. 154").* SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requiremints specify to the newly adopted accounting principle. SFAS No. 154 also provides guidance for determining whether retrospective application of a change in a accounting principle is impracticalable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial is also addressed by SFAS No. 154. SFAS No. 154 is required to be adopted in fiscal years beginning after December 15, 2005. The Company does not believe its adoption in fiscal year 2007 will have a material impact on its results of operations or financial position.

In March, 2005, the SEC issued guidance on FASB SFAS 123R, *"Share-Based Payments"* ("SFAS No. 123R"). Staff Accounting Bulletin No. 107 ("SAB 107") was issued to assist preparers by simplifying some of the implementation challenges of SFAS No. 123R while enhancing the information that investors receive. SAB 107 creates a framework that is premised on two themes: (a) considerable judgment will be required by preparers to successfully implement SFAS no. 123R, specifically when valuing employee stock options; and (b) reasonable individuals, acting in good faith, may conclude differently on the fair value of employee stock options. Key topics covered by SAB 107 include (a) valuation models - SAB 107 reinforces the flexibility allowed by SFAS No. 123R to choose an option-pricing model that meets the standard's fair value measurement objective; (b) expected volatility - SAB 107 provides guidance on when it would be appropriate to rely exclusively on either historical or implied volatility; and (c) expected term - the new guidance includes examples and some simplified approaches to determining the expected term under certain circumstances.

The Company will apply the principles of SAAB 107 in conjunction with its adoption of SOFAS No. 123R.

In June, 2005, the Emerging Issues Task Force (EAT) issued No. 05-06, *"Determining the Abortinaction Period of Leasehold Improvements Acquired in a Business Combination"* (EAT No. 05-06). EAT No. 05-06 provides that the amortization period for leasehold improvements acquired in a business combination or purchased after the inception of a lease to be the shorter of (a) the useful life of the assets or (b) a term that includes required lease periods and renewals that are reasonably assured upon the acquisition of the purchase. The guidance in EAT No. 05-06 will be applied prospectively and is effective for periods beginning afar June 29, 2005. The Company does not believe its adoption will have a material impact on its consolidated results of operations or financial position.

Note 2 - Marketable Securities Available For Sale

On May 11, 2005, the Company entered into an agreement with a Partner. The Company will assist the Partner in identifying opportunities for commercialization of their listed technologies, while maintaining the confidentiality of the Partner.

As compensation for providing these services, the Partner gave the Company 5,000,000 shares of Section 144 stock which is restricted from sale for twelve months from date of issue, May 11, 2005. The agreement is for a period of twenty four months.

The Company recorded the stock at the value of the services to be provided which is estimated to be $100,000. The Company recorded revenue for the six month period from May through November, 2005 in the amount of $25,000, and $37,500 for the nine month period ended August 31, 2006. The balance of $37,500 is included as deferred revenues on the balance sheet.

The Company has adopted SFAS 130 as required by the Financial Accounting Standards Board. SFAS 130 requires that securities that are available for sale be presented at market value on the balance sheet date. Unrealized gains and losses are recognized as a separate component of stockholders' equity. The specific identification method is used in calculating realized gains and losses. SFAS 30 also requires a statement of comprehensive income which adjusts net income for the unrealized activity. At November 30, 2005, the fair market value of common equity securities with a cost of $100,000 was $150,000. The unrealized loss of $50,000, net of the related income tax benefit $19,150 is included as a component of other comprehensive income.

Note 3 - Licenses

The Company has agreed to exercise options to license stem cell technology through the University of British Columbia under two option agreements.

Having passed the initial validation phase, the Company is working toward a full licensing relationship and will begin pre-clinical analysis of how the cell line can be utilized. The Company is considering investigating the stem cells applications in combating ALS and Parkinson's disease.

The licenses are for periods of ten to twenty years. The Company will review the licenses at least annually. When necessary, we record changes for impairments of long-lived assets for the amount by which the present value of future cash flows, or some other fair value measure, is less than the carrying value of the respective asset.

As of August 31, 2006, the Company management determined that the value of the licenses had become impaired since the Company was no longer pursuing stem cell research. This determination was based on the resignation of the head of the Company's stem cell research department and the inability to locate a replacement at an economically feasible compensation package. The resignation was effective during the Company's third quarter.

A reconciliation of the license assets to the amount deemed as impaired is as follows:

Balance, August 31, 2006	$ 30,000
Additions	2,500
License balance due, but cancelled	(10,000)

$ 22,500

Note 4 - Deferred Revenues (Including Related Parties)

On May 1, 2004, the Company entered into an agreement with Financialnewsusa.com, Inc., to develop content for its' Biodefense Industry News. Financialnewsusa.com, Inc. is a related party due to a common officer and director.

The deferred portion of the agreement described in Note 2 totals $37,500 at August 31, 2006.

Note 5 - Comprehensive income

Accounting principles generally require that recognized revenues, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and related tax effects for the year ended November 30, 2005 are unrealized holding gain on available for sale securities, net of tax benefit of $19,150, for a net comprehensive loss of $30,850.

Note 6 - Income Taxes

The income tax provision reflected in the statement of operations consists of the following components for the year ended November 30, 2005:

Current income taxes payable:		
	Federal	$8,780
	State	816
		9,596
Deferred tax expense relating to change in unrealized gains (losses) on available for-sale securities:		
	Federal	17,500
	State	1,550
		19,050

US Biodefense, Inc.
Notes to Financial Statements

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes as follows:

	Amount	Impact on Rate
Income tax at federal rate	(12,742)	35.00%
State tax, net of federal effect	815	-2.24%
Permanent differences	70,020	-192.33%

Net operating loss deduction	(48,497)	133.21%
	9,596	-26.36%

Note 7 - Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period.

Note 8 Related parties and Concentrations

Financialnewsusa.com, Inc. is a related party due to a common officer and director, and represented 40% of the revenues generated by the Company for the nine months period ended August 31, 2006.

Note 9 - Acquisition

On August 7, 2006, the Company acquired 100% of the outstanding stock of Emergency Disaster Systems, Inc. (EDS) a retailer of emergency disaster equipment. EDS was incorporated on July 17, 2006, by its majority stockholder who had been in the disaster prepardness industry for over seventeen years experience. The Company paid $25,000 in cash for the stock. The Company has recorded the transaction as follows:

Inventory	$ 17,500
Customer list	7,500
	$ 25,000

Note 10 - Common Stock Transactions

During the nine months ended August 31, 2006, the Company issued 2,000,000 shares of common stock and received proceeds of $200,000.

During the nine months ended August 31, 2006, the Company issued 6,755,000 shares of common stock to three entities as consulting fees totaling $270,200.

US Biodefense, Inc.
Notes to Financial Statements

Date Issued	Shares Issued	Value per Share $	Valuation method	Total $
June 8, 2006	10,000	0.04	Performance commitment date	400
June 20, 2006	100,000	0.04	Performance commitment date	4,000
June 29, 2006	125,000	0.04	Performance commitment date	5,000
July 5, 2006	20,000	0.04	Performance commitment date	800
July 12, 2006	500,000	0.04	Performance commitment date	20,000
July 24, 2006	1,000,000	0.04	Performance commitment date	40,000
July 25, 2006	1,000,000	0.04	Performance commitment date	40,000

August 1, 2006	2,000,000	0.04	Performance commitment date	80,000
August 31, 2006	2,000,000	0.04	Performance commitment date	80,000
	6,755,000			270,200

The Company applies the provisions of EITF 96-18, "Accounting for Equity Instruments that are issued to Other Than Employees for Acquiring , or in conjunction with Selling Goods or Services" (EITF 96-18) for our non-employee stock-based awards. Under EITF 96-18, the measurement date at which the fair value of the stock-based award is measured is equal to the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached or (2) the date at which the counterparty's performance is complete. We recognize stock-based compensation expense for the fair value of the vested portion of the non-employee awards in our statements of operations. For the three months period ended August 31, 2006, the performance commitment date was July 18, 2006.

Note 11 - Restatement of Consolidated Financial Statements

The Company is amending it's quarterly report on Form 10Q for the quarter ended August 31, 2006 to restate it's condensed consolidated financial statements for the three month and nine month periods ended August 31, 2006 and the related disclosures.

In December 31, 2006, the Company discovered that there were errors in the accounting records of Emergency Disaster Systems, Inc., the subsidiary that was acquired on August 7, 2006. The Company has corrected the accounting errors, and has inititated internal control procedures to make certain that the types of errors that went undetected previously would be detected and corrected prior to the issuance of financial statements.

The Company is restating the aforementioned financial statements to correct the accounting errors. The restatement impact through August 31, 2006 of these errors are summarized in the table below:

US Biodefense, Inc.
Notes to Financial Statements

The following table summarizes the specific balance sheet accounts as reported and as affected by the restatement as of August 31, 2006:

	As Previously Reported	Adjustment	As Restated
Cash and cash equivalents	69,035	$ (9,201)	$ 59,834
Marketable securities	150,000	--	150,000
Accounts receivable	15,727	(5,094)	10,633
Inventory	73,447	17,500	90,947
Total current assets	308,209	3,205	311,414
Property and equipment	2,418	--	2,418
Customer list		7,500	7,500
Deposits	1,000	--	1,000
Total assets	311,627	10,705	322,332
Accounts payable and accrued			

expenses	86,541	(1,492)	85,049
Due to related parties	19,013	(19,013)	--
Accrued income taxes	9,596	--	9,596
Deferred revenues	37,500	--	37,500
Total current liabilities	152,650	(20,505)	132,145
Deferred taxes	19,150	--	19,150
Total liabilities	171,800	(20,505)	151,295
Common stock	39,059	--	39,059
Additional paid-in capital	4,234,531	1,000	4,235,531
Other comprehensive income	30,850	--	30,850
Accumulated deficit	(4,164,613)	30,210	(4,134,403)
Total stockholders' equity	139,827	31,210	171,037
Total liabilities and stock-holders' equity	$ 311,627	$ 10,705	$ 322,332

US Biodefense, Inc.
Notes to Financial Statements

The following is a summary of the specific income statement accounts as reported and as affected by the restatement for the three month periods ended August 31, 2006:

	As Previously Reported	Adjustment	As Restated
Sales of tangible products	$ 31,302	$ 24	$ 31,326
Revenues from services	37,500	--	37,500
Revenues - Related parties	6,667	25,000	31,667
Total revenues	75,469	25,024	100,493
Cost of tangible products sold	25,415	3,405	28,820
	50,054	21,619	71,673
General and administrative	86,738	(8,590)	78,148
General and administrative - Stock issued for consulting	270,200	--	270,200
Impairment of assets	22,500	--	22,500
Total expenses	379,438	(8,590)	370,848
Net loss	$ (329,384)	$ 30,209	$ (299,175)
Basic and diluted net loss per common share	(0.01)		(0.01)

US Biodefense, Inc.
Notes to Financial Statements

The following is a summary of the specific income statement accountsas reported and as affected by the restatement for the nine month periods ended August 31, 2006:

	As Previously Reported	Adjustment	As Restated
Sales of tangible products	$ 31,302	$ 24	$ 31,326
Revenues from services	37,500	--	37,500
Revenues - Related parties	46,667	25,000	71,667
Total revenues	115,469	25,024	140,493
Cost of tangible products sold	25,415	3,405	28,820
	90,054	21,619	111,673
Research and development	23,171	--	23,171
General and administrative	93,939	(8,590)	85,349
General and administrative - Related parties	3,500	--	3,500
Stock issued for consulting	270,200	--	270,200
Impairment of assets	22,500	--	22,500
Total expenses	413,310	(8,590)	404,720
Net loss	$ (323,256)	$ 30,209	$ (293,047)
Basic and diluted net loss per common share	(0.01)		(0.01)

US Biodefense, Inc.
Notes to Financial Statements

The following is a summary of the impact of the restatement on our consolidated statement of cash flows for the nine months ended August 31, 2006:

	As Previously Reported	Adjustment	As Restated
Cash flows from operating activities:			
Net loss	$ (323,256)	$ 30,209	$ (293,047)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	59	--	59

Impairment of assets	22,500	--	22,500
Stock issued for consulting	270,200	--	270,200
Changes in operating assets and liabilities:			
Accounts receivable	(15,727)	5,094	(10,633)
Inventory	(73,447)	(17,500)	(90,947)
Prepaid expenses	20,000	--	20,000
Bank overdraft	(3,947)	--	(3,947)
Accounts payable and accrued expenses	7,374	(1,492)	5,882
Deferred revenues	(64,167)	--	(64,167)
Net cash (used for) provided by operating activities	(160,411)	16,311	(144,100)
Cash flows from financing activities			
Principal repaid to related party	17,200	(19,012)	(1,812)
Proceeds from sale of common stock	200,000	1,000	201,000
Total cash flows from financing activities	217,200	(18,012)	199,188
Cash flows used for investing activities			
Purchase of customer list		(7,500)	(7,500)
Purchase of license	(2,500)	--	(2,500)
Purchase of equipment	(2,477)	--	(2,477)
Total cash flows used for investing activities	(4,977)	(7,500)	(12,477)
Increase in cash and equivalents	51,812	(9,201)	42,611
Cash and cash equivalents, beginning of year	17,223	--	17,223
Cash and cash equivalents, end of year	$ 69,035	$ (9,201)	$ 59,834

F19

</R>

Item 2. Management's Discussion and Plan of Operation

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about US Biodefense, Inc. s business, financial condition and prospects that reflect management s assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management s assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, UBDE s actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *"believes," "expects," "intends," "plans," "anticipates," "estimates"* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Overview

We were incorporated in the State of Utah on June 29, 1983, under the name Teal Eye, Inc. We merged with Terzon Corporation and changed our name to Terzon Corporation in 1984. We subsequently changed our name to Candy Stripers Candy Corporation. We were engaged in the business of manufacturing and selling candy and gift items to hospital gift shops across the country. We were traded Over-the-Counter Bulletin Board for several years. In 1986 we ceased the candy manufacturing operations and filed for Chapter 11 Bankruptcy protection. After emerging from Bankruptcy in 1993, we remained dormant until January 1998, when we changed our name to Piedmont, Inc. On May 13, 2003, we filed an amendment to our Articles of Incorporation to change our name from Piedmont, Inc. to US Biodefense, Inc. We are a registered government contractor with the Department of Defense Logistics Agency that is focused on designing ad developing homeland security and biodefense products.

<R>On August 7, 2006, we completed the acquisition of Emergency Disaster Systems, Inc., a California corporation incorporated on July 19, 2006. EDS is engaged in the business of disaster mitigation and emergency preparedness. We purchased a 100% interest in EDS for an aggregate of $25,000 in cash. The EDS system, encompassing CERT bags, containers and cabinets was initially designed and originated by Charles Wright in 1989 to provide earthquake preparedness supplies to communities in California. EDS currently serves Emergency Medical Services and mass casualty rapid response systems, as well as local communities, government agencies and Fortune 500 companies with innovative emergency preparedness technology, systems and services. Charles Wright, with his 18 years of experience, currently serves as Vice President and Director of Emergency Disaster Systems, Inc., which is a wholly-owned subsidiary of US Biodefense.

Results of Operations

Revenues

During the three and nine months ended August 31, 2006, we generated revenues from three sources: sales of tangible products, revenue from services and revenues from related parties. Sales of tangible products are attributable solely to Emergency Disaster Systems, Inc., our wholly-owned subsidiary that we acquired on August 7, 2006. Revenue from services is derived from the recognition of deferred revenues from stock received in advance for services to be performed by us to Diamond I. Finally, revenue from related parties is solely from our October 15, 2005 contract with Financialnewsusa.com, a related party, to provide biodefense-related industry news and information to them in exchange for $40,000, for which we were paid in advance the entire balance of the contract.

Our aggregate revenues for the three months ended August 31, 2006 were $100,493, consisting of sales of tangible products in the amount of $31,326, revenue from services of $37,500 and revenues from related parties totaling $31,667. In the year ago three month period ended August 31, 2005, we generated $25,000 in total revenues, all of which was related party revenues recognized from our agreement with Financialnewsusa.com.

During the nine month period ended August 31, 2006, we generated total revenues of $140,493, comprised of $31,326 in sales of tangible products, revenue from services of $37,500 and $71,667 in related party revenues. For the nine months ended August 31, 2005, we generated $104,167 in total revenues, all of which is attributed to our agreement with Financialnewsusa.com, a related party.

Cost of Goods

Due to our acquisition of EDS in August of 2006, we incurred cost of tangible products sold of $28,820 in the three and nine months ended August 31, 2006. During the year ago three and nine month periods ended August 31, 2005, we did not incur any cost of goods sold, as revenues earned during those periods in 2005 were related solely to services rendered and not to sales of tangible goods.

Gross Profit

As a result of cost of tangible products sold in the amount of $28,820 during the three months ended August 31, 2006, we realized a gross profit of $71,673. Compared to the year ago three month period ended August 31, 2005, when we realized a gross profit of $25,000, our gross profit increased $46,673, or 187%.

During the nine month period ended August 31, 2006, we realized a gross profit of $111,673, which is a 7.2% gain year over year compared to the nine month period ended August 31, 2005, when we had a gross profit of $104,167.

Expenses

Total expenses for the three months ended August 31, 2006 were $370,848, consisting materially of $270,200 for stock issued to consultants for services and $78,147 in general and administrative expenses. Additionally, we have recorded $22,500 as an impairment to our license agreements related to stem cell research. In the comparable year ago three month period ended August 31, 2005, our total expenses were $45,217, consisting primarily of $42,217 in general and administrative expenses and $3,000 in general and administrative expenses paid to a related party. We believe total expenses for the three months ended August 31, 2006 were significantly higher than the comparable period ended August 31, 2005 because of our acquisition of EDS and the hiring of independent consultants in an effort to increase our revenue generating potential and explore additional business ventures.

During the nine months ended August 31, 2006, we incurred $404,720 in total expenses, of which $270,200 is attributable to stock issued for consulting services, $85,349 was paid for general and administrative costs, research and development costs of $23,171 was paid, $22,500 was recorded as an impairment of license agreements and $3,500 was paid to a related party for general and administrative fees. In the year ago nine month period ended August 31, 2005, we incurred $114,385 in total expenses, all of which was related to general and administrative expenses in the amount of $111,385 and general and administrative expenses paid to a related party in the amount of $3,000. As was the case during the three months ended August 31, 2006, our acquisition of EDS and the hiring of outside consultants contributed to the significant increase in aggregate expenses.

Net Income (Loss)

We incurred a net loss of $299,175 for the most recent quarter ended August 31, 2006. In comparison, we incurred a net loss from operations in the amount of $20,217 in the year ago three month period. The key factor providing this change: namely, our expenses were significantly higher in the current period as opposed to a year ago because of stock issued to consultants and the impairment of assets.

For the nine months ended August 31, 2006, we incurred a net loss of $293,047, as opposed to a net loss of $10,218 in the prior nine month period ended August 31, 2005. The difference is attributable mainly to the level of expenditures in the period ended August 31, 2006 being higher in the current period.

Liquidity and Capital Resources

We have limited cash on hand, in the amount of $59,834 as of August 31, 2006, and may be unable to continue operations for the next at least 12 months if we are unable to generate revenues or obtain capital infusions by issuing equity or debt securities in exchange for cash. If we are unable to obtain capital through issuances of equity or debt, David Chin, a shareholder and President of our company, has verbally agreed to loan us cash, which shall bear no interest and be due upon demand. As of August 31, 2006, David Chin loaned us a total of $4,312 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of August 31, 2006, the amount owed is $0. We have no formal written agreement with Mr. Chin for any further loans, and we cannot guarantee you that we will be able to enforce our verbal agreement.

On August 7, 2006, we sold 2,000,000 shares of our restricted common stock at a price per share of $0.10, for gross cash proceeds of $200,000, to Equity Solutions, Inc., a California corporation. This sale was conducted privately between US Biodefense and Equity Solutions, not involving any solicitation or advertising, and was not underwritten.

Notwithstanding cash provided by our President and received from Equity Solutions, there can be no assurance that we will be able to secure additional funds in the future to stay in business. Our independent registered public accountants have expressed substantial doubt about our ability to continue as a going concern because we have limited operations.

We have also paid outside consultants with our common stock in lieu of cash for services provided to us. As of August 31, 2006, we have issued an aggregate of 6,775,000 shares of our common stock for aggregate consulting fees in the amount of $270,200.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations.

Our management does not anticipate the need to hire additional full- or part- time employees over the next 12 months, as the services provided by our officers and directors appear sufficient at this time. We believe that our operations are currently on a small scale that is manageable by a few individuals. While we believe that the addition of employees is not required over the next 12 months, we intend to hire independent contractors to perform research activities and market any potential products and services we may develop.

We do not have any off-balance sheet arrangements.

We currently do not own any significant plant or equipment that we would seek to sell in the near future.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.</R>

Item 3. Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation as of the end of the period covered by this report, David Chin, who serves as our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures are not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our board of directors was advised by E. Randall Gruber, CPA, PC, our independent registered public accounting firm, that during their performance of audit procedures for 2005 E. Randall Gruber, CPA, PC identified a material weakness as defined in Public Company Accounting Oversight Board Standard No. 2 in our internal control over financial reporting.

This deficiency consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews. However, our size prevents us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Our management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities

On August 7, 2006, we sold 2,000,000 shares of our restricted common stock at a price per share of $0.10, for gross cash proceeds of $200,000, to Equity Solutions, Inc., a California corporation, pursuant to a Stock Purchase Agreement. This sale was conducted privately between US Biodefense and Equity Solutions, not involving any solicitation or advertising, and was not underwritten. At the time of the issuance, Equity Solutions was given, and had fair access to, information about our company. The shares bear a restrictive transfer legend. The issuance of stock to Equity Solutions was made in accordance with an exemption from registration contained in Section 4(2) of the Securities Act of 1933.

Item 6. Exhibits and Reports on Form 8-K

<R>

Exhibit Number	Name and/or Identification of Exhibit	
3	Articles of Incorporation & By-Laws	
	a.	Articles of Incorporation of Teal Eyes, Inc. *
	b.	Amendment to Articles of Incorporation of Teal Eyes, Inc. *
	c.	Amendment to Articles of Incorporation of Terzon Corporation. *
	d.	Amended and Restated Articles of Incorporation of Candy Stripers Candy Corp. *
	e.	By-Laws of the Company. *
	f.	Certificate of Amendment to Articles of Incorporation filed May 13, 2003. **
10	Material Contracts	
	a.	Consulting Agreement with Shannon S. Eaker, Ph.D. ***
	b.	Option Agreement with UCL Biomedica***
	c.	Option Agreement with The University of Texas M. D. Anderson Cancer Center***
	d.	High Technology & Patent Listing Agreement with Diamond I, Inc. ***
	e.	Option Agreement with The University of British Columbia***

	f.	Consulting Agreement with Financialnewsusa.com, Inc. ***
31	Rule 13a-14(a)/15d-14(a) Certifications	
	a.	David Chin
	b.	Marcia Marcus
	c.	Scott Perren
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)	
*	Incorporated by reference herein to Form 10SB12G filed on September 1, 2000.	
**	Incorporated by reference herein to Form 10-QSB filed on July 15, 2003.	
***	Incorporated by reference herein to Form 10-KSB/A filed on August 29, 2006.	
</R>		

Date of Form 8-K	**Item(s) Reported**
08/14/2006	Items 2.01, 3.02 and 9.01
08/30/2006	Items 1.01, 5.02 and 9.01

SIGNATURES

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

US BIODEFENSE, INC.
(Registrant)

February 20, 2007

Signed:	/s/ David Chin	President and
Print:	David Chin	Director
Signed:	/s/ David Chin	Secretary and
Print:	David Chin	Director
Signed:	/s/ David Chin	Treasurer and
Print:	David Chin	Director

</R>