ACCELR8 TECHNOLOGY CORP
Form 10-Q
December 15, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2009

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: 0-11485

ACCELR8 TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

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

7000 N Broadway, Bldg. 3-307, Denver, CO 80221
(Address of principal executive offices) (Zip Code)

(303) 863-8088
(Registrant's telephone number, including area code)

(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 [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]

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

As of December 14, 2009, there were 10,226,210 shares of common stock outstanding (not including 52,532 shares to be issued pursuant to the exercise of stock options in August 2009, which as of December 14, 2009 have not been issued).

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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Accelr8 Technology Corporation
Condensed Balance Sheets

ASSETS

	October 31, 2009	July 31, 2009
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 470,467	$ 862,076
Inventory	43,545	53,445
Prepaid expenses and other current assets	15,838	27,698
Total current assets	529,850	943,219
Property and equipment, net	12,039	14,655
Investments, net	1,190,211	1,103,837
Intellectual property, net (Note 3)	3,120,147	3,169,724
Total assets	$ 4,852,247	$ 5,231,435

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 33,802	$ 39,457
Accrued compensation and other liabilities	40,579	25,883
Deferred revenue	77,217	92,765
Total current liabilities	151,598	158,105
Long-term liabilities:		
Deferred compensation	1,208,961	1,178,836
Total liabilities	1,360,559	1,336,941
Commitments and Contingencies		
Shareholders' equity		
Common Stock, no par value; 14,000,000 shares authorized; 10,226,210 shares issued and outstanding (Not including 52,532 shares to be issued. See Note 7)	13,969,820	13,803,820

Contributed capital	961,483	1,118,306
Accumulated (deficit)	(11,166,015)	(10,754,032)
Shares held for employee benefit (1,129,110 shares at cost)	(273,600)	(273,600)
Total Shareholders' equity	3,491,688	3,894,494
Total liabilities and Shareholders' equity	$ 4,852,247	$ 5,231,435

Condensed Statements of Operations
For the Three Months Ended October 31, 2009 and 2008
(Unaudited)

	2009	2008
Revenues:		
OptiChem(R) revenues	$ 15,549	$ 652
Technical development Fees	0	300,000
Total revenues	15,549	300,652
Costs and expenses:		
Research and development	160,899	159,777
General and administrative	212,683	250,463
Amortization	62,724	61,543
Marketing and sales	0	1,166
Depreciation	2,616	5,686
Total costs and expenses	438,922	478,635
Loss from operations	(423,373)	(177,983)
Other income (loss):		
Interest and dividend income	1,363	8,914
Unrealized gain (loss) on investments	10,029	(55,030)
Total other income (loss)	11,392	(46,116)
Net loss	$ (411,981)	$ (224,099)
Net loss per share:		
Basic and diluted net loss per share	$ (.04)	$ (.02)
Weighted average shares outstanding (Note 7)	10,226,210	10,226,210

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Accelr8 Technology Corporation
Condensed Statements of Cash Flows
For the Three Months Ended October 31, 2009 and 2008
(Unaudited)

	2009	2008
Cash flows from operating activities:		
Net loss	$ (411,981)	$ (224,099)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	2,616	5,686
Amortization	62,724	61,543
Fair value of stock options granted for services	9,177	95,476
Unrealized holding (gain) loss on investments	(10,029)	55,030
(Increase) decrease in assets:		
Accounts receivable	0	6,334
Inventory	9,900	0
Prepaid expense and other	11,860	24,121
Increase (decrease) in liabilities:		
Accounts payable	(5,655)	(66,518)
Accrued liabilities	14,696	5,048
Deferred revenue	(15,549)	(652)
Deferred compensation	30,124	(30,065)
Net cash (used in) operating activities	(302,117)	(68,096)
Cash flows from investing activities:		
Purchase Investments	(1,345)	(6,215)
Purchases of equipment and patent costs	(13,147)	(2,390)
Contribution to Deferred Compensation Trust	(75,000)	(75,000)
Net cash (used in) investing activities	(89,492)	(83,605)
Decrease in cash and cash equivalents	(391,609)	(151,701)
Beginning balance	862,076	1,233,100
Ending balance	$ 470,467	$ 1,081,399

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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, 2009 included in our Annual Report on Form 10-K 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 ended October 31, 2009 may not be indicative of the results of operations for the year ended July 31, 2010.

Note 2. Going Concern.

The financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we have incurred significant operating losses. As of October 31, 2009, we have limited financial resources and have not been able to generate positive cash flow from operations. At October 31, 2009, as compared to July 31, 2009, cash and cash equivalents decreased by $391,609 from $862,076 to $470,467, or approximately 45.4% and the Company's working capital decreased $406,862 or 51.8% from $785,114 to $378,252. These factors raise substantial doubt about our ability to continue as a going concern. Management plans to fund its future operation by joint venturing and obtaining additional financing. However, there is no assurance that we will be able to obtain any joint venture partners or obtain additional financing from investors or private lenders.

Note 3. 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 October 31, 2009 and 2008. 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 has no unrecognized tax benefits. 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 2005.

Note 4. Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") (Topic 105, "Generally Accepted Accounting Principles"), became the single source for authoritative nongovernmental U.S. generally accepted accounting principles on July 1, 2009. The Company has adopted FASB ASC for periods ending after September 15, 2009.

Note 5. Intellectual Property

Intellectual property consisted of the following:

	October 31, 2009	July 31, 2009
OptiChem(R) Technologies	$ 4,454,538	$ 4,454,538
Patents	495,148	482,000
Trademarks	49,019	49,019
Total intellectual property	4,998,705	4,985,557
Accumulated amortization	(1,878,558)	(1,815,833)
Net intellectual property	$ 3,120,147	$ 3,169,724

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 $62,724 and $61,543, respectively, for the three months ended October 31, 2009 and 2008.

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 6. Research and Option Agreement and License and Supply Agreements

On May 22, 2009, the Company and Becton, Dickinson and Company ("BD") entered into a Research and Option Agreement (the "Agreement").

The Agreement provided for the establishment of a research program from the date of the Agreement until September 30, 2009 whereby BD funded certain research work by the Company relating to the Company's BACcel(TM) rapid diagnostics platform (the BACcel(TM) Platform"). The research program included mutually agreed upon milestones to support BD's product development planning. Under the terms of the Agreement, in connection with the research program, the Company received certain periodic payments from BD between the date of the Agreement and July 1, 2009.

The Agreement also granted BD an option to acquire for an upfront payment and product-delivered royalties an exclusive license (the "Exclusive License") from the Company for certain know-how and patent rights relating the BACcel(TM) Platform. Upon termination of the option and the technical development project subsequent to successful milestone completion, Accelr8 received a non-exclusive license from BD for certain intellectual property.

On September 24, 2009, BD declined to exercise its licensing option and will not longer participate in the technical development of the BACcel(TM) system. The Company is currently in discussions with alternative commercialization prospects and is seeking a new strategic partner to assist in developing, manufacture and taking the BACcel(TM) system to market.

On November 24, 2007 the Company extended the non-exclusive Slide H license with Schott Jenaer Glas GmbH ("Schott") for three more years, to expire on November 23, 2010. The terms of the extended license were $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 expired on December 31, 2008. The terms were $100,000; $50,000 for a prepaid license and $50,000 in prepaid royalties.

The Company entered into an exclusive seven-year license with NanoString Technologies Inc. on October 5, 2007. The license grants to NanoString the right to apply OptiChem(R) coatings to NanoString's proprietary molecular detection products. Pursuant to the license agreement, NanoString paid the Company a non-refundable fee of $100,000 of which $50,000 was credited against future royalties. Under the royalty-bearing license, NanoString is to pay the Company a royalty at the rate of eight percent (8%) of net sales for sales up to $500,000 of NanoString licensed products. The royalty rate on the second $500,000 of net sales is six percent (6%), and the royalty thereafter is four percent (4%). Royalties in the aggregate amount of $ 15,549 and $652 respectively were earned during the three months ended October 31, 2009 and 2008.

Note 7. Employee Stock Based Compensation

On October 31, 2009, there were Common Stock options outstanding at prices ranging from $1.45 to $4.50 with expiration dates between November 3, 2009 and October 28, 2018. For the three months ended October 31, 2009 and 2008, stock options exercisable into 1,040,000 and 987,500 shares of Common Stock, respectively, were not included in the computation of diluted earnings per share because their effect was antidilutive.

On August 26, 2009, 100,000 options to purchase shares of the Company's common stock at a price of $1.50 per share were exercised by an officer and director of the Company on a cashless basis. Upon exercise, 47,468 of these shares were surrendered in a cashless exchange. The share price on the date of exercise was $3.16 per share. As of the date of this Quarterly Report, the balance of the shares to be issued, 52,532, have not yet been issued.

For the quarters ended October 31, 2009 and 2008, the Company accounted for stock based compensation to employees and directors under the modified prospective application method. Using this method we apply the standard to new awards, and to awards modified, repurchased, or cancelled. Additionally, compensation costs for the unvested portion of awards are recognized as compensation expense as the requisite service is rendered.

The fair value of options granted under the stock option agreements and stock-based compensation plans discussed above is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants for the three months ended October 31, 2009 and 2008: no dividend yield; risk free interest rate of 2.37% to 5%; expected life of 3-10 years; and expected volatility of 44% to 66%. The weighted average remaining contractual life of options outstanding at October 31, 2009 and 2008 was 4.13 and 4.50 years, respectively.

As of October 31, 2009, the total unrecognized share-based compensation cost related to unvested stock options was approximately $11,878. For the three month period ended October 31, 2009 and 2008 the Company recognized $9,177 and $95,476, respectively in stock based compensation costs related to the issuance of stock options to employees.

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

Forward Looking Information

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company, intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements, which can be identified by the use of words such as "may," "will," "expect," "anticipate," "estimate," or "continue," or variations thereon or comparable terminology, include the plans and objectives of Management for future operations, including plans and objectives relating to the products and future economic performance of the Company. In addition, all statements other than statements of historical facts that address activities, events, or developments the Company expects, believes, or anticipates will or may occur in the future, and other such matters, are forward-looking statements.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on assumptions that the Company will retain key management personnel, the Company will be successful in the development of the BACcel(TM) system, the Company will obtain sufficient capital to complete the development of the BACcel(TM) system, the Company will find a new strategic partner to assist in developing, manufacture and taking the BACcel(TM) system to market, 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 but not limited to the risks in the section entitled "Risk Factors" are in its 10-K for the year ended July 31, 2009, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Overview

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

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

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

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

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

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

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

For example, the first report might state that a significant number of common "Staph" is present in a patient specimen, likely causing a patient's infection. The second report might then state that all of the organisms fall into a major antibiotic resistance group known as "MRSA" (Methicillin Resistant Staphylococcus Aureus), often referred to as "superbugs" in news reports because of their multiple drug resistance. This identification eliminates from consideration the most important drugs otherwise preferred for treating Staph infections.

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

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

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

Management believes, based on outside opinions and direct market research, that the Company is the only organization in the world to be developing a rapid diagnostic solution, and one that includes these organisms and strain types.

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

In parallel to the BACcel(TM) system development, we have developed and independently licensed OptiChem(R) surface coatings to other companies for use in microarraying and other molecular detection products. We have granted Schott

Jenaer Glas GmbH, a global leader in high-quality glass manufacturing, a non-exclusive license to manufacture and market microarraying slides using OptiChem(R) coatings. We have also licensed NanoString Technologies Inc. the use OptiChem(R) in their innovative molecular bar-coding systems for high-sensitivity gene expression analysis.

During the three months ended October 31, 2009, research collaborators at the Denver Health Medical Center and Barnes-Jewish Hospital, St. Louis continued studies using prototypes of the BACcel(TM) system. These collaborators and Accelr8 scientists reported their recent findings in two presentations in October at the joint sessions of the 48th Annual Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC, www.icaac.org) and the Infectious Diseases Society of America (IDSA, www.idsociety.org). One study added to those for antibiotic resistance tests previously presented by company scientists. The other added a retrospective model that projected the clinical utility of rapid diagnostics based on BACcel(TM) system results on stored bacterial cultures.

During the quarter ended October 31, 2009, we continued the scale-up of our proprietary antibody development methods, including antibodies for identification of Acinetobacter baumannii and Pseudomonas aeruginosa. We believe that the scale-up will provide material for BACcel(TM) system development, outside research support, and additional test development. We also advanced the development of antibodies required for additional organisms, and initiated other types of testing used for identification of bacteria.

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

On November 24, 2004 the Company entered into an exclusive two year manufacturing and marketing agreement (the "License Agreement") with SCHOTT Jenaer Glas (GMBH) of Jena Germany for OptiChem(R) coated amine-reactive slides (Slide H). Pursuant to the License Agreement, SCHOTT paid the Company a non-refundable fee of $100,000, of which $50,000 was credited against future royalties. An additional $15,000 in deferred revenue was recorded for training supplied to SCHOTT. During the 2-year term of the License Agreement, SCHOTT agreed to pay the Company a royalty payment equal to 6% of net sales of products licensed under the License Agreement. An optional 1-year non-exclusive license extension to market and manufacture Slide H was exercised by SCHOTT on September 27, 2006.

On December 21, 2006, the Company and SCHOTT entered into an agreement for the manufacturing and worldwide sales of Slide HS coatings on microarraying slides (the "Slide HS Agreement"). The Slide HS Agreement granted SCHOTT the right to manufacture and market Streptavidin coated microarray slides for 2 years through December 31, 2009. In connection with the Slide HS Agreement, SCHOTT paid the Company a $50,000 license fee and $50,000 prepaid royalty payment.

During the quarter ended October 31, 2009, deferred revenues of $15,549 in

prepaid royalties by SCHOTT were recognized.

The Company entered into an exclusive seven-year license with NanoString Technologies Inc. on October 5, 2008. The license grants to NanoString the right to apply OptiChem(R) coatings to NanoString's proprietary molecular detection products. Pursuant to the license agreement, NanoString paid the Company a non-refundable fee of $100,000 of which $50,000 was credited against future royalties. Under the royalty-bearing license, NanoString is to pay the Company a royalty at the rate of eight percent (8%) of net sales for sales up to $500,000 of NanoString licensed products. The royalty rate on the second $500,000 of net sales is six percent (6%), and the royalty thereafter is four percent (4%). During the fiscal year 2009, deferred revenues recorded were $2,673.

On May 22, 2009, the Company and Becton, Dickinson and Company ("BD") entered into a Research and Option Agreement (the "Agreement").

The Agreement provided for the establishment of a research program from the date of the Agreement until September 30, 2009 whereby BD funded certain research work by the Company relating to the Company's BACcel(TM) rapid diagnostics platform (the BACcel(TM) Platform"). The research program included mutually agreed upon milestones to support BD's product development planning. Under the terms of the Agreement, in connection with the research program, the Company received certain periodic payments from BD between the date of the Agreement and July 1, 2009.

The Agreement also granted BD an option to acquire for an upfront payment and product-delivered royalties an exclusive license (the "Exclusive License") from the Company for certain know-how and patent rights relating the BACcel(TM) Platform. Upon termination of the option and the technical development project subsequent to successful milestone completion, Accelr8 received a non-exclusive license from BD for certain intellectual property.

On September 24, 2009, BD declined to exercise its licensing option and will no longer participate in the technical development of the BACcel(TM) system. The Company is currently in discussions with alternative commercialization prospects and is seeking a new strategic partner to assist in developing, manufacture and taking the BACcel(TM) system to market.

Subject to the receipt of capital, during the fiscal year ending July 31, 2010 we intend to continue technical validation of the BACcel(TM) system methods, continue field studies including pilot clinical studies at Denver Health and Barnes-Jewish Hospital, continue to publish the results of internal and collaborative studies, and seek a strategic partner or licensee for BACcel(TM) product commercialization.

Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") (Topic 105, "Generally Accepted Accounting Principles"), became the single source for authoritative nongovernmental U.S. generally accepted accounting principles on July 1, 2009. The Company has adopted FASB ASC for periods ending after September 15, 2009.

Changes in Results of Operations: Three months ended October 31, 2009 compared to three months ended October 31, 2008

During the three months ended October 31, 2009, OptiChem(R) revenues were $15,549 as compared to $652 during the three month period ended October 31, 2008, an increase of $14,897. The increase was a result of licensing of OptiChem(R) technology to Schott and Nanostring and the recognition of royalty income.

Technical development fees during the three-month period ended October 31, 2009 were $0 as compared to $300,000 during the three-month period ended October 31, 2008, a decrease of $300,000 or 100%. Technical development fees are no longer being received due to BD declining to exercise its licensing option pursuant to the Agreement., Research and development expenses for the three months ended October 31, 2009 were $160,899 as compared to $159,777 during the three months ended October 31, 2008, an increase of $1,122 or .7%. The increase was primarily the result of numerous factors including the increases in salaries and related accruals of $10,122 and decreases in clinical trial expenditures of $13,326.

During the three months ended October 31, 2009, general and administrative expenses were $212,683 as compared to $250,463 during the three month period ended October 31, 2008, a decrease of $37,780 or 15.08%. The decreases were primarily the result of both stock based compensation charges and consulting fees.

The increase in amortization was negligible for the three months ended October 31, 2009 as compared to the three month period ended October 31, 2008.

Marketing and sales expenses for the three months ended October 31, 2009 were $0 as compared to $1,166 during the three months ended October 31, 2008, a decrease of $1,116 or 100%. The decrease was primarily due to a reduction in expenses in connection with scientific conference attendance.

Depreciation for the three months ended October 31, 2009 was $2,616 as compared to $5,686 during the three months ended October 31, 2008, a decrease of $3,070 or 54%. The decreased depreciation was the result of the increased age of assets and the disposal of equipment no longer used in our operations.

As a result of the above factors, loss from operations for the three months ended October 31, 2009 was $423,373 as compared to a loss of $177,983 during the three months ended October 31, 2008, a increased loss of $245,390 or 137.9%.

Investment and dividend income during the three months ended October 31, 2009 was $1,363 as compared to $8,914 during the three months ended October 31, 2008 a decrease of $7,551 or 84.7%. Interest income decreased as a result of decreased interest rates and reduced amounts of cash held by the Company.

Unrealized holding gains on investments held in the deferred compensation trust for the three months ended October 31, 2009 were $10,029 as compared to an unrealized loss of $55,030 for the three months ended October 31, 2008, an increase of $65,059. The change was a result of increased value of the underlying securities and general market conditions.

As a result of these factors, net loss for the three months ended October 31, 2009 was $411,981 as compared to $224,099 during the three months ended October 31, 2008, an increased loss of $187,882 or 83.8%.

Capital Resources and Liquidity

During the three months ended October 31, 2009 and October 31, 2008, we did not generate positive cash flows from operating activities.

The Company has historically funded its operations generally through its existing cash balances, cash flow generated from operations and sales of equity securities. Our primary use of capital has been for the research and development of the BACcel(TM) system.

The continued operation of our business will require an additional capital infusion and we plan to seek additional capital, likely through debt or equity financings, to continue operations. We can give no assurance that we will be able to raise such capital on such terms and conditions as we deem reasonable, if at all. We have limited financial resources until such time that we are able to generate such additional financing or additional cash flow from operations. Should we be unable to raise adequate capital or to meet the other above objectives, it is likely that we would have to substantially curtail our business activity or cease operating, and that our investors would incur substantial in not a complete loss on their investment.

The independent auditor's report accompanying the Company's July 31, 2009 consolidated financial statements contains an explanatory paragraph expressing substantial doubt about the Company's ability to continue as a going concern. The audited July 31, 2009 consolidated financial statements have been prepared "assuming that the Company will continue as a going concern," which contemplates that the Company will realize its assets and satisfy its liabilities and commitments in the ordinary course of business. Our accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Notwithstanding our investments in research and development, there can be no assurance that the BACcel(TM) system or any of our other products will be successful, or even if they are successful, will provide sufficient revenues to continue our current operations. Our working capital requirements are expected to increase in line with the growth of our business. We have no lines of credit or other bank or off balance sheet financing arrangements.

We believe that the plan of operations for the next twelve months will require additional capital of approximately $1,200,000. Management believes that current cash balances plus cash flow from operations will not be sufficient to fund our capital and liquidity needs for the next twelve months and we will be required to obtain additional capital through the issuance of debt or equity securities or other means to execute our plans. Additional issuances of equity or convertible debt securities will result in dilution to our current common stockholders. At October 31, 2009, as compared to July 31, 2009, cash and cash equivalents decreased by $391,609 from $862,076 to $470,467, or approximately 45.4% and the Company's working capital decreased $406,862 or 51.8% from $785,114 to $378,252. During the same period, shareholders' equity decreased from $3,894,494 to $3,491,688 as a result of losses incurred and charges related to stock options. Our working capital requirements are expected to decrease as cost cutting measures will be undertaken.

The net cash used in operating activities was $302,117 during the three months ended October 31, 2009 compared to net cash used in operating activities of $68,096 during the three months ended October 31, 2008. The principal elements that gave rise to the increase of net cash used in operating activities were primarily the result of increased net losses for the period.

Cash used by investing activities during the three months ended October 31, 2009 was $89,492. The cash investing activities was the result of the funding of the deferred compensation investment account and additional patent expenditures.

Management believes that current cash balances plus cash flow from operations will be sufficient to fund our capital and liquidity needs until approximately February 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

The Company's interest income is sensitive to fluctuations in the general level of U.S. interest rates. As such, changes in U.S. interest rates affect the interest earned on the Company's cash, cash equivalents, and short-term investments.

Item 4T. 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 defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Based on that evaluation, Mr. Geimer concluded that as of October 31, 2009, the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Mr. Geimer also confirmed that there was no change in the Company's internal control over financial reporting during the quarter ended October 31, 2009.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

Not Applicable.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors discussed in our Annual Report on Form 10-K for the fiscal year ended July 31, 2009 filed with the Securities and Exchange Commission on November 13, 2009 and investors are encouraged to review those risk factors in detail before making any investment in the Company's securities.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

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

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description
31.1	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0f 2002.

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: December 15, 2009

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