ACCELR8 TECHNOLOGY CORP
Form 10-Q
December 14, 2012

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, 2012

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 North Broadway, Bldg 3-307
Denver, Colorado 80221
(Address of principal executive offices) (Zip Code)

**(303) 863-8088**

(registrant's telephone number, including area code)

**July 31 (former fiscal year)**

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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 5, 2012, there were 25,331,939 shares of common stock outstanding.

**INDEX**

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**ACCELR8 TECHNOLOGY CORPORATION**

**Condensed Balance Sheets**

ASSETS

| | October 31, 2012 (Unaudited) | July 31, 2012 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $13,195,811 | $14,263,248 |
| Trade accounts receivable | 753,204 | 750,947 |
| Inventory | — | 10,263 |
| Prepaid expenses and other | 19,437 | 17,928 |
| Total current assets | 13,968,452 | 15,042,386 |
| Property and equipment, net | 73,328 | 3,956 |
| Investments, net | 1,497,015 | 1,486,459 |
| Intellectual property, net | 325,362 | 680,941 |
| Total Assets | $15,864,157 | $17,213,742 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| | | |
| Current liabilities: | | |
| Accounts payable | $83,905 | $63,029 |
| Accrued compensation and other liabilities | 1,271,943 | 1,243,342 |
| Deferred revenue | 82,815 | 85,345 |
| Total current liabilities | 1,438,663 | 1,391,716 |
| Long-term liabilities: | | |
| Deferred compensation | 986,459 | 986,459 |
| Total liabilities | $2,425,122 | $2,378,175 |
| | | |
| Shareholders' equity: | | |
| Common stock, no par value; 45,000,000 shares authorized; 25,331,939 (October 31, 2012) and 11,103,367 (July 31, 2012) shares issued and outstanding | 23,085,809 | 22,985,809 |
| Contributed capital | 8,093,399 | 7,924,880 |

| | | |
|---|---|---|
| Accumulated deficit | (17,466,573) | (15,801,522) |
| Shares held for employee benefit (1,129,110 shares at cost) | (273,600) | (273,600) |
| Total shareholders' equity | 13,439,035 | 14,835,567 |
| Total liabilities and shareholders' equity | $15,864,157 | $17,213,742 |

See accompanying notes to financial statements.

ACCELR8 TECHNOLOGY CORPORATION
Condensed Statements of Operations
(Unaudited)

| | Three months ended | |
|---|---|---|
| | October 31, 2012 | October 31, 2011 |
| Revenues: | | |
| Technical development fees | $— | $140,000 |
| OptiChem revenue | 2,529 | 12,008 |
| License fees | — | 50,000 |
| Grant revenue | 5,775 | — |
| Total revenues | $8,304 | $202,008 |
| | | |
| Costs and expenses: | | |
| Research and development | $564,224 | $104,162 |
| General and administrative | 754,099 | 458,983 |
| Amortization | 25,327 | 64,087 |
| Marketing and sales | 6,116 | 4,170 |
| Depreciation | 1,807 | 515 |
| Other expense, impairment of intangibles | 333,487 | — |
| Total costs and expenses | $1,685,060 | $631,917 |
| | | |
| Loss from operations | (1,676,756 ) | (429,909 ) |
| Other (expense) income: | | |
| Interest and dividend income | 1,147 | 4,003 |
| Unrealized holding gain (loss) on investments | 10,556 | (4,368 ) |
| Total other income | $11,703 | $(365 ) |
| | | |
| Net loss | $(1,665,053 ) | $(430,274 ) |
| Net Loss per share: Basic and diluted net loss per share | $(0.07 ) | $(0.04 ) |
| Weighted average shares outstanding | 25,261,609 | 11,103,367 |

See accompanying notes to financial statements.

ACCELR8 TECHNOLOGY CORPORATION
Condensed Statements of Cash Flows
(Unaudited)

| | Three months ended | |
|---|---|---|
| | October 31, | October 31, |
| Cash flows from operating activities: | 2012 | 2011 |
| Net loss | $(1,665,053) | $(430,274) |
| Adjustments to reconcile net (loss) to net cash (used in) operating activities: | | |
| Depreciation | 1,807 | 515 |
| Amortization | 25,327 | 64,087 |
| Fair value of stock options granted for services | 168,520 | 272,529 |
| Unrealized holding (gain) loss on investments | (10,556) | 4,368 |
| Realized (gain) loss on investments, interest and dividends reinvested | (1,147) | — |
| Other expense, impairment loss | 333,487 | — |
| (Increase) decrease in assets: | | |
| Accounts receivable | (2,257) | (165,748) |
| Inventory | 10,263 | — |
| Prepaid expense and other | (1,509) | 9,830 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 20,876 | 21,726 |
| Accrued liabilities | 28,601 | 11,499 |
| Deferred revenue | (2,529) | 95,479 |
| Deferred compensation | — | 16,319 |
| Net cash used in operating activities | $(1,094,171) | $(99,670) |
| | | |
| Cash flows from investing activities: | | |
| | | |
| Purchase investments | $— | $(1,938) |
| Purchases of equipment and patent costs | (73,266) | (14,263) |
| Contribution to deferred compensation trust | — | (75,000) |
| Net cash used in investing activities | $(73,266) | $(91,201) |
| | | |
| Cash flows from financing activities: | | |
| Exercise of warrants and options | 100,000 | 128,569 |
| Net cash provided by financing activities | $100,000 | $128,569 |
| | | |
| Decrease in cash and cash equivalents | (1,067,437) | (190,871) |
| Cash and cash equivalents, beginning of year | 14,263,248 | 775,856 |
| Cash and cash equivalents, end of year | $13,195,811 | $584,985 |

See accompanying notes to financial statements.

**Accelr8 Technology Corporation**

**Notes to Condensed Financial Statements**

**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, 2012 included in our Annual Report on Form 10-K as filed with the SEC on October 26, 2012.

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, 2012 may not be indicative of the results of operations for the transition period ended December 31, 2012 or the fiscal year ended July 31, 2013.

**Note 2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and accounts receivable, including receivables from major customers. The Company places its cash equivalents with a high credit quality financial institution. The Company periodically maintains cash balances at a commercial bank in excess of the Federal Deposit Insurance Corporation insurance limit of $250,000. At October 31, 2012 and 2011, the Company's uninsured cash balance was approximately $0 and $105,104, respectively. The Company grants credit to domestic and international clients in various industries. Exposure to losses on accounts receivable is principally dependent on each customer's financial position. The Company performs ongoing credit evaluations of its customer's 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, 2012 and 2011. 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 or liabilities. 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 2008.

**Note 3. Recently Issued Accounting Pronouncements**

No new accounting pronouncements, issued or effective during the three months ended October 31, 2012, have had or are expected to have a material effect on our consolidated financial statements.

**Note 4. Intellectual Property**

Intellectual property consisted of the following:

| | October 31, 2012 | July 31, 2012 |
|---|---|---|
| OptiChem Technologies | $ 192,954 | $ 192,954 |
| Patents | 205,220 | 697,767 |
| Trademarks | — | - |
| | 398,174 | 890,721 |
| Accumulated amortization | (72,812) | (209,780) |
| | $ 325,362 | $ 680,941 |

Intellectual properties are recorded at cost and are being amortized on a straight-line basis over their estimated useful lives of 20 years, which approximates the patent and patent application life of the OptiChem® Technologies. Amortization expense was $25,327 and $64,087, respectively, for the three months ended October 31, 2012 and 2011.

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.

During the quarter ended October 31, 2012, management determined that certain amounts carried on our balance sheet as capitalized patents are no longer recoverable or abandoned its plan to pursue marketability and accordingly reduced the amortized book values by $492,547 and recognized a loss of $333,487 in its reported loss from operations.

**Note 5. License Agreements and Grants**

The Company signed a licensing agreement for microarraying slides using OptiChem coatings with Schott Jenaer Glas GmbH ("SCHOTT") on November 4, 2004. Since this time, SCHOTT and the Company have extended this license. On August 15, 2011, Schott Technical Glass Solutions GmbH renewed and expanded its licenses for OptiChem microarray slide products, designated as Schott Nexterion Slide H and Slide HS. The terms remain substantially the same as in previous agreements, with the expansion to include microarray slide products intended for use in medical diagnostic devices. Previous agreements excluded medical applications. This expansion makes SCHOTT the second company that intends to use OptiChem coatings on medical devices.

The new agreement extends the non-exclusive license through November 24, 2014. SCHOTT paid the Company $150,000 comprised of a one-time license fee ($50,000) and non-refundable prepaid royalties ($100,000). Royalties consist of 5% of SCHOTT’s net product sales. For medical applications, SCHOTT agrees to refer individual customers directly to the Company for licensing if annual purchases by a customer exceed 20,000 units.

On October 5, 2007, the Company entered into an exclusive seven-year license with NanoString Technologies, Inc. (“NanoString”). The license grants NanoString the right to apply OptiChem coatings to NanoString's proprietary molecular detection products.

On July 9, 2010 the Company entered into a non-exclusive license to Nanosphere, Inc. The license grants to Nanosphere the right to apply OptiChem coatings to Nanosphere’s proprietary analytical products. The products may also include FDA-regulated diagnostics devices. Pursuant to the license agreement, Nanosphere paid the Company a non-refundable first-year fee of $150,000 plus a $15,000 technology transfer fee. On each anniversary of the agreement date, the license calls for Nanosphere to pay to the Company the amounts of $350,000 in 2011; $600,000 in 2012, and $750,000 in 2013 in order to complete the payments for rights under the remaining patent life. Pursuant to the Company’s revenue recognition policies and generally accepted accounting principles, all of the amounts due from Nanosphere were recognized as OptiChem revenue during the fiscal year ended July 31, 2010.

In May 2012, the Company and Denver Health were notified that the Defense Medical Research and Development Program ("DMRDP") recommended $2 million of funding for a proposed 35-month project of which the Company estimates it will receive direct monies for internal research and development of $750,000. The joint proposal became the sole recipient under the Military Infectious Diseases Applied Research Award program for rapid detection of serious antibiotic-resistant infections. The project will apply the Company’s BACcel rapid diagnostic system to wound infections and other serious infections secondary to trauma.

On August 22, 2012, the Company entered into a Grant Agreement (the “Grant Agreement”) with the Arizona Commerce Authority, an agency of the State of Arizona (the “Authority”), pursuant to which the Authority will provide certain state and county sponsored incentives for the Company to relocate its corporate headquarters to, and expand its business within, the State of Arizona (the “Project”). Pursuant to the Grant Agreement, the Authority agreed to provide a total grant in the amount of $1,000,000 (the “Grant”) for the use by the Company in the advancement of the Project. The Grant is payable out of an escrow account in four installments, upon the achievement of the following milestones:

- Milestone 1 – Relocation of Company’s operations and corporate headquarters to Arizona and creation of 15 Qualified Jobs (as defined below).
- Milestone 2 – Creation of 30 Qualified Jobs (including Qualified Jobs under Milestone 1).
- Milestone 3 – Creation of 40 Qualified Jobs (including Qualified Jobs under Milestones 1 and 2).
- Milestone 4 – Creation of 65 Qualified Jobs (including Qualified Jobs under Milestones 1, 2 and 3) and capital investment of at least $4,520,000.

For purposes of the Grant Agreement, a “Qualified Job” is a job that is permanent, full-time, new to Arizona, and for which the Company pays average (across all Qualified Jobs identified by the Company in its discretion) annual wages of at least $63,000 and offers health insurance benefits and pays at least 65% of the premiums associated with such benefits. The amount of each installment payment will be determined in accordance with a formula specified in the Grant Agreement. The Grant Agreement also contains other customary provisions, including representations, warranties and covenants of both parties.

**Note 6. Employee Stock Based Compensation**

On October 31, 2012, there were Common Stock options outstanding at exercise prices ranging from $1.04 to $4.50 with expiration dates between August 3, 2021 and October 22, 2022. For the three months ended October 31, 2012 and 2011, stock options and warrants exercisable into 18,386,430 and 985,000 shares of Common Stock, respectively, were not included in the computation of diluted earnings per share because their effect was antidilutive.

For the quarters ended October 31, 2012 and 2011, the Company accounted for the compensation cost related to awards of stock options and other equity-based instruments to its employees, directors and consultants based on the fair value of the instrument on the grant date, and recognized this cost over the requisite service period. During the quarter ended October 31, 2012, the Company issued options to purchase at total of 1,360,000 common shares at exercise prices between $2.98 and $3.95 per share.

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, 2012: no dividend yield; risk free interest rate of 0.66% to 4.5%; expected life of 5 years; and expected volatility of 111% to 130%. The weighted average remaining contractual life of options outstanding at October 31, 2012 and 2011 was 8.8 and 2.67 years, respectively.

As of October 31, 2012, unrecognized share-based compensation cost related to unvested stock options was $3,308,443. For the three-month period ended October 31, 2012 and 2011 the Company recognized $168,520 and $272,529, 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™ system, the Company will obtain sufficient capital to complete the development of the BACcel™ system, the Company will be able to protect its intellectual property, the Company's ability to respond to technological change, that the Company will accurately anticipate market demand for the Company's products and that there will be no material adverse change in the Company's operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in forward-looking statements will be realized. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion should be read in conjunction with the Company's unaudited condensed financial statements and related notes included elsewhere herein. The Company's future operating results may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, general public perception of issues and solutions, and other uncertain business conditions that may affect the Company's business. The Company cautions the reader that a number of important factors discussed herein, and in other reports, filed with the Securities and Exchange Commission including but not limited to the risks in the section entitled "Risk Factors" are in its Form 10-K for the fiscal year ended July 31, 2012, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Overview

Accelr8 Technology Corporation is focused on developing and commercializing innovative instrumentation for the rapid identification and antibiotic susceptibility testing of infectious pathogens. The Company’s BACcel™ platform utilizes a proprietary culture-free process with both genomic and phenotypic detection technologies that decrease time to result while maintaining high sensitivity and specificity.

On June 26, 2012, we closed upon the sale to Abeja Ventures, LLC (“Abeja”) at a purchase price of $1.03 per share for an aggregate purchase price of $14,420,000 of 14,000,000 shares of the Company’s Common Stock, a warrant to purchase 7,000,000 shares of the Company’s Common Stock at an exercise price of $1.03 per share and another warrant to purchase 7,000,000 shares of the Company’s Common Stock at an exercise price of $2.00 per share (collectively the “Investment”).

Since 2004, we have focused our efforts on the development of an innovative rapid diagnostic platform, the BACcel™ system, intended for rapid diagnosis in life-threatening bacterial infections. Our goal is to reduce the failure rate of initial therapy by shortening the lab turnaround time to less than eight hours, rather than the 2-3 days now required. Rapid testing would provide guidance in time to influence initial therapy.

The BACcel™ system applies our proprietary technology to eliminate time-consuming bacterial culturing, thus eliminating the major source of delay with current testing methods. Our system includes a fixed instrument and proprietary single-use (disposable) test cassettes. Each cassette tests a single patient specimen and is then discarded.

BACcel™ uses long-accepted bacteriological testing principles, but applies our proprietary technology to adapt them to analyze live bacteria extracted directly from a patient specimen. The instrumentation uses automated digital microscopy to measure the responses of extracted live bacterial cells to various test conditions. Our system analyzes thousands of these individual cells to arrive at organism identification and antibiotic resistance characteristics.

Based on internal lab data, we believe that the BACcel™ system will identify the organisms present in a patient's specimen and count the number of organisms of each type in less than one hour after receiving a specimen. We believe that the BACcel™ system will then additionally report antibiotic resistance for each type of organism within a total of 4-6 hours after receiving a specimen. The clinical purpose of reporting antibiotic resistance is to narrow the drug choices available for therapy and rule out antibiotic classes that are most likely to fail. Quantitative identification in less than one hour enables first-dose therapy guidance that can improve the efficacy of antimicrobial treatment. In addition, de-escalation before the second dose helps to prolong the effectiveness of broad-spectrum antibiotics when lower-cost and older narrow-spectrum agents can provide at least equivalent activity (drug “stewardship”).

**Recently Issued Accounting Pronouncements**

No new accounting pronouncements, issued or effective during the three months ended October 31, 2012, have had or are expected to have a material effect on our consolidated financial statements.

**Changes in Results of Operations: Three months ended October 31, 2012 compared to three months ended October 31, 2011**

During the three months ended October 31, 2012, total revenues were $8,304 as compared to $202,008 during the three month period ended October 31, 2011, a decrease of $193,704, or 96%. The decrease was the result of the conclusion of revenue-generating technical development programs for which $140,000 was recognized during the three month period ending October 31, 2011.

Research and development expenses for the three months ended October 31, 2012 were $564,233 as compared to $104,162 during the three months ended October 31, 2011, an increase of $460,071 or 442%. The increase is primary the result of ramping investment in instrument and bio assays headcount comprising $261,599 of the increase. The remainder of the increase is for the purchase of laboratory supplies and instrumentation to support accelerated R&D efforts.

During the three months ended October 31, 2012, general and administrative expenses were $754,099 as compared to $458,983 during the three-month period ended October 31, 2011, an increase of $295,026 or 64%. The increase was primarily the result of increases in wage related expenses and professional services.

During the three months ended October 31, 2012, amortization was $25,327 as compared to $64,087 during the three month period ended October 31, 2011, a decrease of $38,850 resulting from the write-off of intangible assets during the prior 4 month period including an impairment charge of $333,487 from the three month period ended October 31, 2012.

Marketing and sales expenses for the three months ended October 31, 2012 were $6,116 as compared to $4,170 during the three months ended October 31, 2011. The increase was primarily due to the increase in external services utilized.

Depreciation for the three months ended October 31, 2012 was $1,807 as compared to $515 during the three months ended October 31, 2011, an increase of $1,292 or 251%. The increased depreciation was the result of laboratory equipment purchases during the quarter.

As a result of the above factors, loss from operations for the three months ended October 31, 2012 was $1,676,756 as compared to the loss from operations of $429,909 during the three months ended October 31, 2011, an increase in net loss of $1,246,847 or 290%.

Interest and dividend income during the three months ended October 31, 2012 was $1,147 as compared to $4,003 during the three months ended October 31, 2011 a decrease of $2,856 or 71%. Interest income decreased as a result of general market conditions.

Unrealized holding gain/(loss) on investments held in the deferred compensation trust for the three months ended October 31, 2012 was $10,556 as compared to a loss of $4,368 for the three months ended October 31, 2011, an increase in unrealized gain of $14,924. 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, 2012 was $1,665,053 as compared to a net loss of $430,274 during the three months ended October 31, 2011, an increase in net loss of $1,234,779 or 287%.

**Capital Resources and Liquidity**

During the three months ended October 31, 2012, we did not generate positive cash flows from operating activities.

Our primary sources of liquidity have been from sales of shares of our Common Stock and revenues from operations. As of October 31, 2012, the Company had $13,195,811 in cash and cash equivalents, an increase of $12,610,826 from $584,985 at October 31, 2011. The primary reason for the change in cash and cash equivalents was the infusion of

$14,420,000 for issuance of Common Stock from the Investment. The Company has recently entered into a Lease Agreement whereby it plans to move the Company's principal offices to Tucson, Arizona. The Company has contractual obligations to a director and a former officer of the Company in the amount of $700,000 during the 12 month period ending July 31, 2013.

As of October 31, 2012, management believes that current cash balances will be more than sufficient to fund our capital and liquidity needs for the next fiscal year.

The following summarizes the Company's capital resources at October 31, 2012 compared with July 31, 2012:

| | October 31, 2012 | July 31, 2012 |
|---|---|---|
| Cash and cash equivalents | $13,195,811 | $14,263,248 |
| Accounts receivable (short term) | $753,204 | $750,947 |
| Current assets | $13,968,452 | $15,042,386 |
| Total assets | $15,864,157 | $17,213,742 |
| Current liabilities | $1,438,663 | $1,391,716 |
| Working Capital | $12,529,789 | $13,650,670 |
| Net cash used in operating activities | $(1,094,171) | $(815,672) |
| Net cash used in investing activities | $(73,266) | $(245,505) |
| Net cash used in financing activities | $100,000 | $14,548,569 |

Our primary use of capital has been for the research and development of the BACcel™ system. We believe our capital requirements will continue to be met with our existing cash balance, revenues provided by licensors and those provided under grants, exercises of warrants and stock options and/or, additional issuance of equity or debt securities. Further, if capital requirements vary materially from those currently planned, we may require additional capital sooner than expected. There can be no assurance that such capital will be available in sufficient amounts or on terms acceptable to us, if at all. Additional issuances of equity or convertible debt securities will result in dilution to our current common stockholders.

**Item 3. 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 4. Controls and Procedures.**

An evaluation was conducted under the supervision and with the participation of the Company's management, including 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, the CEO and the CFO concluded that as of October 31, 2012, 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. The CEO and the CFO also confirmed that there was no change in the Company's internal control over financial reporting during the quarter ended October 31, 2012.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

Not Applicable.

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors that were disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2012.

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

Not Applicable.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| | |
|---|---|
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| *32 | Certificate of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101** | XBRL Instance Document |
| 101** | XBRL Taxonomy Extension Schema Document |
| 101** | XBRL Taxonomy Calculation Linkbase Document |
| 101** | XBRL Taxonomy Extension Definition Linkbase Document |
| 101** | XBRL Taxonomy Label Linkbase Document |
| 101** | XBRL Taxonomy Presentation Linkbase Document |

* Furnished

** Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

ACCELR8 TECHNOLOGY CORPORATION

December 14, 2012 By: /s/ Lawrence Mehren
(Date Signed) Lawrence Mehren, President and Chief Executive Officer

/s/ Steve Reichling
Steve Reichling, Chief Financial Officer and Chief Accounting Officer

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