ACCELR8 TECHNOLOGY CORP
Form 10-Q
June 13, 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 April 30, 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 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 April 30, 2012 there were 11,103,367 shares of common stock outstanding.

INDEX

Accelr8 Technology Corporation 2

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Accelr8 Technology Corporation
Condensed Balance Sheets
ASSETS

| | April 30, 2012 (Unaudited) | July 31, 2011 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 212,995 | $ 775,856 |
| Trade Accounts receivable | 600,000 | 596,128 |
| Inventory | 30,278 | 30,278 |
| Prepaid expenses and other current assets | 24,781 | 20,577 |
| Total current assets | 868,054 | 1,422,839 |
| Long Term Accounts Receivable, Net of current portion | 743,396 | 745,440 |
| Property and equipment, net | 1,982 | 3,528 |
| Investments, net | 1,414,259 | 1,304,522 |
| Intellectual property, net (Note 3) | 2,651,360 | 2,788,009 |
| Total assets | $ 5,679,051 | $ 6,264,338 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 49,981 | $ 34,961 |
| Accrued compensation and other liabilities | 43,854 | 24,582 |
| Deferred revenue | 93,454 | 9,797 |
| Total current liabilities | 187,289 | 69,340 |
| Long-term liabilities: | | |
| Deferred compensation | 1,470,508 | 1,379,522 |
| Total liabilities | 1,657,797 | 1,448,862 |
| Commitments and Contingencies | | |
| Shareholders' equity | | |
| Common Stock, no par value; 19,000,000 shares authorized; 11,103,367 (2012) and 11,103,367 (2011) shares issued and outstanding | 14,333,258 | 14,333,258 |
| Contributed capital | 1,594,478 | 1,246,864 |
| Accumulated (deficit) | (11,632,892) | (10,491,046) |
| Shares held for employee benefit (1,129,110 shares at cost) | (273,600) | (273,600) |
| Total shareholders' equity | 4,021,254 | 4,815,476 |
| Total liabilities and shareholders' equity | $ 5,679,051 | $ 6,264,338 |

See Accompanying Notes to Financial Statements

Accelr8 Technology Corporation
Condensed Statements of Operations
For the Three and Nine Months ended April 30, 2012 and 2011
(Unaudited)

| | 3 Months Ended April 30 | | 9 Months Ended April 30 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| OptiChem® revenues | $13,207 | $25,772 | $33,543 | $40,813 |
| Technical development fees | 0 | 214,500 | 140,000 | 734,908 |
| Qualified Therapeutic Discovery Grant | 0 | 0 | 0 | 244,479 |
| License Fee | 0 | 0 | 50,000 | 0 |
| Total Revenues | 13,207 | 240,272 | 223,543 | 1,020,200 |
| | | | | |
| Costs and expenses: | | | | |
| Research and development | 109,860 | 126,918 | 302,900 | 345,602 |
| General and administrative | 248,207 | 181,881 | 905,453 | 606,693 |
| Amortization | 64,497 | 63,463 | 192,845 | 189,860 |
| Marketing and sales | 344 | 1,246 | 4,560 | 7,739 |
| Depreciation | 516 | 599 | 1,546 | 1,797 |
| Total costs and expenses | 423,424 | 374,107 | 1,407,304 | 1,151,691 |
| | | | | |
| (Loss) from operations | (410,217) | (133,835) | (1,183,761) | (131,491) |
| | | | | |
| Other income: | | | | |
| Interest and dividend income | 4,061 | 4,077 | 11,898 | 11,481 |
| Unrealized gain on investments | 17,773 | 5,764 | 29,017 | 36,907 |
| Gain on the sale of assets | 0 | 0 | 1,000 | 0 |
| Total other income | 21,834 | 9,841 | 41,915 | 48,388 |
| | | | | |
| Net (Loss) | $(388,383) | $(123,994) | $(1,141,846) | $(83,103) |
| | | | | |
| Net loss per share: | | | | |
| Basic and diluted net loss per share | $(.03) | $(.01) | $(.10) | $(.01) |
| | | | | |
| Weighted average shares outstanding | 11,103,367 | 10,704,785 | 11,103,367 | 10,704,785 |

See Accompanying Notes to Financial Statements

Accelr8 Technology Corporation 4

Accelr8 Technology Corporation
Condensed Statements of Cash Flows
For the Nine Months Ended April 30, 2012 and 2011
(Unaudited)

| | 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net Income (loss) | $(1,141,846) | $(83,103) |
| Adjustments to reconcile net (loss) to net cash (used in) operating activities: | | |
| Depreciation | 1,546 | 1,797 |
| Amortization | 192,845 | 189,860 |
| Fair value of stock options granted for services | 347,614 | 18,677 |
| Unrealized holding (gain) loss on investments | (29,017) | (36,907) |
| Reinvested earnings – interest and dividends | (5,719) | (4,383) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (1,828) | (18,642) |
| Inventory | 0 | 2,072 |
| Prepaid expense and other | (4,204) | (12,770) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 15,030 | 62,651 |
| Accrued liabilities | 19,271 | 14,489 |
| Deferred revenue | 83,657 | (20,225) |
| Deferred compensation | 90,986 | 97,540 |
| Net cash provided (used in) operating activities | (431,665) | 211,056 |
| | | |
| Cash flows from financing activities: | | |
| Sale of common stock | 0 | 0 |
| | | |
| Cash flows from investing activities: | | |
| Purchases of equipment and patents | (56,196) | (47,068) |
| Contribution to deferred compensation trust | (75,000) | (75,000) |
| Net cash used in investing activities | (131,196) | (122,068) |
| | | |
| Increase (Decrease) in cash and cash equivalents | (562,861) | 88,988 |
| | | |
| Beginning balance | 775,856 | 283,273 |
| | | |
| Ending balance | $212,995 | $372,261 |

See Accompanying Notes to Financial Statements

Accelr8 Technology Corporation 5

**ACCELR8 TECHNOLOGY CORPORATION**

**NOTES TO 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, 2011, included in our annual report on Form 10-K as filed with the SEC on October 27, 2011.

Management believes that the accompanying unaudited financial statements are prepared in conformity with generally accepted accounting principles, which require the use of management estimates, and contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the periods presented. The results of operations for the three months and nine months ended April 30, 2012 may not be indicative of the results of operations for the year ended July 31, 2012.

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

**Use of Estimates**

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

**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, accounts receivable, and notes receivable, including receivables from major customers. The Company

places its cash equivalents with a high credit quality financial institution. The Company periodically maintains cash balances at a commercial bank in the excess of the Federal Deposit Insurance Corporation insurance limit of $250,000. At April 30, 2012 and 2011, the Company’s uninsured cash balance was $0. 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 amount of cash and cash equivalents, investments and other long-term liabilities approximates fair value at April 30, 2012 and July 31, 2011. The carrying value of all other financial instruments potentially subject to valuation risk, principally consisting of accounts receivable and accounts payable, also approximates 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 2007.

**Note 3. Recently Issued Accounting Pronouncements**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs”. The amendments result in common fair value measurement and disclosure requirements in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs), and do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices. The amendments in this update are effective during interim and annual periods beginning after December 15, 2011. Adoption of the new requirement in the current quarter did not have an effect on the Company’s financial position, results of operations or cash flow.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income”. In this update, FASB eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity. The amendments require that all non-owner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this update are effective for fiscal years, and interim periods within these years, beginning after December 15, 2011. Adoption of the new requirement is not expected to have an effect on the Company’s financial position, results of operations or cash flow.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350). ASU No. 2011-08 redefines the approach to goodwill impairment testing by providing companies with the option to qualitatively evaluate the likelihood of impairment before proceeding to Step 1 of the impairment test (i.e. comparison of the fair value of a reporting unit to its carrying value). The amendment also provides more guidance on the types of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued, or for nonpublic entities, that have not been made available for issuance. Adoption of the new requirement is not expected to have an effect on the Company's financial position, results of operations, cash flow and the annual goodwill impairment test.

**Note 4. Intellectual Property**

Intellectual property consisted of the following:

| | April 30, 2012 | July 31, 2011 |
|---|---|---|
| OptiChem® Technologies | $4,454,538 | $4,454,538 |
| Patents | 660,988 | 604,792 |
| Trademarks | 49,018 | 49,018 |
| Total intellectual property | 5,164,544 | 5,108,348 |
| Accumulated amortization | (2,513,184) | (2,320,339) |
| Net intellectual property | $2,651,360 | $2,788,009 |

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 $192,845 and $189,860, respectively, for the nine months ended April 30, 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.

**Note 5. Research and Option Agreement and License and Supply Agreements**

The Company originally signed a licensing agreement for microarraying slides using OptiChem® coatings with Schott Jenear 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 (Jena, Germany) 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 with the other

company being Nanosphere.

The new agreement extends the non-exclusive license through November 24, 2014. SCHOTT paid the Company $150,000, with $50,000 being a one time license fee and $100,000 being nonrefundable prepaid royalties. Royalties consist of 5% of SCHOTT'S net product sales. For medical applications, SCHOTT agrees to refer individual customers directly to Accelr8 for licensing if annual purchases by a customer exceed 20,000 units.

On October 5, 2007, the Company additionally 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 June 14, 2010, the Company entered into an Evaluation Agreement and Letter of Intent with Novartis Vaccines and Diagnostics, Inc. ("Novartis") for a technical evaluation project with the Company's BACcel™ rapid diagnostic technology. Under the agreements with Novartis, Accelr8 received technical development fees of $ 842,408 during the fiscal year ended July 31, 2011 and $140,000 in the quarter ended October 31, 2011. The evaluation agreement with Novartis expired on September 30, 2011 without Novartis exercising its option for licensing the Company's BACcel™ system intellectual property. During the nine months ended April 30, 2012 and 2011, total revenues from Novartis were $140,000 and $734,908 respectively.

On July 9, 2010, the Company entered into a non-exclusive patent-life OptiChem® license with Nanosphere, Inc. The license grants to Nanosphere the right to apply OptiChem® coatings to Nanosphere's proprietary analytical products. The products may include FDA-regulated diagnostics devices, unlike other current licensees. Pursuant to the license agreement, Nanosphere paid the Company a nonrefundable first-year fee of $150,000 plus a $15,000 technology transfer fee. On each anniversary of the agreement date, Nanosphere will 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 policy and generally accepted accounting policies, all of the amounts due from Nanosphere have been recognized as OptiChem® revenue during the fiscal year ended July 31, 2010. During the fiscal years ended July 31, 2011 and 2010, total revenues from Nanosphere were $0 and $1,842,596, respectively or 0% and 82.05% of total revenues.

**Note 6. Employee Stock Based Compensation**

On April 30, 2012, there were Common Stock options outstanding at prices ranging from $0.73 to $4.50 with expiration dates between May 6, 2011 and April 19, 2022. For the nine months ended April 30, 2012 and 2011, stock options exercisable into 985,000 and 1,010,000 shares of Common Stock, respectively, were not included in the computation of diluted earnings per share because their effect was antidilutive.

Accelr8 Technology Corporation 9

For the nine month periods ended April 30, 2012 and 2011, 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 nine months ended April 30, 2012 and 2011: no dividend yield; risk free interest rate of 2.37% to 5%; expected life of 3-10 years; and expected volatility of 44% to 134%. The weighted average remaining contractual life of options outstanding at April 30, 2012 and 2011 was 2.67 and 4.40 years, respectively.

As of April 30, 2012, and 2011, the total unrecognized share-based compensation cost related to unvested stock options was $0. For the nine month period ended April 30, 2012 and 2011, the Company recognized $59,256 and $347,614, respectively in stock based compensation costs related to the issuance to employees and directors.

**Note 7. Securities Purchase Agreement.**

On April 20, 2012, the Company entered into a Securities Purchase Agreement with Abeja Ventures, LLC (“Investor”) pursuant to which the Company agreed to sell and issue to Investor (1) 14,000,000 shares of the Company’s common stock at a purchase price of $1.03 per share for an aggregate purchase price of $14,420,000 (the “Purchase Price”); (2) a warrant to purchase 7,000,000 shares of the Company’s common stock at an exercise price of $1.03 per share; and (3) another warrant to purchase 7,000,000 shares of the Company’s common stock at an exercise price of $2.00 per share, with each warrant exercisable prior to the fifth anniversary of the closing of the transactions contemplated by the Securities Purchase Agreement (collectively, the “Investment”).

Under the terms of the Securities Purchase Agreement, the shares of the Company’s common stock, and the warrants to purchase additional shares of the Company’s common stock, to be issued and purchased in the Investment, and the shares of the Company’s common stock issuable upon exercise of the warrants (collectively, the “Securities”), will be issued in a transaction not involving any public offering and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”).

In connection with the closing of the Investment, the Company will enter into a Registration Rights Agreement with Investor pursuant to which the Investor and certain other parties will be granted certain demand and piggy-back registration rights, including for shelf registrations, with respect to the resale of the securities to be issued in connection with the Investment (the “Securities”).

Accelr8 Technology Corporation 10

The closing of the Investment is subject to certain conditions, including the Company's receipt of all required approvals from the Company's stockholders, the NYSE Amex Stock Market and other third parties. In particular, the closing is conditioned upon the Company's receipt of the requisite stockholder approval to increase the number of authorized shares of the Company's common stock to cover the Securities (the "Charter Amendment"). Under Section 7-110-103 of the Colorado Business Corporation Act, the Charter Amendment is required to be approved by holders of at least a majority of the shares present in person or by proxy at a meeting of the stockholders at which a quorum is present. In addition, under Section 713 of the NYSE Amex Company Guide, the issuance of the Securities must be approved by holders of at least a majority of the shares present in person or by proxy at a meeting of the stockholders at which a quorum is present.

Under the terms of the Securities Purchase Agreement, the Company is required to promptly file with the Securities and Exchange Commission (the "SEC") and mail to its stockholders of record a Definitive Proxy Statement on Schedule 14A relating to a special meeting of the Company's stockholders (the "Special Meeting"), which is scheduled to be held on June 26, 2012 for the purpose of, among other things, approving the Investment and the Charter Amendment as well as certain related matters to be set forth and described in detail in such Definitive Proxy Statement on Schedule 14A.

Certain stockholders of the Company, holding approximately 32% of the Company's issued and outstanding shares of common stock, have entered into Voting Agreements with Investor pursuant to which they have agreed to vote their shares in favor of the Securities Purchase Agreement, the Investment and the transactions contemplated thereby and certain related matters.

Pursuant to the Securities Purchase Agreement, the Company is required to pay the Investor a break-up fee equal to two percent of the equity value of the Company if (i) the Investor terminates the Securities Purchase Agreement because the Board (a) changes its recommendation to the shareholders to approve the transactions contemplated by the Securities Purchase Agreement (the "Company Board Recommendation"), (b) refuses to confirm the Company Board Recommendation when a takeover proposal from a person other than the Investor is announced, or (c) does not oppose a takeover proposal from a person other than the Investor, or (ii) the Company terminates the Securities Purchase Agreement because, prior to the Company's stockholders approving the Securities Purchase Agreement, the Board authorizes the Company to enter into a alternative transaction that is superior to the Securities Purchase Agreement.

Accelr8 Technology Corporation 11

Additionally, pursuant to the Securities Purchase Agreement, the Company is required to pay the Investor a break-up fee equal to two percent of the equity value of the Company if (i) the Investor terminates the Securities Purchase Agreement because the Company breaches any representation, warrant or covenant and the stockholders did not approve the Securities Purchase Agreement at the Stockholders Meeting or (ii) the Company or Investor terminates the Securities Purchase Agreement (A) because the Securities Purchase Agreement did not close by July 2, 2012, as may be extended pursuant to the terms of the Securities Purchase Agreement, and the Company's stockholders did not approve the Securities Purchase Agreement or (B) because the Company's stockholders did not approve the Securities Purchase Agreement at the Special Meeting, provided that prior to such terminations described in clauses (i) and (ii) of this paragraph, a takeover proposal from a person other than the Investor has been publicly disclosed or communicated to the Company or Board and not withdrawn and within 12 months following the termination of the Securities Purchase Agreement the Company enters into a definitive agreement with respect to such takeover proposal.

The payment of the foregoing break-up fees is subject to certain exceptions set forth in the Securities Purchase Agreement.

In addition to the termination rights described above, the Securities Purchase Agreement provides for certain other termination rights in favor of the Company and Investor.

In connection with the Securities Purchase Agreement, the current members of the Board, other than Thomas Geimer, intend to resign and the Board proposes to appoint Jack Schuler, John Patience, and Lawrence Mehren, to the Board, effective as of the closing of the Investment. Also in connection with the Securities Purchase Agreement, the officers of the Company will resign, including Thomas Geimer and Lawrence Mehren will be appointed Chief Executive Officer, effective as of the closing of the Investment.

**Note 8. Subsequent Event.**

On May 15, 2012, the Company and Denver Health received notice that the Defense Medical Research and Development Program (DMRDP) recommended $2 million funding of a proposed 35-month project submitted jointly by Denver Health and Accelr8. The DMRDP solicited proposals to "advance state-of-the-art solutions for world-class medical care."

The joint proposal became the sole recipient under the Military Infectious Diseases Applied Research Award (MID-ARA) program for rapid detection of serious antibiotic-resistant infections.

The project will apply the Company's BACcel™ same-shift rapid diagnostic system to wound infections and other serious infections secondary to trauma. The intended scope encompasses the full range from battlefield injuries at Level III field hospitals through post-rehabilitation care, and medical care for veterans and their dependents. The MID-ARA program's purpose is "… to accelerate the transition of medical technologies into deployed products; and to accelerate the translation of advances in knowledge into new standards of care in multiple military-relevant areas."

**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 find a long term strategic partner to assist in developing, manufacturing and taking the BACcel™ 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 continue as a going concern, 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, 2011, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Accelr8 Technology Corporation 13

**Overview**

Our vision is to develop and commercialize an innovative, integrated system to rapidly identify bacteria and their mechanisms of antibiotic resistance in critically ill patients. Our business strategy for primary products in vertical markets is to prove the validity of our technology and recruit an industry leader as a commercial partner or licensee. We also plan to spin off specific OEM technology components through additional licensed applications that do not compete with our platform licensees.

We envision our continuing role as licensor and alliance partner as one of leading the technical development of new technology, validating the application methods, expanding platform applications, and integrating additional capabilities into our proprietary platforms.

Since 2007, 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 8 hours, rather than the 2-3 days now required. Rapid testing would provide guidance in time to influence initial therapy from the first day.

The BACcel™ system applies our proprietary technology to eliminate time-consuming bacterial culturing, thus eliminating the major source of delay with current testing methods. Proprietary technologies include our patented analytical methods, and our patented OptiChem® surface coatings. The BACcel™ system includes a fixed instrument and proprietary single-use (disposable) test cassettes. Each cassette tests a single patient specimen and then must be discarded.

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

Based on data obtained during development, Management believes 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 2 hours after receiving a specimen. Management believes that the BACcel™ system will then additionally report major categories of antibiotic resistance mechanism present for each type of organism within a total of 4-6 hours after receiving a specimen. The clinical purpose is to narrow the drug choices available for initial therapy by rapidly reporting

presumptive identification and major resistance types, thus ruling out antibiotic classes that are most likely to fail.

Management believes that the BACcel™ system is the only new diagnostic technology under development that will address a clinically adequate range of species and antibiotic resistance mechanisms needed to help manage critical infectious diseases. Management also believes that other rapid technologies, such as gene detection, are better suited to screening non-infected carriers of a small number of species and resistance mechanisms, but are too limited to compete with the BACcel™ platform for managing infected and especially critically ill ICU patients.

During the nine months ended April 30, 2012 the Company applied the latest prototype version of the automated BACcel(tm) system to define technical specifications needed for product design and market launch in international clinical markets and research markets in the US.

Accelr8 also began to expand the diagnostic scope of the BACcel™ system with studies on additional specimen types and medical indications. In particular, the Company began studies for rapid analysis of positive blood cultures. Feasibility studies showed that the BACcel™ system has the potential to reduce the typical 3-4 day turnaround time for cultures to second-day results.

In addition, the Company demonstrated feasibility for an innovative specimen preparation method that can reduce specimen handling time from 45 minutes to 10 minutes. The new BAC-Xtrax™ technology can be fully automated and integrated into the BACcel™ system for full “specimen-to-answer” performance. The BAC-Xtrax™ technology could also enable a stand-alone product for hospital and research labs and integrate into other analytical platforms.

The Company received notice of abstract acceptance to make two technical presentations at the annual General Meeting of the American Society for Microbiology on June 17, 2012. One of the presentations, co-authored with investigators at Denver Health, will disclose rapid analysis in positive blood cultures of a complex, major type of antibiotic resistance known as "extended-spectrum beta-lactamase" or "ESBL." This resistance phenotype has proven problematic in hospital laboratories and is continually increasing in prevalence. The second presentation will describe performance of the BAC-Xtrax™ rapid specimen preparation method that Accelr8 has now demonstrated in its automated laboratory prototype. The BAC-Xtrax™ preparation method is the subject of a new patent filed during the 9-month period.

On June 14, 2010, the Company entered into an Evaluation Agreement and Letter of Intent with Novartis for a technical evaluation project with the Company’s BACcel™ rapid diagnostic technology. . Under the agreements with Novartis, Accelr8 received technical development fees of $ 842,408 during the fiscal year ended July 31, 2011 and $140,000 in the quarter ended October 31, 2011. The evaluation agreement with Novartis expired on September 30, 2011 without Novartis exercising its option for licensing the Company’s BACcel™ system intellectual property.

Accelr8 Technology Corporation 15

On April 20, 2012, the Company entered into a Securities Purchase Agreement with Abeja Ventures, LLC ("Investor") pursuant to which the Company agreed to sell and issue to Investor (1) 14,000,000 shares of the Company's common stock at a purchase price of $1.03 per share for an aggregate purchase price of $14,420,000 (the "Purchase Price"); (2) a warrant to purchase 7,000,000 shares of the Company's common stock at an exercise price of $1.03 per share; and (3) another warrant to purchase 7,000,000 shares of the Company's common stock at an exercise price of $2.00 per share, with each warrant exercisable prior to the fifth anniversary of the closing of the transactions contemplated by the Securities Purchase Agreement (collectively, the "Investment"). See Note 7 to the condensed financial statements, above.

The purpose is to complete the product development and market introduction of the Company's BACcel™ culture-free, diagnostic system for same-shift identification and antibiotic resistance testing of bacterial and fungal pathogens. Subsequent to shareholder approval and closing, Larry Mehren will become CEO and David Howson will become the Chief Scientific Officer of the Company.

**Recently Issued Accounting Pronouncements**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". The amendments result in common fair value measurement and disclosure requirements in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs), and do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices. The amendments in this update are effective during interim and annual periods beginning after December 15, 2011. Adoption of the new requirement in the current quarter did not have an effect on the Company's financial position, results of operations or cash flow.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income". In this update, FASB eliminated the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this update are effective for fiscal years, and interim periods within these years, beginning after December 15, 2011. Adoption of the new requirement is not expected to have an effect on the Company's financial position, results of operations or cash flow.

Accelr8 Technology Corporation 16

In September 2011, the FASB issued ASU No. 2011-08, Intangibles – Goodwill and Other (Topic 350). ASU No. 2011-08 redefines the approach to goodwill impairment testing by providing companies with the option to qualitatively evaluate the likelihood of impairment before proceeding to Step 1 of the impairment test (i.e. comparison of the fair value of a reporting unit to its carrying value). The amendment also provides more guidance on the types of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued, or for nonpublic entities, that have not been made available for issuance. Adoption of the new requirement is not expected to have an effect on the Company's financial position, results of operations, cash flow and the annual goodwill impairment test.

**Changes in Results of Operations: three months ended April 30, 2012 compared to three months ended April 30, 2011.**

During the three months ended April 30, 2012, OptiChem(R) revenues were $13,207 as compared to $25,772 during the three month period ended April 30, 2011, a decrease of $12,565 or 48.8%. The decrease was due to the decreased royalties earned from sales of slides H and HS sold by Schott .

Technical development fees during the three-month period ended April 30, 2012 were $0 as compared to $214,500 during the three-month period ended April 30, 2011, a decrease of $214,500 or 100%. The decrease in technical development fees were the result of the Evaluation Agreement and the Letter of Intent, each as amended, with Novartis which expired on September 30, 2011.

Research and development expenses for the three months ended April 30, 2012 were $109,860 as compared to $126,918 during the three months ended April 30, 2011, a decrease of $17,058 or 13.4%. This decrease was primarily due to decreased laboratory supplies totaling $23,883.

During the three months ended April 30, 2012, general and administrative expenses were $248,207 as compared to $181,881 during the three months ended April 30, 2011, an increase of $66,326 or 36.7%. The increase was primarily due to an increase in stock based and deferred compensation costs totaling $97,793.

Accelr8 Technology Corporation 17

The increase in amortization was negligible for the three months ended April 30, 2012 as compared to the three month period ended April 30, 2011.

Marketing and sales expenses for the three months ended April 30, 2012 were $344 as compared to $1,246 during the three months ended April 30, 2011, a decrease of $902. Marketing related charges consist of costs incurred to attend business meetings.

Depreciation for the three months ended April 30, 2012 was $516 as compared to $599 during the three months ended April 30, 2011, a decrease of $83 or 13.86%. The decreased depreciation was the result of assets becoming fully depreciated, coupled with no new purchases of on-site lab equipment during the quarter ended April 30, 2012.

As a result of the above factors, loss from operations for the three months ended April 30, 2012 was $410,217 as compared to a loss of $133,835 during the three months ended April 30, 2011, an increased loss of $276,382 or 206.5%.

Interest and dividend income during the three months ended April 30, 2012 was $4,061 as compared to $4,077 during the three months ended April 30, 2011, a decrease of $16 Interest income decreased primarily as a result of the interest that accrued on the Company’s long term receivable.

An unrealized holding gain on investments held in the deferred compensation trust for the three months ended April 30, 2012 was $17,773 as compared to an unrealized gain of $5,764 during the three months ended April 30, 2011, an increase of $12,009 or 208.3%. The change was a result of market fluctuations in the price of marketable securities held in the deferred compensation trust for employee benefit.

As a result of these factors, net loss for the three months ended April 30, 2012 was $388,383 as compared to $123,994 during the three months ended April 30, 2011, an increased loss of $264,389 or 213.2%.

**Changes in Results of Operations: Nine months ended April 30, 2012 compared to nine months ended april 30, 2011**.

During the nine months ended April 30, 2012, OptiChem(R) revenues were $33,543 as compared to $40,813 during the nine month period ended April 30, 2011, a decrease of $7,270 or 17.8%. The decrease was due to reduced royalties earned from sales of slides H and HS sold by Schott. Of the $33,543 of OptiChem(R) revenues, $16,343 was applied toward deferred revenue from pre-paid royalties.

Technical development fees during the nine-month period ended April 30, 2012 were $140,000 as compared to $734,908 during the nine-month period ended April 30, 2011, a decrease of $594,908 or 81%. Technical development fees were the result of the Evaluation Agreement and the Letter of Intent, each as amended, with Novartis which expired on September 30, 2011.

During the nine months ended April 30, 2011, the Company received a grant in the amount of $244,479 as part of a new Internal Revenue Code 48D program created by the Patient Protection and Affordable Care Act. No such grants were obtained during the nine months ended April 30, 2012.

Research and development expenses for the nine months ended April 30, 2012 were $302,900 as compared to $345,602 during the nine months ended April 30, 2011, a decrease of $42,702 or 12.4%. This decrease was primarily the result of a reduction in laboratory wages and laboratory supplies and other research and development costs associated with the Novartis evaluation agreement.

During the nine months ended April 30, 2012, general and administrative expenses were $905,453 as compared to $606,693 during the nine month period ended April 30, 2011, an increase of $298,760 or 49.2%. The increase was primarily due to stock based and deferred compensation costs.

Marketing and sales expenses for the nine months ended April 30, 2012 were $4,560 as compared to $7,739 during the nine months ended April 30, 2011, a decrease of $3,179 or 41.1%. The decreased marketing and sales expenses were primarily due to lower travel related costs in connection with industry conferences and other travel expenses.

Depreciation for the nine months ended April 30, 2012 was $1,546 as compared to $1,797 during the nine months ended April 30, 2011, a decrease of $251 or 13.9%. The decreased depreciation was the result of some assets becoming fully depreciated, coupled with no new purchases of lab equipment during the nine months ended April 30, 2011As a result of the above factors, loss from operations for the nine months ended April 30, 2012 was $1,183,761 as compared to a loss of $131,491 during the nine months ended April 30, 2011, an increase of $1,052,270 or 800.3%.

Investment and dividend income during the nine months ended April 30, 2012 was $11,898 as compared to $11,481 during the nine months ended April 30, 2011 an increase of $417 or 3.6%. Interest income increased primarily as a result of the interest that accrued on the Company’s long term receivable.

Gain on the sale of equipment was the result of the sale of certain laboratory equipment for $1,000 during the nine months ended April 30, 2012 that was not present during the nine months ended April 30, 2011.

An unrealized holding gain on investments held in the deferred compensation trust for the nine months ended April 30, 2012 was a gain of $29,017, as compared to a gain of $36,907 for the nine months ended April 30, 2011, a

decreased gain of $7,890 or 21.4%. The change was the result of market fluctuations in the price of marketable securities held in the deferred compensation trust for employee benefit.

As a result of these factors, net loss for the nine months ended April 30, 2012 was $1,141,846 as compared to $83,013 during the nine months ended April 30, 2011.

**Capital Resources and Liquidity**

During the nine months ended April 30, 2012 we did not generate positive cash flows from operating activities.

At April 30, 2012, as compared to July 31, 2011, cash and cash equivalents decreased by $562,861 from $775,856 to $212,995, or approximately 72.54% and the Company's working capital decreased $672,734 or 49.7% from $1,353,499 to $680,765. During the same period, shareholders' equity decreased from $4,815,476 to $4,021,254.

The net cash used in operating activities was $431,665 during the nine months ended April 30, 2012 compared to cash provided by operating activities of $211,056 during the nine months ended April 30, 2011. The principal element that gave rise to the decrease of cash used in operating activities was the net loss of $1,141,846 adjusted by items not currently requiring the use of cash such as depreciation, amortization, stock based compensation totaling $507,269 and other changes in accruals totaling $202,912.

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

Notwithstanding our investments in research and development, there can be no assurance that the BACcel(TM) system or any of our other products will be successful, or even if they are successful, will provide sufficient revenues to continue our current operations.

Our working capital requirements are expected to increase in line with the growth of our business. We have no lines of credit or other bank or off balance sheet financing arrangements.

On April 20, 2012, the Company entered into a Securities Purchase Agreement with Abeja Ventures, LLC (“Investor”) pursuant to which the Company agreed to sell and issue to Investor (1) 14,000,000 shares of the Company’s common stock at a purchase price of $1.03 per share for an aggregate purchase price of $14,420,000 (the “Purchase Price”); (2) a warrant to purchase 7,000,000 shares of the Company’s common stock at an exercise price of $1.03 per share; and (3) another warrant to purchase 7,000,000 shares of the Company’s common stock at an exercise price of $2.00 per share, with each warrant exercisable prior to the fifth anniversary of the closing of the transactions contemplated by the Securities Purchase Agreement (collectively, the “Investment”). See Note 7 above.

The Company anticipates this Investment will occur on or about June 26, 2012. Subject to the receipt of the Investment, management believes that current cash balances plus cash flow from operations will be sufficient to fund our capital and liquidity needs for the foreseeable future. However, the closing on the Investment is subject to certain conditions to closing that have not yet occurred and there can be no assurance that they will occur. If the Company did not close on the Investment, it would not have sufficient capital to fund its capital and liquidity needs for the next 12 months and we would be required to obtain additional capital through the issuance of debt or equity securities or other means to execute our plans. There can be no assurance that such capital would be available in sufficient amounts or on terms acceptable to us, if at all.

Any additional issuances of equity or convertible debt securities in the future, including but not limited to the exercise of the warrants issued in connection with the Investment, 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 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 April 30, 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. Mr. Geimer also confirmed that there was no change in the Company's internal control over financial reporting during the quarter ended April 30, 2012.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

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Not Applicable.

**Item 1A. Risk Factors**

Not Applicable.

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

Not Applicable.

**Item 3. Defaults upon Senior Securities**

Not applicable.

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

None.

**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. |

Accelr8 Technology Corporation 22

**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:* *ACCELR8 TECHNOLOGY CORPORATION*

June 13, 2012 /s/ Thomas V. Geimer
Thomas V. Geimer, Secretary,
Chief Executive Officer and
Chief Financial Officer

June 13, 2012 /s/ Bruce H. McDonald
Bruce H. McDonald, Principal
Accounting Officer