CAMTEK LTD
Form 6-K
September 21, 2018

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

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

For the Month of September 2018

CAMTEK LTD.
(Translation of Registrant's Name into English)

Ramat Gavriel Industrial Zone
P.O. Box 544
Migdal Haemek 23150
ISRAEL
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities and Exchange Act of 1934.

Yes No

SIGNATURE

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.

CAMTEK LTD.
(Registrant)

By: /s/ Moshe Eisenberg

Moshe Eisenberg,
Chief Financial Officer
Dated: September 21, 2018

Camtek Ltd.
and its Subsidiaries

Interim Condensed Consolidated
Financial Statements
As of June 30, 2018
(Unaudited)

Camtek Ltd. and its Subsidiaries

Interim Unaudited Condensed Consolidated Financial Statements as at June 30, 2018

Contents

Camtek Ltd. and its Subsidiaries
Interim Unaudited Condensed Consolidated Balance Sheets

(In thousands)

	Note	June 30, 2018	December 31, 2017
		U.S. Dollars (in thousands)	
Assets			
Current assets			
Cash and cash equivalents	5A	41,204	43,744
Trade accounts receivable, net		32,278	23,153
Inventories	5B	23,693	21,336
Other current assets	5C	2,769	3,215
Total current assets		99,944	91,448
Property, plant and equipment, net	5D	15,731	15,503
Long term inventory	5B	1,466	1,383
Deferred tax assets		3,308	4,067
Other assets, net		153	153
Intangible assets, net	5E	480	482
		5,407	6,085
Total assets		121,082	113,036
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable		15,174	10,502
Other current liabilities	5F	16,552	17,395
Total current liabilities		31,726	27,897
Long term liabilities			
Liability for employee severance benefits		870	838
		870	838
Total liabilities		32,596	28,735
Shareholders' equity			
Ordinary shares NIS 0.01 par value, 100,000,000 shares authorized at June 30, 2018 and at December 31, 2017; 38,277,165 issued shares at June 30, 2018 and 37,924,507 at December 31, 2017;			

36,184,789 shares outstanding at June 30, 2018 and 35,832,131 at December 31, 2017;	3	149	149
Additional paid-in capital		79,820	78,437
Retained earnings		10,415	7,613
		90,384	86,199
Treasury stock, at cost (2,092,376 as of June 30, 2018 and December 31, 2017)		(1,898)	(1,898)
Total shareholders' equity		88,486	84,301
Total liabilities and shareholders' equity		121,082	113,036

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

Camtek Ltd. and its Subsidiaries

Interim Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share data)

	Note	Six months ended June 30, 2018	2017	Three months ended June 30, 2018	2017	Year ended December 31, 2017
		U.S. dollars		U.S. dollars		U.S. dollars
Revenues		57,736	43,828	30,462	22,682	93,485
Cost of revenues		29,840	22,384	15,563	11,527	47,966
Gross profit		27,896	21,444	14,899	11,155	45,519
Research and development costs		6,955	6,852	3,406	3,413	13,534
Selling, general and administrative expenses	6A	12,664	11,159	6,775	5,754	22,022
Expenses from settlement	9A	-	13,000	-	13,000	13,000
		19,619	31,011	10,181	22,167	48,556
Operating income (loss)		8,277	(9,567)	4,718	(11,012)	(3,037)
Financial income (expenses), net	6B	436	(209)	146	(56)	(150)
Income (loss) from continuing operations before taxes		8,713	(9,776)	4,864	(11,068)	(3,187)
Income tax benefit (expense)		(848)	5,364	(533)	5,404	4,875
Net income (loss) from continuing operations		7,865	(4,412)	4,331	(5,664)	1,688
Discontinued operations *						
Income from discontinued operations						
Income before tax benefit (expense)		-	4,339	-	1,981	18,302
Income tax benefit (expense)		-	(505)	-	(194)	(6,028)
Income from discontinued operation		-	3,834	-	1,787	12,274
Net income (loss)		7,865	(578)	4,331	(3,877)	13,962

* The financial position of the PCB business is presented as discontinued operations. See also Note 1.

Camtek Ltd. and its Subsidiaries

Interim Unaudited Condensed Consolidated Statements of Operations (contd.)

Net income (loss) per ordinary share:

	Note	Six months ended June 30, 2018	2017	Three months ended June 30, 2018	2017	Year ended December 31, 2017
		U.S. dollars		U.S. dollars		U.S. dollars
Basic earnings (losses) from continuing operation		0.22	(0.12)	0.12	(0.16)	0.05
Basic earnings from discontinued operation		-	0.11	-	0.05	0.35
Basic net earnings (losses)		0.22	(0.02)	0.12	(0.11)	0.40
Diluted earnings (losses) from continuing operation		0.22	(0.12)	0.12	(0.16)	0.05
Diluted earnings from discontinued operations		-	0.11	-	0.05	0.34
Diluted net earnings (losses)		0.22	(0.02)	0.12	(0.11)	0.39
Weighted average number of ordinary shares outstanding (in thousands):						
Basic		36,050	35,359	36,090	35,369	35,441
Diluted		36,512	35,359	36,632	35,369	35,964

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

Camtek Ltd. and its Subsidiaries

Interim Unaudited Condensed Consolidated Statements of Shareholders' Equity

	Ordinary Shares NIS 0.01 par value		Number of Treasury	Additional paid-in	Retained earnings (accumulated	Treasury	Total shareholders'
	Number of	U.S. Dollars	Shares	capital	losses)	stock	equity
	Shares	(in thousands)	U.S. Dollars (in thousands)				
Balances at December 31, 2016	37,440,552	148	(2,092,376)	76,463	(1,348)	(1,898)	73,365
Share-based compensation expense	-	-	-	634	-	-	634
Exercise of share options and RSUs	483,955	1	-	1,340	-	-	1,341
Dividend	-	-	-	-	(5,001)	-	(5,001)
Net income	-	-	-	-	13,962	-	13,962
Balances at December 31, 2017	37,924,507	149	(2,092,376)	78,437	7,613	(1,898)	84,301
Share-based compensation expense	-	-	-	394	-	-	394
Exercise of share options	352,658	*	-	989	-	-	989
Dividend	-	-	-	-	(5,063)	-	(5,063)
Net income	-	-	-	-	7,865	-	7,865
Balances at June 30, 2018	38,277,165	149	(2,092,376)	79,820	10,415	(1,898)	88,486

* Less than $1 thousand

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

Camtek Ltd. and its Subsidiaries

Interim Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2018	2017	2018	2017	2017
	U.S. dollars		U.S. dollars		U.S. dollars
Cash flows from operating activities:					
Net income (loss)	7,865	(578)	4,331	(3,877)	13,962
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	962	1,016	471	520	2,122
Deferred tax expense (benefit)	759	(5,470)	526	(5,470)	6
Share based compensation expense	394	229	249	114	634
Loss on disposal of fixed assets	324	-	24	-	-
Changes in operating assets and liabilities:					
Trade accounts receivable, net	(9,363)	1,027	(8,944)	(1,744)	(484)
Inventories	(2,845)	(4,655)	(1,983)	(2,145)	(5,323)
Due (to) from affiliates, net	346	(385)	24	(318)	(699)
Other current assets	100	533	17	1,126	(378)
Trade accounts payable	4,672	2,211	2,660	(36)	198
Other current liabilities	(843)	1,586	1,655	1,486	2,673
Liability in respect of settlement	-	13,000	-	13,000	-
Liability for employee severance benefits, net	32	261	(15)	61	171
Net cash provided by (used in) operating activities of continued operations	2,403	8,775	(985)	2,717	12,882
Cash provided by (used in) operating activities of discontinued operations	-	948	-	1,087	(11,247)
Net cash provided by (used in) operating activities	2,403	9,723	(985)	3,804	1,635
Cash flows from investing activities:					
Proceeds from disposal of fixed assets	76	-	76	-	-
Purchase of fixed assets	(1,148)	(2,152)	(836)	(974)	(3,138)
Purchase of intangible assets	(35)	(20)	(10)	(13)	(84)
Net cash used in investing activities from continuing operations	(1,107)	(2,172)	(770)	(987)	(3,222)

The 1996 Stock Option Plans

The Board of Directors of the Company has adopted an incentive stock option plan (the "Qualified Plan") which provides for the grant of options to purchase an aggregate of not more than 700,000 shares of the Company's Common Stock. The purpose of the Qualified Plan is to make options available to management and employees of the Company in order to provide them with a more direct stake in the future of the Company and to encourage them to remain with the Company. The Qualified Plan provides for the granting to management and employees of "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code").

The Board of Directors of the Company has adopted a non-qualified stock option plan (the "Non-Qualified Plan") which provides for the grant of options to purchase an aggregate of not more than 300,000 shares of the Company's Common Stock. The purpose of the Non-Qualified Plan is to provide certain key consultants, independent contractors, technical advisors and directors of the Company with options in order to provide additional rewards and incentives for contributing to the success of the Company. These options are not incentive stock options within the meaning of Section 422 of the Code.

The Qualified Plan and the Non-Qualified Plan (the "Stock Option Plans") are administered by a committee (the "Committee") appointed by the Board of Directors which determines the persons to be granted options under the Stock Option Plans and the number of shares subject to each option. No options granted under the Stock Option Plans are transferable by the optionee other than by will or the laws of descent and distribution and each option is exercisable, during the lifetime of the optionee, only by such optionee. Any options granted to an employee terminate 90 days after his ceasing to be an employee, except in limited circumstances, including death of the employee, and where the Committee deems it to be in the Company's best interests not to terminate the options.

The exercise price of all incentive stock options granted under the Qualified Plan must be equal to the fair market value of such shares on the date of grant as determined by the Committee, based on guidelines set forth in the Qualified Plan. The exercise price may be paid in cash or (if the Qualified Plan shall meet the requirements of rules adopted under the Exchange Act) in Common Stock or a combination of cash and Common Stock. The term of each option and the manner in which it may be exercised will be determined by the Committee, subject to the requirement that no option may be exercisable more than 10 years after the date of grant. With respect to an incentive stock option granted to a participant who owns more than 10% of the voting rights of the Company's outstanding capital stock on the date of grant, the exercise price of the option must be at least equal to 110% of the fair market value on the date of grant and the option may not be exercisable more than five years after the date of grant.

The Stock Option Plans were approved by our shareholders at a special shareholders meeting held on November 8, 1996. At the annual meeting of shareholders held on December 12, 2002, shareholders approved the following amendments to the Qualified Plan and the Non-Qualified Plan: (i) the Committee was given the power to amend and alter the Qualified Plan and the Non-Qualified Plan so long as the amendments do not affect any outstanding options; (ii) provide that any shares cancelled, terminated, or expired pursuant to the Qualified Plan and the Non-Qualified Plan be made available for purposes of the Qualified Plan and the Non-Qualified Plan; (iii) provide that the cashless exercise provision of the Qualified Plan and the Non-Qualified Plan be in the sole discretion of the Committee; and (iv) extended the expiration date of the Qualified Plan and the Non-Qualified Plan until December 12, 2012.

As of July 31, 2010, 759,000 options had been granted pursuant to the Qualified Plan with 117,500 of these options exercised, 231,500 options that expired, leaving 172,500 available for grant and 350,000 options had been granted pursuant to the Non-Qualified Plan with 125,000 of these options exercised, 80,000 options that expired, 50,000 that were cancelled and 60,000 available for grant.

2004 Omnibus Stock Option Plan

On December 14, 2004, the shareholders approved the Company's 2004 Omnibus Stock Option Plan (the "Omnibus Plan"). The Omnibus Plan authorizes the issuance of up to five hundred thousand (500,000) shares of the Company's Common Stock. The purpose of the Omnibus Plan is to promote the growth of the Company by permitting the Company to grant options ("Options") to purchase shares of its Common Stock, to attract and retain the best available personnel for positions of substantial responsibility and to provide certain key employees, independent contractors, consultants, technical advisors and directors of the Company with a more direct stake in the future of the Company and provide an additional incentive to contribute to the success of the Company.

The Omnibus Plan is administered by the Compensation Committee of the Board or any committee of the Board performing similar functions, as appointed from time to time by the Board (the "Omnibus Committee"). Pursuant to the terms of the Omnibus Plan, the Omnibus Committee may grant either "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") or nonqualified stock options, provided that incentive stock options may not be granted to independent contractors and consultants. The exercise price of all incentive stock options granted under the Omnibus Plan must be equal to the fair market value of such shares on the date of grant as determined by the Omnibus Committee, based on guidelines set forth in the Omnibus Plan. The exercise price of nonqualified stock options granted under the Omnibus Plan shall be not less than 50% of the fair market value of a share on the date of grant of such Option. The Omnibus Committee may grant on behalf of the Company, Options to purchase shares of the Company's Common Stock to any key employee, independent contractor, consultant, technical advisor or director.

As of July 31, 2010, 620,000 options had been granted pursuant to the Omnibus Plan with 5,000 of these options exercised, 130,000 expired leaving 10,000 available for grant.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of September 13, 2010 by: (i) each person who is known by the Company to own beneficially more than 5% of the Company's outstanding Common Stock; (ii) each of the Company's executive officers and directors; and (iii) all executive officers and directors as a group. The calculation excludes 1,129,110 shares which are held by the Rabbi Trust for the benefit of Thomas V. Geimer. Further, Mr. Geimer does not have voting power over the shares that are held in the Rabbi Trust. Common Stock not outstanding but deemed beneficially owned by virtue of the right of an individual to acquire shares is treated as outstanding only when determining the amount and percentage of Common Stock owned by such individual. Except as noted, each person or entity has sole voting and sole dispositve power with respect to the shares shown:

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
Thomas V. Geimer (1)	407,032	4.1%
7000 North Broadway, Building 3-307		
Denver, Colorado 80221		
Charles E. Gerretson (2)	135,250	1.4%
7000 North Broadway, Building 3-307		
Denver, Colorado 80221		
John D. Kucera (3)	38,663	0.4%
7000 North Broadway, Building 3-307		
Denver, Colorado 80221		
David Howson (4)	302,600	3.0%
7000 North Broadway, Building 3-307		
Denver, Colorado 80221		
Executive Officers and Directors	883,545	8.6%
as a Group (4 persons)		
5% or greater shareholders		
	793,141	8.2%
Merrill Lynch & Co., Inc. (5)		

(1) Does not include 1,129,110 shares, which were purchased by Mr. Geimer upon exercise of warrants and options. Mr. Geimer exercised these options and warrants on October 14, 1997, and simultaneously contributed the shares acquired to a Rabbi Trust. See Note 7 to Financial Statements for further information. Includes 300,000 shares, which may be purchased by Mr. Geimer upon exercise of options.

(2) Includes: (i) 104,050 shares owned directly by Mr. Gerretson; (ii) 10,000 shares that may be purchased by Mr. Gerretson upon exercise of options which options expire on March 15, 2015, (iii) 10,000 shares that may be purchased by Mr. Gerretson upon exercise of options that expire on October 29, 2018 and (iv) 10,000 shares that may be purchased by Mr. Gerretson upon exercise of options that expire on December 17, 2019.

(3) Includes (i) 1,250 shares of the Company's no par value common stock held on behalf of Mr. Kucera's minor children in which Mr. Kucera has the power and authority to dispose of these shares and (ii) 10,000 shares that may be purchased by Mr. Gerretson upon exercise of options that expire on December 17, 2019.

(4) Includes 300,000 shares, which may be purchased by Mr. Howson upon exercise of options which options expire on March 15, 2015, of which 75,000 stock options shall vest if and only if prior to the expiration date of the Options, the Company closes on a transfer for the sale of the Company assets or the acquisition of the Company in which the Company's shareholders receive aggregate consideration at closing equal to or greater than $250,000,000.

(5) Upon consummation of the merger on January 1, 2009 by and between Bank of America Corporation ("BAC") and Merrill Lynch and Company (“MLCO”), MLCO became a wholly owned subsidiary of BAC, and BAC became the ultimate parent and controlling entity of MLCO and its subsidiaries.

Change in Control

We know of no arrangements, including the pledge of our securities by any person, that might result in a change in control.

Item 13. Certain Relationships and Related Transactions, and Director Independence

During fiscal year 1996, we established a deferred compensation plan for our employees. We may make discretionary contributions to the plan based on recommendations from the Board of Directors. As of July 31, 2010, the Board of Directors had authorized deferred compensation totaling $1,125,000 since fiscal year 1996 to Mr. Geimer of which $1,050,000 had been funded. The $75,000 representing the difference between the authorized deferred compensation and the funded deferred compensation has not been funded as of the date of this Annual Report.

There were no other transactions or series of transactions for the fiscal year ended July 31, 2010, nor are there any currently proposed transactions, or series of the same to which we are a party, in which the amount involved exceeds $60,000 and in which, to the knowledge of the Company, any director, executive officer, nominee, 5% shareholder or any member of the immediate family of the foregoing persons, have or will have a direct or indirect material interest.

Item 14. Principal Accountant Fees and Services

The aggregate fees billed by Comiskey & Company, P.C. for professional services rendered for the audit of the Company's annual consolidated financial statements for the years ended July 31, 2010 and 2009, including the reviews of the unaudited interim financial statements of the Company's Form 10-Q's was approximately $35,100 and $37,500, respectively.

Tax Fees

The aggregate fees billed by Comiskey & Company, P.C. for professional services rendered for the tax compliance, tax advice and tax planning for the fiscal years ended July 31, 2010 and 2009 ("Tax Fees") was $0 and $0, respectively.

All other Fees

Comiskey & Company, P.C. did not perform any professional services other than those set forth above for the fiscal years ended July 31, 2010 and 2009.

Audit Committee Pre-Approval Policies

The Audit Committee shall pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to any de minimus exceptions that may be set for non-audit services described in Section 10A(i)(l)(B) of the Exchange Act which are approved by the Committee prior to the completion of the audit.

None of the hours expended on the principal accountant's engagement to audit the Company's financial statements for the most recent fiscal year were attributed to work performed by persons other than the principal accountant's full-time permanent employees.

Item 15. Exhibits, Financial Statement Schedules

(a) Exhibits

10.1* Evaluation Agreement dated June 14, 2010 between Accelr8 Technology Corporation and a global diagnostics company

10.2* Letter of Intent dated June 14, 2010 between Accelr8 Technology Corporation and a global diagnostics company

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.

32.1 Certification of Principal Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Portions of these exhibits have been omitted and filed separately with the Office of the Secretary of the Securities and Exchange Commission pursuant to a confidential treatment request.

(b) Financial Statements

The following financial statements of the Company are included in Item 7:

Report of Independent Registered Public Accounting Firm Comiskey & Company, P.C.

Balance Sheets as of July 31, 2010 and 2009

Statements of Operations for the years ended July 31, 2010 and 2009

Statements of Stockholders' Equity for the years ended July 31, 2010 and 2009

Statements of Cash Flows for the years ended July 31, 2010 and 2009

Notes to Financial Statements

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

Date: September 15, 2010	By: /s/ David C. Howson David C. Howson, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date: September 15, 2010	By: /s/ Thomas V. Geimer Thomas V. Geimer, Chairman, Secretary, Chief Executive Officer, and Chief Financial Officer
Date: September 15, 2010	By: /s/ Bruce McDonald Bruce McDonald, Principal Accounting Officer
Date: September 15, 2010	By: /s/ John D. Kucera John D. Kucera, Director
Date: September 15, 2010	By: /s/ Charles E. Gerretson Charles E. Gerretson, Director

ACCELR8 TECHNOLOGY CORPORATION

FINANCIAL STATEMENTS

July 31, 2010 and 2009

ACCELR8 TECHNOLOGY CORPORATION

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Report of Independent Registered Public Accounting Firm
Board of Directors
Accelr8 Technology Corporation
Denver, Colorado

We have audited the accompanying balance sheets of Accelr8 Technology Corporation (a Colorado corporation) as of July 31, 2010 and 2009, and the related statements of operations, shareholders' equity and cash flows for the years ended July 31, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accelr8 Technology Corporation as of July 31, 2010 and 2009, and the results of its operations and changes in its cash flows for the years ended July 31, 2010 and 2009, in conformity with U.S. generally accepted accounting principles.

Denver, Colorado

September 3, 2010

/s/ COMISKEY & COMPANY
PROFESSIONAL CORPORATION

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ACCELR8 TECHNOLOGY CORPORATION
BALANCE SHEETS
JULY 31, 2010 and 2009

	2010	2009
Current assets:		
Cash and cash equivalents	$ 283,273	$ 862,076
Trade accounts receivable	415,807	0
Inventory (Note 3)	32,620	53,445
Prepaid expenses and other (Note 4)	19,395	27,698
Total current assets	751,095	943,219
Accounts Receivable, net of current portion	1,337,288	0
Property and equipment, net (Note 5)	4,474	14,655
Investments, net (Note 10)	1,208,538	1,103,837
Intellectual property, net (Note 6)	2,967,621	3,169,724
Total assets	6,268,966	5,231,435
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	32,135	39,457
Accrued compensation and other liabilities	23,291	25,883
Deferred revenue (Note 11)	20,225	92,765
Total current liabilities	75,651	158,105
Long-term liabilities:		
Deferred compensation	1,283,537	1,178,836
Total liabilities	1,359,188	1,336,941
Shareholders' equity (Notes 7):		
Common stock, no par value;		
14,000,000 shares authorized;		
10,757,317 (2010) and 10,226,210 (2009) shares issued and outstanding	14,138,820	13,803,820
Contributed capital	1,156,843	1,118,306
Accumulated (deficit)	(10,112,285)	(10,754,032)
Shares held for employee benefit (1,129,110 shares at cost)	(273,600)	(273,600)
Total shareholders' equity	4,909,778	3,894,494
Total liabilities and shareholders' equity	$ 6,268,966	$ 5,231,435

See accompanying notes to financial statements.

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ACCELR8 TECHNOLOGY CORPORATION
STATEMENTS OF OPERATIONS
FOR YEARS ENDED JULY 31, 2010 and 1009

	2010		2009	
Revenues (Note 9 and 11):				
Technical development fees	$	290,000	$	1,200,000
OptiChem ™ revenue		113,032		69,886
License Fees		1,842,596		0
Total revenues	$	2,245,628	$	1,269,886
Cost of sales		0		0
Gross profit		2,245,628		1,269,886
Costs and expenses:				
Research and development		501,600		745,927
General and administrative		869,348		919,706
Amortization (Note 6)		251,007		247,345
Depreciation (Note 5)		10,480		22,743
Marketing and sales		1,400		13,284
Total costs and expenses		1,633,835		1,949,005
Income (Loss) from operations		611,793		(679,119)
Other (expense) income:				
Interest and dividend income		6,053		18,328
Unrealized holding gain (loss) on investments (Note 2)		23,901		(53,406)
		0		0
Total other income		29,954		(35,078)
Net income(loss)	$	641,747	$	(714,197)
Net income (loss) per share: Basic and diluted net income(loss) per share	$	0.06	$	(0.07)
Weighted average shares outstanding		10,408,574		10,226,210

See accompanying notes to financial statements.

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ACCELR8 TECHNOLOGY CORPORATION
STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock						
	Shares	Amount	Stock To Be Issued	Contributed Capital	Retained Earnings(Accumulated Deficit)	Shares Held For Employee Benefit	Total Shareholder's Equity
Balances, July 31, 2008	10,226,210	$ 13,803,820		$ 922,586	$ (10,039,835)	$ (273,600)	$ 4,412,971
Net Loss					(714,197)		(714,197)
Exercise of Options							0
Sale of Common Shares							
Extension of Stock Option Expiration Dates				24,777			24,777
Stock Option Expense Under SFAS 123R		13,803,820		170,943			170,943
Balances, July 31, 2009	10,226,210			1,118,306	(10,754,032)	(273,600)	3,894,494
Net Income							(714,197)
Exercise of Options	52,532				641,747		641.7470
Extension of Stock Option Expiration Dates				9,360			9,360
Stock Option Expense Under SFAS 123R				29,177			29,177
Issuance of Shares	478,575	335,000					335,000
Balances, July 31, 2010	10,757,317	14,138,820		$ 1,156,843	$ 10,112,285	$ (273,600)	$ 4,909,778

See accompanying notes to financial statements.

ACCELR8 TECHNOLOGY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2010 and 2009

	2010		2009	
Cash flows from operating activities:				
Net Income (loss)	$	641,747	$	(714,197))
Adjustments to reconcile net Income(loss) to net cash				
(used in) operating activities:				
Depreciation		10,480		22,743
Amortization		251,007		247,345
Fair value of stock options				
granted for services		38,537		195,720
Unrealized (gain) loss on investments		(23,901)		53,406
Realized (gain) loss on sale of investments, interest and				
dividends reinvested		(5,800)		(14,916)
(Increase) decrease in assets:				
Accounts receivable		(1,753,045)		6,334
Inventory		20,825		43,823
Prepaid expense and other		8,303		11,640
Increase (decrease) in liabilities:				
Accounts payable		(7,322)		(94,171)
Accrued liabilities		(2,592)		(6)
Deferred revenue		(72,540)		(19,886)
Deferred compensation		104,701		36,509
Net cash (used in) operating activities		(789,600)		(225,656)
Cash flows from investing activities:				
Proceeds on sale of fixed assets		0		0
Purchase of equipment and patent costs		(49,203)		(70,368)
Contribution to deferred compensation trust		(75,000)		(75,000)
Net cash provided by (used in) investing activities		(124,203)		(145,368)
Cash flows from financing activities				
Issuance of common stock		335,000		0
Net cash provided (used) in financing activities		335,000		0
Increase (decrease) in cash and cash equivalent		(578,803)		(371,024)
Beginning balance:		862,076		1,233,100
Ending Balance:	$	283,273	$	862,076

See accompanying notes to financial statements.

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ACCELR8 TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

We were incorporated on May 26, 1982, under the laws of the State of Colorado. Prior to the acquisition of the OpTest(TM) suite of technologies ("OpTest"), which occurred in January of 2001, Accelr8 Technology Corporation ("Accelr8" or the "Company") was primarily a provider of software tools and consulting services. We provided software tools and consulting services for system modernization solutions for Digital Equipment Corporation VMS legacy systems. We sold the assets related to the software business on July 30, 2004.

On January 18, 2001, the Company acquired the OpTest(TM) suite of technologies from DDx, Inc. ("DDx"). The purchase of the assets of DDx provided the Company with a proprietary surface chemistry and quantitative instruments.

Since the acquisition of the assets, we have focused primarily upon research and development relating to the technologies acquired, and the development of revenue producing products related to that technology. We have manufactured and marketed OptiChem(R) coated microarraying slides ("OptiChem") for a variety of custom applications for specific customers. During the fiscal years ended July 31, 2010 and 2009, our primary focus shifted to development of a program to integrate our OptiChem(R) surface chemistry ("OptiChem"), QuanDx(TM) light-scattering quantitative assay instrumentation ("QuanDx"), and YoDx(TM) assay acceleration process ("YoDx") into a novel system for rapid bacterial identification and antibiotic resistance testing, the BACcel(TM) system ("BACcel"). We are developing an innovative rapid diagnostic platform, the BACcel™ system, intended for rapid diagnosis in life-threatening bacterial infections.

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 July 31, 2010 and 2009, the Company's uninsured cash balance was approximately $0 and $650,275.

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 July 31, 2010 and 2009.

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.

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and Cash Equivalents - The carrying amount approximates fair value. Investments - The carrying amount is based on quoted market prices plus cash. Other Long-Term Liabilities - The carrying amount approximates fair value.

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less at time of purchase are considered to be cash equivalents.

Investments

The Company accounts for its investments in accordance with FAS 115. All investments are recorded as trading and reported at fair value with unrealized gains and losses reported with current earnings.

Inventory

Inventory is maintained by specific identification and valued at cost using the first-in first out method. Amounts of any particular inventory item are small and are used depending on particular characteristics.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred and expenditures for major improvements are capitalized. Gains and losses from retirement or replacement are included in costs and expenses. Depreciation of property and equipment is computed using the straight-line method over the estimated useful life of the assets, ranging from five to seven years.

Research And Development

Research and development costs charged to operations for the years ended July 31, 2010 and 2009 were $501,600 and $745,927, respectively.

Intellectual Property

Intellectual property is amortized over the period the asset is expected to contribute directly or indirectly to the Company's future cash flows. The Company evaluates the remaining useful life of each intellectual property that is being amortized each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. Included in intellectual property are patents, trademarks and technology. Intellectual properties are amortized over their estimated useful lives of 20 years.

Long-lived Assets

Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows from and the estimated fair value of such long-lived assets, and provides for impairment if such undiscounted cash flows or the estimated fair value are insufficient to recover the carrying amount of the long-lived asset.

Revenue Recognition

Technical Development Fees

Technical consulting fee revenue was recorded as received in accordance with mutually agreed upon benchmarks.

OptiChem(R) Revenues

Revenue is recognized when the Company ships the product to customers.

License Fees

Licensing fees are recognized at the time of execution unless future benchmarks related to the earnings require deferred income recognition.

Sales Returns and Allowances

Allowances on accounts receivable and notes receivable are recorded when circumstances indicate collection is doubtful for particular accounts receivable. Receivables are written off if reasonable collection efforts prove unsuccessful. The Company provides for sales returns and allowances on a specific account basis.

Deferred Revenue

Deferred revenue represents amounts billed but not yet earned under existing agreements.

Income Taxes

The Company accounts for income taxes in accordance with GAAP which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement basis and the income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax computations are based on enacted tax laws and rates applicable to the years in which the differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred income tax assets to the amounts expected to be realized.

Earnings Per Share

The Company follows GAAP which requires companies to present basic earnings per share and diluted earnings per share. Basic earnings (loss) per share includes no dilution and is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity.

The Company's net income (loss) for the periods presented cause the inclusion of potential common stock instruments outstanding to be antidilutive. During the years ended July 31, 2010 and 2009, Common Stock options exercisable for 1,010,000 and 1,085,000 shares of Common Stock were not included in diluted loss per share as the effect was antidilutive due to the Company recording losses in each of those years. In addition, at July 31, 2010 and July 31, 2009, 60,000 contingently issuable options were not included in loss per share. See Note 8.

Stock Based Compensation

The Company follows GAAP in valuing all options granted using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as the vesting period lapses. Options granted for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

The Company has historically used the Black-Scholes option pricing model to determine the fair value of stock options on the date of grant. This model derives the fair value of stock options based on certain assumptions related to expected stock price volatility, expected option life, risk-free interest rate and dividend yield. The Company's expected volatility is based on the historical volatility of the Company's stock price over the most recent period commensurate with the expected term of the stock option award. The estimated expected option life is based primarily on historical employee exercise patterns. The Company has not paid dividends in the past and does not have any plans to pay any dividends in the future. See Note 7 for further information.

Comprehensive Income (loss)

The Company follows GAAP which establishes standards for reporting and displaying comprehensive income (loss) and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements. The Company has no other items that would be included in comprehensive income (loss).

Recent Accounting Pronouncements

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities, which is effective for fiscal years beginning after November 15, 2009 and interim periods therein and thereafter. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of control over such entities, and additional disclosures for variable interests. This accounting guidance is effective for the Company beginning in the first quarter of fiscal year 2011. The Company is still evaluating the impact, if any, that the adoption of this standard may have on its financial position or results of operations.

In October 2009, the FASB issued authoritative guidance on revenue recognition, which is effective prospectively for fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued authoritative guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative fair value method. The new guidance includes new disclosure requirements on how the application of the relative fair value method affects the timing and amount of revenue recognition. This accounting guidance is effective for the Company beginning in the first quarter of fiscal year 2011. The Company is currently assessing the impact, if any, of this guidance on its consolidated financial position and results of operations

In January 2010, the FASB issued authoritative guidance on Fair Value Measurements and Disclosures — Improving Disclosures About Fair Value Measurements. The new guidance requires new disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures was effective in the Company's second quarter of fiscal year 2010, except for the disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements, which are effective for the Company's first quarter of fiscal year 2011. Other than requiring additional disclosures, the adoption of this standard will not have a material impact on the Company's consolidated financial position and results of operations.

In April 2010, the FASB updated its guidance related to the milestone method of revenue recognition. The update provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The updated guidance is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. The Company has not yet adopted the updated guidance and do not expect adoption to have a material impact on the Company's consolidated financial position and results of operations.

NOTE 3 INVENTORY

The Company purchases reagents and antibiotics used in testing BACcel assays. Raw material on hand at the end of each reporting period is priced at cost based on the first-in first-out method. There was no work-in-process or finished goods inventory as of July 31, 2010 and July 31, 2009.

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NOTE 4 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets for the year ended July 31, 2010 were $19,395 as compared to $27,698 for the year ended July 31, 2009.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consisted of the following at July 31:	2010	2009
Computer equipment	$ 21,102	$ 21,102
Laboratory and scientific equipment	303,281	302,981
Furniture and fixtures	16,601	16,601
Total property and equipment	340,984	340,684
Accumulated depreciation	(336,540)	(320,029)
Net property and equipment	$ 4,474	$ 14,655

Depreciation expense for the years ended July 31, 2010 and 2009 was $10,480 and $22,743, respectively.

NOTE 6 INTELLECTUAL PROPERTY

Intellectual property consisted of the following at July 31:

	2010	2009
OptiChem® technologies	$ 4,454,538	$ 4,454,538
Patents	530,903	482,000
Trademarks	49,019	49,019
	5,034,460	4,985,557
Accumulated amortization	(2,066,840)	(1,815,833)
	$ 2,967,620	$ 3,169,724

Future amortization expense for the intangible assets is estimated as follows:

Years Ending July 31,	
2011	251,000
2012	251,000
2013	251,000
2014	251,000
Thereafter	1,963,620

Total future amortization	$2,967,620

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Intellectual properties are recorded at cost and are being amortized on a straight-line basis over their estimated useful lives of 20 years, the patent and patent application life of the OptiChem(R) Technologies. Amortization expense was $251,007 and $247,345 respectively, for the years ended July 31, 2010 and 2009. The Company routinely evaluates the recoverability of its long-lived assets based upon estimated future cash flows from and 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. As of July 31, 2010 and 2009, management believes that the amounts carried on our balance sheet are recoverable, and there was no impairment of the Company's long-lived assets.

NOTE 7 SHAREHOLDERS' EQUITY

Stock Option Plans

The Company has option agreements with key executives and three stock-based compensation plans, which are discussed below:

Option And Warrant Agreement With Key Executive

In fiscal 1998, options for the purchase of 1,129,110 shares held by the Chief Executive Officer ("Executive Options and Warrants") were exercised and placed into a "Rabbi" Trust as discussed in Note 12. Such shares are issuable upon the occurrence of retirement, death or termination of the Chairman's employment over a ten-year period after such occurrence, unless the Board of Directors determines otherwise.

In accordance with generally accepted accounting principles, the Company has included the assets and liabilities of the "Rabbi" Trust in its financial statements, and the shares of the Company's common stock held by the "Rabbi" Trust have been treated as treasury stock for financial reporting purposes and have no voting rights.

Qualified Stock Option Plan

The Company has reserved 700,000 shares of its authorized but unissued common stock for stock options to be granted to officers and employees of the Company under its Incentive Stock Option Plan (the "Incentive Plan"). The exercise price of each option, which has a maximum ten-year life, is established by the Company's compensation committee on the date of grant.

As of July 31, 2010, 759,000 options had been granted pursuant to the Qualified Plan with 117,500 of these options exercised, 231,500 options that expired, leaving 172,500 available for grant.

Non-qualified Stock Option Plan

The Company has reserved 300,000 shares of its authorized but unissued common stock for stock options to be granted to independent contractors, technical advisors and directors of the Company under its Non-Qualified Stock Option Plan (the "Non-Qualified Plan"). The exercise price of each option, which has a maximum ten-year life, is established by the Company's compensation committee on the date of grant.

As of July 31, 2010, 370,000 options had been granted pursuant to the Non-Qualified Plan with 125,000 of these options exercised, 80,000 options that expired, 50,000 that were cancelled and 60,000 available for grant.

Omnibus Stock Option Plan

On December 14, 2004 the Shareholders approved an Omnibus Stock Option Plan and reserved 500,000 shares of its authorized but unissued common stock for stock options to be granted to employees, independent contractors, technical advisors and directors of the Company.

As of July 31, 2010, 620,000 options had been granted pursuant to the Omnibus Plan with 5,000 of these options exercised, 130,000 expired, leaving 10,000 available for grant.

Contingent Options

The Company has granted contingent stock options to an officer that shall vest if and only if prior to the expiration date of the options, the Company closes on a transfer for the sale of the Company assets or the acquisition of the Company in which the Company's shareholders receive aggregate consideration at closing equal to or greater than $250,000,000. The Company has reserved a sufficient number of shares for such options.

Accounting for Employee Based Option Plans

As is discussed in Note 2, the Company accounts for all option grants using the Black-Scholes option pricing model in accordance with GAAP for options granted or extended.

As of July 31, 2010 and 2009, total unrecognized share-based compensation cost related to unvested stock options was approximately $0 and $10,176. For the years ended July 31, 2010 and 2009, the Company recognized $29,177 and $170,943 in stock based compensation costs related to the issuance of options to employees under SFAS 123R. For the year ended July 31, 2010 and 2009, the total recognized stock based compensation costs related to the extension of currently existing, fully vested options was $9,360 and $24,777. These costs were calculated in accordance with GAAP and are reflected in operating expenses.

The following weighted-average assumptions were used for grants for the year ended July 31, 2010: no dividend yield; risk free interest rate between 1.00% and 5%; expected life between 3 and 10 years; and expected volatility between 44% and 117%. The weighted average fair value of options granted during the fiscal year ended July 31, 2010 was $3.67. The weighted average remaining contractual life of options outstanding at July 31, 2010 was 4.40 years. The expected forfeiture rate used was 37%.

The following table summarizes information on stock option activity for the Omnibus Plan, the Qualified Plan and the Non-Qualified Plan, excluding the 200,000 contingent options noted above:

	Number of Shares		Exercise Price Per Share		Weighted Average Exercise Price Per Share
Options outstanding, July 31, 2008	1,085,000	$	1.45 - $4.50	$	2.42
Granted	95,000		2.25-3.00		2.52
Exercised	0		0		0
Expired	(15,000)		2.20-2.50		2.40
Options Outstanding July 31, 2009	1,165,000		1.45-4.00		2.40
Granted	20,000		0.73		.73
Exercised	(100,000)		1.45		1.45
Expired	(75,000)		1.45-1.50		1.47
Options Outstanding July 31, 2010	1,010,000	$	0.73-4.50	$	2.57

As of July 31, 2010 and 2009, 1,010,000 and 1,087,500 options outstanding were currently exercisable and carried weighted average exercise prices of $ 1.45 and $4.50 respectively. The following table summarizes information about stock options outstanding and exercisable at July 31, 2010:

	Outstanding			Exercisable	
Range of Exercise Price	Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$.00-$1.00	20,000	10.00	$.73	20,000	$0.73
$1.45-$1.50	200,000	1.00	$1.45	200,000	$1.45
$2.00-$2.36	172,500	1.59	$2.24	172,500	$2.24
$2.50-$2.90	380,000	3.87	$2.57	380,000	$2.57
$3.00-$3.20	37,500	4.3	$3.01	37,500	$3.01
$3.60-$4.50	200,000	5.01	$4.05	200,000	$4.05

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Warrants to Purchase Common Stock

Effective March 17, 2008, the Company held a closing on the sale to accredited investors of an aggregate of 421,433 shares of the Company's no par value Common Stock sold at $0.70 per share (the "Common Stock") and warrants to purchase 421,433 shares of Common Stock at a purchase price of $1.00 per share that expire three years from the date of issuance (the "Warrants”).

The Warrants have customary weighted-average anti-dilution rights with respect to any subsequent issuance of common stock or common stock equivalents at a price less than $1.00 per share (subject to adjustment), and otherwise in connection with forward or reverse stock splits, stock dividends, recapitalizations, and the like. The anti-dilution provisions are not applicable to employee stock options and shares issued in connection with certain mergers and acquisitions.

In connection with the closing, the Company issued 10,715 warrants to the placement agent for the offering as additional compensation (the “Placement Agent Warrants”). The Placement Agent Warrants are three year warrants that are exercisable at a price of $1.00 per share.

NOTE 8 INCOME TAXES

The following items comprise the Company's net deferred tax assets (liabilities) as of July 31:

	2010	2009
Deferred tax assets:		
Net operating loss	$ 3,612,000	$ 5,041,000
Deferred revenue and gains	(100,000)	(100,000)
Depreciation and amortization	(50,000)	(50,000)
Stock options issued to consultants and employees	360,000	350,000
General business credit	265,000	265,000
Contribution and timing differences	(10,000)	(10,000)
Total	4,077,000	5,506,000
Less valuation allowance	(4,077,000)	(5,506,000)
Net deferred tax asset	$ 0	$ 0

As of July 31, 2010, a valuation allowance decrease of $1,429,000 has been recorded for the deferred tax asset, as Management has determined that it is more likely than not that the deferred tax asset will not be realized.

Total income tax expense (benefit) differed from the amounts computed by applying the U.S. Federal statutory tax rates to pre-tax loss for the fiscal years ended July 31, 2010 and 2009 as follows:

	2010	2009
Total expense (benefit) computed by:		
Applying the U.S. Federal statutory rate	(34.0)%	(34.0)%
State income taxes, net of Federal tax benefit	(3.0)	(3.0)
General business credits and other	(3.8)	(3.8)
Valuation allowance	40.8	40.8
Effective tax rate (benefit)	-%	-%

The Company has unused net operating loss carry forward of approximately $9,761,000 and general business credits of approximately $265,000 that are available to offset future income taxes. The net operating loss will expire beginning in 2013 and the general business tax credits expire from 2010 through 2024.

NOTE 9 MAJOR CUSTOMERS AND FOREIGN REVENUE

For the years ending July 31, 2010 and 2009, revenues were $2,245,628 and $1,269,886, respectively. Of the total revenues, revenues from one customer were $1,842,596 (82.1%) in the year ended July 31, 2010 and $1,200,000 (94.4%) for the year ended July 31, 2009.

Foreign Revenues were as follows for the fiscal years ended July 31,:

Foreign Revenues	2010		2009	
OptiChem ® Revenues	$	113,032	$	67,212
License Fees		0		0
Technical Development Fees		290,000		0
Consulting Fees		0		0
Total	$	403,032	$	67,212

NOTE 10 COMMITMENTS

Investments And Deferred Compensation Arrangement

In January 1996, the Company established a deferred compensation plan for key employees. Contributions to the plan are provided for under the employment agreement with Thomas V. Geimer, which is detailed at the end of this note. For the fiscal year ended July 31, 2010, the Company owes $75,000 to the plan which was accrued but unpaid by the Company at year end. On October 26, 2009, $75,000 was paid to the deferred compensation plan for the fiscal year ended July 31, 2009.

The following information is provided related to the trust assets, which consist of cash and equity securities as of July 31, 2010 and 2009. These assets, which based upon the Company's intended use of the investments, have been classified as trading securities. Unrealized holding gains or loss on trading securities are included in other income (expense).

	2010		2009	
Cost basis	$	1,184,637	$	1,157,243
Unrealized holding gain (loss)		23,901		(53,406)
Aggregate fair value	$	1,208,538	$	1,103,837)

Deferred compensation related to the Rabbi Trust was $1,283,537 and $1,178,836 as of July 31, 2010 and 2009, respectively. The difference between the aggregate fair value and the deferred compensation amounts represents the award of $75,000 for each of the years ended July 31, 2010 and 2009 which was accrued but unpaid by the Company at year end.

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Operating Lease

The Company is a party to a lease for its office and laboratory space that expires on September 30, 2010. Total rent expense including common area charges was approximately $76,761 and $72,573 during the years ended July 31, 2010 and 2009, respectively. Future minimum lease payments, which has now been converted to a month to month lease.

Employment Agreement

Effective December 1, 2007, we entered into an employment agreement with Mr. Geimer. The agreement was negotiated and approved by the Compensation Committee. The agreement provides for an annual base salary of $165,000 with annual deferred compensation of $75,000. The agreement expires on December 31, 2012. In the event of termination by mutual agreement, termination "with cause," as defined in the agreement, death or permanent incapacity or voluntary termination, Mr. Geimer or his estate would be entitled to the sum of the base salary and unreimbursed expenses accrued to the date of termination and any other amounts due under the agreement. In the event of termination "without cause," as defined in the agreement, Mr. Geimer would be entitled to the sum of the base salary and unreimbursed expenses accrued to the date of termination and any other amounts due under the agreement and an amount equal to the greater of Mr. Geimer's annual base salary (12 months of salary) or any other amounts remaining due to Mr. Geimer under the agreement, which as of July 31, 2010 would be $580,000. Additionally, in the event of a change in control, any unpaid amounts due under the initial term of the agreement for both base salary and deferred compensation ($580,000) would be payable plus five times the sum of the base salary and deferred compensation (an additional $1,200,000 for an aggregate of $1,780,000).

NOTE 11 DEFERRED REVENUE

Deferred revenue was $20,225 and $92,765, respectively at the fiscal years ended July 31, 2010 and 2009. Deferred revenue consists of prepaid royalty fees from Nanostring and SCHOTT. Deferred revenue recognized during the fiscal year ended July 31, 2010 was $72,540 and is reflected as OptiChem® revenues.