

BRENDAN TECHNOLOGIES INC  
Form SB-2/A  
January 24, 2008

As filed with the Securities and Exchange Commission on January 24, 2008

Registration No. 333-147638

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**PRE-EFFECTIVE AMENDMENT NO. 1 to**  
**FORM SB-2**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**BRENDAN TECHNOLOGIES, INC.**  
(Name of small business issuer in its charter)

<b>Nevada</b> (State or jurisdiction of incorporation or organization)	<b>7372</b> (Primary Standard Industrial Classification Code Number)	<b>38-3378963</b> (I.R.S. Employer I.D. Number)
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**2236 Rutherford Road, Suite 107**  
**Carlsbad, California 92008**  
**(760) 929-7500**  
(Address and telephone number of principal executive offices)

**2236 Rutherford Road, Suite 107**  
**Carlsbad, California 92008**  
**(760) 929-7500**  
(Address of principal place of business or intended principal place of business)

**Lowell W. Giffhorn, Chief Financial Officer**  
**Brendan Technologies, Inc.**  
**2236 Rutherford Road, Suite 107**  
**Carlsbad, California 92008**  
**(760) 929-7500**  
(Name, address and telephone number of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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<b>Title of Each Class of Securities to be Registered</b>	<b>Amount To Be Registered</b>	<b>Proposed Maximum Offering Price Per Share</b>	<b>Proposed Maximum Aggregate Offering Price (4)</b>	<b>Amount of Registration Fee (5)</b>
Common Stock, \$0.004995 par value (1)	4,183,800	\$ 0.27	\$ 1,129,626	\$ 34.68
Common Stock, \$0.004995 par value (2)	1,745,000	\$ 0.27	\$ 471,150	\$ 14.46
Common Stock, \$0.004995 par value (3)	1,270,000	\$ 0.27	\$ 342,900	\$ 10.53
<b>TOTAL</b>	<b>7,198,800</b>	<b>\$</b>	<b>1,943,676</b>	

1) Shares of the Registrant's common stock, \$0.004995 par value per share, are being registered for resale on behalf of certain selling security holders. The common stock being registered is issuable to the selling security holders on their conversion of our 8% Convertible Debentures issued on June 20, 2006 through June 11, 2007 (the "Debentures"). The terms of the Debentures fix the number of common shares that may be issuable upon conversion of the principal portion of the Debentures. The debentureholders have elected to receive interest either quarterly in cash or at the earlier of conversion or maturity in common stock. For those debentureholders electing to receive common stock, the maximum number of common shares so issuable have been included in this registration.

2) Shares of the Registrant's common stock, \$0.004995 par value per share, are being registered for resale on behalf of certain selling security holders. The common stock being registered was issued to the selling security holders on their exercise of common stock purchase warrants pursuant to a rights offering.

- (3) Shares of the Registrant's common stock, \$0.004995 par value per share, are being registered for resale on behalf of certain selling security holders. The common stock being registered is issuable to the selling security holders on their exercise of warrants which were issued either for services or related to short term financings.
- (4) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended (the "Act"), based on the average of the closing bid and asked prices for the Registrant's Common Stock (the "Common Stock") as reported on the OTC Bulletin Board on January 18, 2008.
- (5) Paid with the initial filing of this registration statement on Form SB2, Registration No. 333-147638.

In addition to the number of shares set forth above, the amount registered included any shares of common stock issued as a result of stock splits, stock dividends and similar transactions in accordance with Rule 416.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL IT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**AS FILED WITH THE SECURITIES AND  
EXCHANGE COMMISSION ON JANUARY 24, 2008**

**PROSPECTUS**

**BRENDAN TECHNOLOGIES, INC.  
2236 Rutherford Road, Suite 107  
Carlsbad, CA 92008  
(760) 929-7500**

**THE OFFERING**

The resale of up to 7,198,800 shares of common stock by the selling shareholders in the over-the-counter market at the prevailing market price or in negotiated transactions as follows:

- up to 4,183,800 shares issuable to certain selling shareholders upon the conversion of our 8% Convertible Debentures which are comprised of 4,055,000 shares issuable for principal and 128,800 shares issuable as interest payments under the Debentures.
- 1,745,000 shares which were issued to certain selling shareholders upon their exercise of common stock warrants under a rights offering.
- up to 1,270,000 shares issuable to certain selling shareholders upon the exercise of warrants comprised of 570,000 warrant shares issued for services and 700,000 warrant shares issued related to short term financings.

We will receive no proceeds from the sale of the shares by the selling shareholders. We may receive proceeds of up to \$762,000 from the exercise of the warrants.

Our shares of common stock are currently trading on the OTC Bulletin Board under the symbol "BDTE".

**THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK.**

Please refer to Risk Factors Beginning on Page 3

THE SECURITIES AND EXCHANGE COMMISSION (SEC) AND STATE SECURITIES REGULATORS HAVE NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, NOR IS THE SOLICITATION OF AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE OF THESE SECURITIES IS NOT PERMITTED.

Please read this prospectus carefully. It describes our company, finances and products. Federal and state securities laws require that we include in this prospectus all the material information that you will need to make an investment decision.

We have not authorized anyone to provide you with information that is different from that which is contained in this prospectus.

The following table of contents has been designed to help you find important information contained in this prospectus. We have included subheadings to aid you in searching for particular information you might want to return to. We encourage you to read the entire prospectus.

## TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
SUMMARY FINANCIAL DATA	4
RISK FACTORS	4
PLAN OF DISTRIBUTION	10
SELLING SHAREHOLDERS	10
THE COMPANY	
General	12
Background	13
Business	13
Marketing and distribution	17
Dependence upon single customers	17
Facilities	17
Employees	18
Government regulation	18
USE OF PROCEEDS	18
LITIGATION	18
MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION	18
CHANGES IN ACCOUNTANTS	24
MANAGEMENT	25
PRINCIPAL SHAREHOLDERS	29
CERTAIN TRANSACTIONS	31
TRADING MARKET AND RELATED MATTERS	31
DESCRIPTION OF SECURITIES	32
LEGAL MATTERS	33
EXPERTS	34
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE F-1	

## PROSPECTUS SUMMARY

### About Our Company

We provide software solutions to improve the accuracy, quality control, workflow, and regulatory compliance of immunoassay testing in laboratories in the biopharmaceutical, clinical, research, veterinarian and agricultural industries. Our software platform manages the raw, computed and analytical data in testing laboratories and in manufacturing.

We evolved from the initial work of our founder, John R. Dunn II, Ph.D., now our Chairman, President, Chief Executive Officer and Chief Technical Officer. Our first commercialized product is StatLIA®, software designed specifically for immunoassay testing. Since Dr. Dunn's early work on StatLIA® over ten years ago, StatLIA® has been developed with software engineers, mathematicians and laboratory professionals who specialize in laboratory testing. Over the years, StatLIA® has been used in laboratories, undergoing numerous revisions and additions to develop the product.

Our auditors have stated in their report on our consolidated financial statements as of and for the year ended June 30, 2007, substantial doubt about our ability to continue operating as a going concern because of recurring net losses and negative cash flows from operations. We had accumulated deficits of \$9,059,858 and \$8,352,407 as of September 30 and June 30, 2007 and a history of substantial operating losses, net losses and negative cash flow.

Our principal executive offices are located at 2236 Rutherford Road, Suite 107, Carlsbad, California 92008, and our telephone number is (760) 929-7500.

### About Our Convertible Debentures

Overview. From June 20, 2006 through June 11, 2007, we sold to and received cash from certain of the selling shareholders an aggregate of \$2,027,500 of 8% convertible debentures with two year maturity dates. The aggregate conversion prices of the debentures represented a \$329,350 premium to the aggregate market value of \$1,698,150 on the dates of the issuances. In addition, the debentureholders received warrants exercisable into up to 8,110,000 shares of our common stock.

Number Of Shares Debentures May Be Converted Into. The principal portion of the debentures can be converted into 4,055,000 shares of our common stock at a fixed conversion rate of \$0.50 per share. The debentureholders have elected to receive interest either quarterly in cash or in common stock at the earlier of conversion or maturity of the debenture.

Warrants. Concurrent with the issuance of the convertible debentures, we issued warrants to purchase up to 8,110,000 shares of our common stock to the debentureholders. These warrants are exercisable for from one to five years from the date of issuance at exercise prices ranging from \$0.60 to \$1.00 per share.

Restrictive Covenants. For a period of 18 months from the date of the debentures, we are prohibited from engaging in certain transactions without obtaining the debentureholders' prior written approval. These types of transactions include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities; the issuance of any debt or equity securities with a fixed conversion or exercise price subject to adjustment; and any private equity line type agreements.

**Right Of First Refusal.** The debentureholders have a right of first refusal to purchase or participate in any securities offered by us in any private transaction which closes on or prior to the date that is two years after the issue date of each debenture.

**Registration Rights.** We are responsible for registering the resale of the shares of our common stock which will be issued on the conversion of the debentures.

### **Additional Shares We Are Registering**

In October 2007, we extended a rights offering to existing warrant holders whereby they could exercise their warrants at a reduced exercise price of \$0.25 per share for a period through November 7, 2007. A group of 18 warrant holders, including two who are affiliates of ours, exercised warrants for 1,745,000 shares of our common stock for aggregate proceeds of \$436,250. The aggregate market value of the warrant shares exercised as of November 7, 2007 was \$471,150, \$0.27 per share, resulting in a discount to the exercising warrant holders of \$34,900 or 7.4% of the market value. The shares were issued with restrictive legends and are being registered herewith.

### **Additional Warrants We Are Registering**

We are also registering 1,270,000 shares that are issuable to certain selling security holders on their exercise of warrants issued for either services they provided or related to short term financings.

### **Key Facts**

Shares being offered for resale to the public	7,198,800 (28% of our shares currently outstanding, 73% of our shares currently held by non-affiliates)
Total shares outstanding prior to the offering	25,450,594 as of January 24, 2008
Total shares held by non-affiliates prior to the offering	9,918,016 as of January 24, 2008
Total shares outstanding assuming conversion of the debentures, including shares issuable as interest payments under the debentures, and exercise of the warrants	30,904,394
Total shares that would be outstanding assuming conversion of the debentures, including shares issuable as interest payments under the debentures, and exercise of all outstanding options and warrants	41,396,261
Total proceeds raised by offering	None. However we may receive proceeds of up to \$762,000 on the exercise of warrants



Convertible debentures

A form of our convertible debenture was included as Exhibit 4.8 to our Current Report on Form 8K filed as of July 18, 2006

Dividend policy

We have never paid a dividend and do not anticipate paying a dividend in the foreseeable future

Payments to selling shareholders

We have made or anticipate to make payments to the selling shareholders as follows:

<u>Convertible debentures</u>	
Finders fees	\$ 120,000
Interest payments	324,400
Short-term financings	
Finders fees	\$ 90,000
Interest payments	68,914

Net proceeds raised from financings

<u>Convertible debentures</u>	
Gross proceeds	\$ 2,027,500
Less finders fee	120,000
Less first year interest	162,200
Net proceeds	\$ 1,745,300
<u>Short-term financings</u>	
Gross proceeds	\$ 700,000
Less finders fee	90,000
Less first year interest	68,914
Net proceeds	\$ 541,086

## SUMMARY FINANCIAL DATA

The following summary financial data should be read in conjunction with “Management’s Discussion and Analysis or Plan of Operation” and our audited financial statements and related notes included elsewhere in this prospectus.

### *Consolidated Statement of Operations Data:*

	Three Months Ended September 30,		Year Ended June 30,	
	2007	2006	2007	2006
Net sales	\$ 159,826	\$ 87,395	\$ 521,330	\$ 681,337
Net (loss)	\$ (707,451)	\$ (405,872)	\$ (2,110,698)	\$ (845,393)
Net (loss) per basic share	\$ (0.03)	\$ (0.02)	\$ (0.09)	\$ (0.06)

### *Balance Sheet Data:*

	September 30,	
	2007	June 30, 2007
Working capital deficit	\$ (3,129,340)	\$ (1,679,643)
Total assets	\$ 522,062	\$ 435,525
Total liabilities	\$ 4,020,517	\$ 3,311,490
Stockholders' deficit	\$ (3,498,455)	\$ (2,875,965)

## RISK FACTORS

The shares of common stock offered by this prospectus involve a high degree of risk and represent a highly speculative investment. You should not purchase these shares if you cannot afford the loss of your entire investment. In addition to the other information contained in this prospectus, you should carefully consider the following risk factors in evaluating our company, our business prospects and an investment in our shares of common stock.

### **RELATED TO OUR BUSINESS**

#### **We have a limited operating history.**

We commenced operations in November, 1997 and have a limited operating history. Our success will be dependent upon our ability to successfully exploit our unique proprietary technology. Our success will depend in large part on our ability to deal with the problems, expenses, and delays frequently associated with developing and marketing our software technology. Losses are likely to continue before our operations will become profitable. There is no assurance that our operations will prove profitable.

#### **We depend on new products and development to generate revenues.**

Substantially all of our revenues have been derived, and substantially all of our future revenues are expected to be derived, from the license of the software and sale of our associated services, and the development and sale of future products. Accordingly, broad acceptance of our software products and services by customers is critical to our future success as is our ability to design, develop, test and support new software products and enhancements on a timely basis that meet changing customer needs and respond to technological developments in emerging industry standards. There can be no assurance that we will be successful in developing and marketing new software products and enhancements that meet changing customer needs and respond to such technological changes or evolving industry standards.



**Our success depends upon developing distribution channels.**

Our distribution strategy is to develop multiple distribution channels. We have historically sold our products only through direct sales, Internet sales, and original equipment manufacturers (“OEMs”). We expect to increasingly utilize OEMs and independent sales representatives, and to pursue utilizing systems integrators, value added resellers (“VARs”), and software retailers. There can be no assurances that these distribution channels will be effective sales channels.

**Our success is dependent on our founders and other key personnel.**

Our performance is substantially dependent upon the performance of our executive officers and key employees, particularly that of Dr. John R. Dunn, II. Dr. Dunn was responsible for creation of the software and the scientific principles incorporated therein. As a result, Dr. Dunn is the single most knowledgeable person with regard to the software. It would be difficult for us to find an adequate replacement for Dr. Dunn in the immediate future.

Given our early stage of development, we are further dependent upon our ability to retain and motivate high quality personnel, especially our management and highly skilled development teams. We do not have key person life insurance policies on any of our employees. The loss of the services of any of our executive officers or other key employees could have a materially adverse effect on our business, operating results or financial condition. We intend to purchase key man life insurance when management decides funds are available.

Our future success also depends on our continuing ability to identify, hire, train, and retain other highly qualified technical and managerial personnel. Competition for such personnel is intense and there can be no assurance that we will be able to attract, hire or retain other highly qualified technical and managerial personnel in the future. The inability to attract and retain the necessary technical and managerial personnel could have a materially adverse effect upon our business operating results or financial condition.

**Our success will depend, in part, on the continuing and growing interest in quality control and quality assurance regarding reliable laboratory and manufacturing testing results among the markets targeted by our products.**

An additional factor which we believe will be critical to the acceptance of our products is a continuing need in our targeted markets for more powerful solutions for instrument connectivity, networking, and data management.

No governmental or regulatory agency must approve the production or sale of any of our products at this time. However, we intend to voluntarily pursue the acknowledgment and approval of certain federal agencies to gain further awareness and acceptance for our new statistical methodologies. There can be no assurance that the interest in quality control and quality assurance will continue among the testing industry, general public or governmental and regulatory agencies.

**We have worker’s compensation and general liability insurance but do not have professional liability insurance at this time.**

We do intend to purchase such insurance when funds become available if management concludes that the benefit of having such a policy outweighs our cost. Any professional liability claims made prior to acquiring such insurance or for amounts exceeding the coverage after the insurance is purchased, could have an adverse material effect on us. In addition, we will purchase a key man life insurance policy naming Dr. John Dunn II as the insured and we as the beneficiary if management concludes that the benefit of having such a policy outweighs our cost. We further intend to purchase director and officer liability insurance when management decides that funds are available in order to attract additional directors and officers.



**We are subject to the risks and uncertainties inherent in new businesses.**

We are subject to the risks and uncertainties inherent in new businesses, including the following:

- We may not be able to raise enough money to develop our services and bring them to market;
- Our projected capital needs may be inaccurate, and we may not have enough money to develop our services and bring them to market;
- We may experience unanticipated development or marketing expenses, which may make it more difficult to develop our services and bring them to market;
- Even if we are able to develop our services and bring them to market, we may not earn enough revenues from the sales of our services to cover the costs of operating our business.
- If we are unsuccessful in our development efforts, we are not likely to ever become profitable.

**We have never paid cash dividends on our Common Stock, and do not anticipate that we will pay cash dividends in the foreseeable future.**

The payment of dividends by us will depend on our earnings, financial condition and such other factors as our Board of Directors may consider relevant. We currently plan to retain any earnings to provide for our development and growth.

**We will need additional financing.**

Our ability to continue as a going concern is dependent upon our ability to generate profitable operations in the future and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, we have satisfied our capital needs through debt and equity financings. We will need to seek additional financing to meet our liquidity requirements. There is no assurance that financings can be obtained in amounts and at terms acceptable to us. If capital is not available, we may be required to curtail our operations.

**RELATED TO OUR INDUSTRY**

**The market for our products is unproven and acceptance of our products is crucial.**

The market for our software and services has only recently begun to develop, is rapidly evolving and could be subject to an increasing number of competitive market entries. While we believe that our software products offer significant advantages for quality assurance, regulatory compliance and reliability in the clinical, pharmaceutical, environmental, and manufacturing industries, there can be no assurance that our products will become widely adopted for use in those industries.

Because a market for our products and services is new and evolving, it is difficult to predict the future growth rate, if any, and size of this market. There can be no assurance that the market for our products and services will develop or that our products and services will be used in the marketplace. If the market fails to develop, develops more slowly than expected, or becomes saturated with competitors, or if our products do not achieve market acceptance, our business, operating results and financial condition will be materially adversely affected.



**We compete with companies that have substantially greater resources.**

Our management believes that over 90% of our current competitors are instrument manufacturers. These manufacturers primarily develop and market their software programs to be used with only their instruments and not as stand-alone programs (which could be used with competing manufacturers' instruments or even earlier models of their own instruments). The level of interoperability of such software with the instruments sold by their competitors or with laboratory computer systems is minimal or nonexistent. This market is splintered into many fragments and no one or few of these instrument manufacturers hold a commanding percentage of market share. To our knowledge, no commercial product available in the world today offers the quality control and quality assurance capabilities or many of the advanced computational features found in StatLIA®. However, we believe that at some point in the future, many of our competitors will use quality assurance methodologies similar to, or as effective as, those incorporated in StatLIA®. Some of these competitors may be of greater size and have greater financial resources than ours. We believe that most instrument manufacturers currently marketing immunoassay software will remain focused on instrumentation and not develop software as complex as StatLIA® for the limited market share held by any one of these manufacturers. We believe that most of our future competition will be from software companies but we can give no assurances. Because our products are either newly-developed or in the process of being developed, no guarantees can be given as to how commercially viable such new products will be in the marketplace.

We intend to interface StatLIA® with all immunoassay testing instruments which are capable of exporting unprocessed raw data. Although we have been able to receive, decode and process data from all instruments attempted to date, there can be no assurance that we will be able to collect data from all immunoassay instruments manufactured.

Although device manufacturers are currently the largest competitors, we believe that OEM's will soon serve as ideal partners as equipment makers seek to remove themselves from software development and partner with more powerful programs. We will focus on OEM's as a primary sales channel.

We believe that the statistical quality control and quality assurance principles and the connectivity and data management methodologies incorporated in StatLIA® can be applied in new products for other disciplines and technologies. We have outlined other programs in addition to StatLIA® to be developed in the next three years for application in testing laboratories and manufacturing. However, the statistical quality control and quality assurance principles and methodology have been tested only in the immunoassay field for which StatLIA® was designed, and to a lesser extent, in steel tensile testing. There can be no assurances that we will be able to successfully develop and market all of our intended products.

**Our success and ability to compete is dependent in part upon our proprietary technology.**

While we rely on trademark, trade secret and copyright law to protect our technology, we believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are more essential to establishing and maintaining a technology leadership position. We do not presently have any patents or patent applications pending. There can be no assurance that others will not develop technologies that are similar or superior to our technology. The source code for our proprietary software is protected both as a trade secret and as a copyrighted work. We generally enter into confidentiality or license agreements with our employees, consultants and vendors, and generally control further access to and distribution of our software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our products or technology without authorization, or to develop similar technology independently. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. There can be no assurance that the steps taken by us will prevent misappropriation of our technology or that such agreements will be enforceable.



Vigorous protection and pursuit of intellectual property rights or positions characterize the fiercely competitive software industry, which has resulted in significant and often protracted and expensive litigation. Therefore, our competitors may assert that our technologies or products infringe on their patents or proprietary rights. Problems with patents or other rights could increase the cost of our products or delay or preclude new product development and commercialization by us. If infringement claims against us are deemed valid, we may not be able to obtain appropriate licenses on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect our future patent and/or technology license positions or to defend against infringement claims.

#### We may be effected by changes in Securities Laws and Regulations

We have made, and will need to continue to make, changes in our corporate governance and securities disclosure and compliance practices as a result of the Sarbanes-Oxley Act of 2002. The SEC and the NASD have enacted, and we expect will continue to enact, new rules on a variety of subjects as a result of the Sarbanes-Oxley Act of 2002. While we believe that we can ultimately comply with the new legislated requirements associated with being a public company, compliance with the Sarbanes-Oxley Act of 2002 will increase our costs and may present new challenges and risks. These developments could also possibly make it more difficult and more expensive to obtain director and officer liability insurance. We may be required to accept reduced coverage or incur substantially higher costs to obtain coverage for our officers and directors, which may make it more difficult for us to attract and retain qualified board members or executive officers. We are currently evaluating and monitoring regulatory developments and cannot estimate the timing or magnitude of additional costs that may be incurred as a result of the Sarbanes-Oxley Act of 2002.

We will be required to implement an internal control structure and procedures for financial reporting, including those contemplated by Section 404 of the Sarbanes-Oxley Act, designed to enable management to contest to the effectiveness of our internal controls during the initial year, our year ending June 30, 2008, and our registered public accounting firm to opine to the effectiveness of our internal controls subsequent to the initial year, our year ending June 30, 2009. To comply with these requirements, we expect that we may need to hire additional accounting and finance staff and implement new financial systems and procedures. There can be no assurance that we will be able to implement such controls in a timely fashion and, therefore, we may not be able to contest to or receive an opinion from independent sources that our internal controls are effective.

#### RELATED TO OUR OFFERING AND SHARE PRICE

Shares of our common stock which are eligible for sale by our stockholders may decrease the price of our common stock.

We have 25,450,594 common shares outstanding of which 1,227,079 are freely tradable and 24,223,515 are saleable under Rule 144. We also may have up to 16,635,667 additional shares which could be outstanding following conversions of debentures, exercise of warrants and exercise of stock options. If our stockholders sell substantial amounts of our common stock, the market price of our common stock could decrease.

There is a limited but potentially volatile trading market in our common stock, which may adversely affect our stock price.

Our common stock trades on the OTC Bulletin Board. The Bulletin Board tends to be highly illiquid, in part because there is no national quotation system by which potential investors can track the market price of shares except through information received or generated by a limited number of broker-dealers that make a market in particular stocks. There is a greater chance of market volatility for securities that trade on the Bulletin Board as opposed to a national exchange or quotation system. This volatility may be caused by a variety of factors, including:

- The lack of readily available price quotations;
- The absence of consistent administrative supervision of “bid” and “ask” quotations;
- Lower trading volume; and
- Market conditions.



There could be wide fluctuations in the market price of our common stock. These fluctuations may have an extremely negative effect on the market price of our securities.

Because our common stock is classified as “penny stock,” trading in it could be limited, and our stock price could decline.

Our common stock falls under the definition of “penny stock.” “Penny stocks” are equity securities with a market price below \$5.00 per share, other than a security that is registered on a national exchange or included for quotation on the NASDAQ system, unless the issuer has net tangible assets of more than \$2,000,000 and has been in continuous operation for greater than three years. Issuers who have been in operation for less than three years must have net tangible assets of at least \$5,000,000. As a result, trading in our common stock is limited because broker-dealers are required to provide their customers with disclosure documents prior to allowing them to participate in transactions involving our common stock. These disclosure requirements are burdensome to broker-dealers and may discourage them from allowing their customers to participate in transactions involving our common stock.

Rules promulgated by the Securities and Exchange Commission under Section 15(g) of the Exchange Act require broker-dealers engaging in transactions in penny stocks, to first provide to their customers a series of disclosures and documents, including:

- A standardized risk disclosure document identifying the risks inherent in investment in penny stocks;
- All compensation received by the broker-dealer in connection with the transaction;
- Current quotation prices and other relevant market data; and
- Monthly account statements reflecting the fair market value of the securities. In addition, these rules require that a broker-dealer obtain financial and other information from a customer, determine that transactions in penny stocks are suitable for such customer and deliver a written statement to such customer setting forth the basis for this determination.

### **FORWARD-LOOKING STATEMENTS**

This prospectus includes "forward-looking" statements. The forward-looking statements in this prospectus reflect our current views with respect to possible future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including specifically the absence of significant revenues and financial resources, a history of losses, no assurance that the development of technology can be completed or that our completion will not be delayed, significant competition, the uncertainty of patent and proprietary rights, uncertainty as to royalty payments and indemnification risks, trading risks of low-priced stocks and those other risks and uncertainties discussed herein that could cause our actual results to differ materially from our historical results or those we anticipate. In this prospectus, the words "anticipates," "believes," "expects," "intends," "future" and similar expressions identify certain forward-looking statements. You are cautioned to consider the specific risk factors described in "Risk Factors" and elsewhere in this prospectus and not to place undue reliance on the forward-looking statements contained in this prospectus, which speak only as of the date of this prospectus. We undertake no obligation to publicly revise these forward-looking statements to reflect the effect of events or circumstances that may arise after the date of this prospectus. All written and oral forward-looking statements made subsequent to the date of this prospectus and attributable to us or persons acting on our behalf are expressly qualified in their entirety by this section.



## **PLAN OF DISTRIBUTION**

After the effective date of the registration statement of which this prospectus is a part, each selling shareholder will be free to offer and sell his or her common shares at such times, in such manner and at such prices as he or she may determine. The types of transactions in which the common shares are sold may include transactions in the over-the-counter market (including block transactions), negotiated transactions, the settlement of short sales of common shares, or a combination of such methods of sale. The sales will be at market prices prevailing at the time of sale or at negotiated prices. Such transactions may or may not involve brokers or dealers. The selling shareholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their securities. The selling shareholders do not have an underwriter or coordinating broker acting in connection with the proposed sale of the common shares.

The selling shareholders may effect such transactions by selling common stock directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commissions from the selling shareholders. They may also receive compensation from the purchasers of common shares for whom such broker-dealers may act as agents or to whom they sell as principals, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

The selling shareholders and any broker-dealer that acts in connection with the sale of common shares may be "underwriters" within the meaning of Section 2(11) of the Securities Act. Any commissions received by such broker-dealers and any profit on the resale of the common shares sold by them while acting as principals may be deemed to be underwriting discounts or commissions.

Because the selling shareholders may be "underwriters" within the meaning of Section 2(11) of the Securities Act, the selling shareholders will be subject to prospectus delivery requirements.

Selling shareholders also may resell all or a portion of their common shares in open market transactions in reliance upon Rule 144 under the Securities Exchange Act, provided they meet the criteria and conform to the requirements of such Rule.

## **SELLING SHAREHOLDERS**

### **SELLING SHAREHOLDERS**

The following table sets forth certain information with respect to the selling shareholders as of January 24, 2008. Except as set forth below, none of the selling shareholders currently is an affiliate of ours, and none of them has had a material relationship with us during the past three years. None of the selling shareholders are or were affiliated with registered broker-dealers.

Name	Beneficial Ownership		Maximum Number of Shares of Common Stock Offered for Sale	Amount and Percentage of Common Stock After the Sale	
	of Common Stock as of November 27, 2007			Number	%
Aladray, Adnan	120,000	(1)	120,000	-	*
Aladray, Nazeah	60,000	(1)	60,000	-	*
Belz, Bruce Trustee	100,000	(1)	100,000	-	*
Carter, Shanon	21,600	(2)	21,600	-	*
Chrobak, Jerome	200,000	(1)	200,000	-	*
Ciner, Eugene and Natalie	10,000	(3)	10,000	-	*
Daniels, Richard	150,000	(1)	150,000	-	*
Duchain, Derek IRA	388,800	(2)	388,800	-	*
Duchain, Julie IRA	259,200	(2)	259,200	-	*
Flannery, Todd					