US BIODEFENSE INC
Form 10QSB
October 21, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: August 31, 2005

Or

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

For the transition period from ____________ to _____________

Commission File Number: 000-31431

US BIODEFENSE, INC.

(Exact name of registrant as specified in its charter)

Utah	33-0052057
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
13674 E. Valley Blvd. City of Industry, CA	91746
(Address of principal executive offices)	(Zip Code)

(626) 961-0562

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 10,101,349

US Biodefense, Inc.

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Unaudited Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission ("Commission"). While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company's Registration Statement on Form 10-KSB previously filed with the Commission on April 15, 2005, and subsequent amendments made thereto.

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

US Biodefense, Inc.

Balance Sheet

August 31, 2005 and August 31, 2004

(Unaudited)

ASSETS	2005	2004
Current assets		
Cash and cash equivalents	$10,797	$45,108
Investments	9,000	---
Prepaid services - Related party	----	----
Prepaid services	----	----
Prepaid expenses	----	400
Total current assets	19,797	45,508
Total assets	19,797	45,508
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	----	4,808
Notes payable - Related party	5,313	3,894
Deferred revenues	16,667	33,333
Total current liabilities	21,980	42,035
Total liabilities	21,980	42,035
Stockholders' equity:		
Common stock, $0.001 par value, 100,000,000 shares authorized, $.0001 par value, 10,101,349 share issued and outstanding	10,101	10,101
Additional paid in capital	3,793,289	3,793,289
Accumulated deficit	(3,805,573)	(3,799,917)
Total stockholders' equity (deficit)	(2,183)	3,473
Total liabilities and stockholders' equity (deficit)	$19,797	$45,508

See accompanying note to financial statements

US Biodefense, Inc.

Statements of Operations

For the three and nine month periods ended August 31, 2005 2004

(Unaudited)

	Three months ended August 31,		Nine months ended August 31,	
	2005	2004	2005	2004
Revenues	$25,000	$12,500	$104,167	$16,667
General & administrative expenses	42,217	7,088	111,385	25,194
General & administrative expenses - Related party	3,000	---	3,000	25,000
Total expenses	45,217	7,088	114,385	50,194
Net income (loss)	$(20,217)	$5,412	$(10,218)	$(33,527)
Weighted average number of shares outstanding - basic and fully diluted	10,101,349	10,101,349	10,101,349	10,101,349
Basic and diluted net income (loss) per common share	$(0.00)	$(0.00)	$0.00	$(0.00)

See accompanying note to financial statements

US Biodefense, Inc.

Statement of Cash Flows

For the nine months ended August 31, 2005 and August 31, 2004

(Unaudited)

	2005	2004
Cash flows from operating activities		
Net income (loss)	$(10,218)	$(33,527)
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Stock issued for payroll - Related party		
Stock issued for prepaid payroll - Related party		
Stock issued for prepaid services		
Changes in operating assets and liabilities:		
Prepaid expenses	---	36,600
Accounts payable	(377)	4,808
Deferred revenues	(4,166)	33,333
Notes payable - Related party	---	---
Net cash used by operating activities	(14,761)	41,214
Cash flows from investing activities		
Purchase of investment	(9,000)	---
Cash flows from financing activities		
Proceeds from notes payable - Related party	1,000	3,894
	---	3,894
Increase in cash and cash equivalents	(22,761)	45,108
Cash and cash equivalents, beginning of year	33,558	---
Cash and cash equivalents, end of year	$10,797	$45,108

See accompanying note to financial statements

US Biodefense, Inc.

Notes to Financial Statements

Note 1 - Background and Summary of Significant Accounting Policies

Background

US Biodefense , Inc. (the "Company"), a Utah corporation is headquartered in the City of Industry, California. The Company is a registered government contractor with the Department of Defense Logistics Agency. The Company is focused on designing and developing homeland security and biodefense products.

The Company was originally incorporated under the name Teal Eye, Inc. in the state of Utah on June 29, 1983. The Company then merged with Terzon Corp. and amended its Articles of Incorporation to change the name to Terzon Corp. On September 7, 1984, the Company amended its articles of incorporation changing its name to Candy Stripers Corporation, Inc. On January 6, 1998, the Company amended its Articles of Incorporation changing its name to Piedmont, Inc. On May 31, 2003, the Company amended its articles of Incorporation and changed its name to US Biodefense, Inc.

Basis of Presentation

The interim financial statements included herein, presented in accordance with accounting principles generally accepted in the United States and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management are necessary for fair presentation of the information contained therein. It is suggested that these interim financial statements be read in conjunction with the financial statements of the Company for the year ended November 30, 2004 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of interim reports.

Results of operations for the interim periods are not indicative of annual results.

Going Concern

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company had an accumulated deficit of $3,805,573 at August 31, 2005. In addition, the Company generates minimal revenue from its operations. These conditions raise substantial doubt as to the Company's ability to continue as a growing concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

US Biodefense, Inc.

Notes to Financial Statements

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence.

Management intends to raise financing through the issuance of its common stock or other means and interests that it deems necessary, with a view to moving forward with the development of the homeland security and biodefense products.

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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at 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.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, prepaid expenses, accounts payable and deferred revenues, the carrying amounts approximate fair value due to their short maturities.

Revenue Recognition

Revenue is recognized when services are performed or products are delivered. The cost of shipping and handling are charged directly to cost of sales at the time of shipment. Sales are recorded net of returns, discounts and allowances.

Concentration of Credit Risk

Financial instruments which subject the Company to concentrations of credit risk include cash and cash equivalents.

The Company maintains its cash in well-known banks selected based upon management's assessment of the bank's financial stability. Balances may periodically exceed the $100,000 federal depository insurance limit; however, the Company has not experienced any losses on deposits. The Company extends credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses, as required.

Cash Equivalents

For purposes of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalent.

US Biodefense, Inc.

Notes to Financial Statements

Comprehensive Income

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income and its components in the financial statements. For the six months ended August 31, 2005 and August 31, 2004, the Company has no items that represent other comprehensive income, and accordingly, has not included a schedule of comprehensive income in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs for the six month periods ended August 31, 2005 or August 31, 2004.

Income Taxes

The Company accounts for income taxes under SFAS 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Loss per Share

In accordance with SFAS No. 128, "Earnings Per Share," the basic income / (loss) per common share is computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income per common share is computed similar to basic income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of May 31, 2005 and May 31, 2004, the Company does not have any equity or debt instruments outstanding that can be converted into common stock.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and complies with the disclosure provisions of SFAS 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the excess, if any, on the date of the grant of the deemed fair value of the Company's shares over the employee's exercise price. When the exercise price of the employee share options is less than the fair value price of the underlying shares on the grant date, deferred stock compensation is recognized and amortized to expense in accordance with FASB Interpretation No. 28 over the vesting period of the individual options. Accordingly, because the exercise price of the Company's employee options equals or exceeds the market price of the underlying shares on the date of grant, no compensation expense is recognized. Options or shares awards issued to non-employees are valued using the fair value method and expensed over the period services are provided.

US Biodefense, Inc.

Notes to Financial Statements

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the carrying value of a long-lived asset, including associated intangibles, may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows, associated with the asset or the asset's estimated fair value to the asset's carrying amount to determine if a write-down to market value or discounted cash flow is required.

Note 2 - Notes Payable (Including Related Parties)

As of August 31, 2005, an officer and director of the Company loaned the Company a total of $5,312 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of August 31, 2005, the amount owed is $5,312.

Note 3 - Deferred Revenues (Including Related Parties)

On May 1, 2005, the Company renewed an agreement with Financialnewsusa.com, Inc., to develop content for its' Biodefense Industry News. Financialnewsusa.com, Inc. is a related party due to a common officer and director. The term of the agreement is for twelve months. Financialewsusa.com, Inc. paid a total of $50,000 for these services. As of August 31, 2005 $16,667 is reflected as revenues received in advance and will be amortized ratably over the service

period.

Item 2. Management's Discussion and Plan of Operation

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about US Biodefense, Inc.'s business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, UBDE's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to expand our customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *"believes," "expects," "intends," "plans," "anticipates," "estimates"* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Overview

We were incorporated in the State of Utah on June 29, 1983, under the name Teal Eye, Inc. We merged with Terzon Corporation and changed our name to Terzon Corporation in 1984. We subsequently changed our name to Candy Stripers Candy Corporation. We were engaged in the business of manufacturing and selling candy and gift items to hospital gift shops across the country. We were traded Over-the-Counter Bulletin Board for several years. In 1986 we ceased the candy manufacturing operations and filed for Chapter 11 Bankruptcy protection. After emerging from Bankruptcy in 1993, we remained dormant until January 1998, when we changed our name to Piedmont, Inc. On May 13, 2003, we filed an amendment to our Articles of Incorporation to change our name from Piedmont, Inc. to US Biodefense, Inc. We are a registered government contractor with the Department of Defense Logistics Agency that is focused on designing ad developing homeland security and biodefense products.

Results of Operations

Revenues

Our revenues totaled $25,000 for the third quarter ended August 31, 2005, compared to $12,500 for the three months ended August 31, 2004. Revenues for the current fiscal year were attributable solely to the May 1, 2005 renewal of the agreement with Financialnewsusa.com, a related party, to provide consulting services to them in exchange for $50,000, for which we were paid in advance the entire balance of the contract. As of August 31, 2005, we had realized revenue in the amount of $16,667 and deferred revenue of $33,334. We cannot guarantee that we will be able to attract future customers and continue to generate sales. In the year ago period, we did not generate any revenues.

Expenses

Total expenses for the three months ended August 31, 2005 were $45,217, consisting solely of general and administrative expenses. For the three months ended August 31, 2004, we incurred expenses of $7,088, all of which was considered general and administrative, and $3,000 paid to a related party.

The related party expenses are attributable to the April 1, 2003 employment agreement with David Chin, an officer and director. In accordance with this employment agreement, we issued 9,000,000 shares of our common stock valued at $135,000. We recognized $15,000 as an expense in the three months ended February 29, 2004. The entire balance was expensed in the year ended November 30, 2004, therefore, no expense was recognized in the current quarter ended August 31, 2005.

On November 8, 2004, we entered into a Commercial Evaluation License Agreement with the United States Public Health Service within the Department of Health and Human Services. We paid $3,500 for a six month nonexclusive license to evaluate the suitability for commercial development of cellular and viral inactivation.

We expect to continue to use shares of our common stock to pay for future expenses to preserve capital. Additionally, we expect to continue to incur general and administrative expenses for the foreseeable future, although we cannot estimate the extent of such expenses.

Net Income (Loss)

We incurred a net loss of $20,217 for the most recent quarter ended August 31, 2005. In comparison, we realized net income from operations in the amount of $5,412 in the year ago three month period. The key factor providing this change: namely, we incurred significantly greater expenditures in the current period as opposed to a year ago. All revenues were earned from a related party.

Liquidity And Capital Resources

We have limited cash on hand, and may be unable to continue operations for the next at least 12 months if we are unable to generate revenues or obtain capital infusions by issuing equity or debt securities in exchange for cash. If we are unable to obtain capital through issuances of equity or debt, David Chin, a shareholder and President of our company, has verbally agreed to loan us cash, which shall bear no interest and be due upon demand. As of August 31, 2005, David Chin loaned us a total of $5,312 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of August 31, 2005, the amount owed is $5,312. We have no formal written agreement with Mr. Chin for any further loans, and we cannot guarantee you that we will be able to enforce our verbal agreement. Notwithstanding this, there can be no assurance that we will be able to secure additional funds in the future to stay in business. Our principal accountants have expressed substantial doubt about our ability to continue as a going concern because we have limited operations.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on our revenues from continuing operations.

Our management does not anticipate the need to hire additional full- or part- time employees over the next 12 months, as the services provided by our officers and directors appear sufficient at this time. We believe that our operations are currently on a small scale that is manageable by a few individuals. While we believe that the addition of employees is not required over the next 12 months, we intend to hire independent contractors to perform research activities and market any potential products and services we may develop.

We do not have any off-balance sheet arrangements.

We currently do not own any significant plant or equipment that we would seek to sell in the near future.

We have not paid for expenses on behalf of any of our directors. Additionally, we believe that this fact shall not materially change.

Item 3. Controls and Procedures

Within 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and our Chief Financial Officer, of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are ineffective for the gathering, analyzing and disclosing the information we are required to disclose in the reports we file under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

Our management does not expect that our disclosure controls or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Because of the inherent limitation of a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Exhibit Number	Name and/or Identification of Exhibit
3	Articles of Incorporation & By-Laws
	a. Articles of Incorporation of Teal Eyes, Inc. Incorporated by reference herein filed as Exhibit (a) to Form 10SB12G filed on September 1, 2000.
	b. Amendment to Articles of Incorporation of Teal Eyes, Inc. Incorporated by reference herein filed as Exhibit (b) to Form 10SB12G filed on September 1, 2000.
	c. Amendment to Articles of Incorporation of Terzon Corporation. Incorporated by reference herein filed as Exhibit (c) to Form 10SB12G filed on September 1, 2000.
	d. Amended and Restated Articles of Incorporation of Candy Stripers Candy Corp. Incorporated by reference herein filed as Exhibit (d) to Form 10SB12G filed on September 1, 2000.
	e. By-Laws of the Company. Incorporated by reference herein filed as Exhibit (e) to Form 10SB12G filed on September 1, 2000.
	f. Certificate of Amendment to Articles of Incorporation filed May 13, 2003. Incorporated by reference herein filed as Exhibit 3 to Form 10-QSB filed on July 15, 2003.
31	Rule 13a-14(a)/15d-14(a) Certifications
	a. David Chin
	b. Marcia Marcus
	c. Scott Perren
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

US BIODEFENSE, INC.
(Registrant)

October 21, 2005

Signed:	/s/ David Chin	Director
Print:	David Chin	
Signed:	/s/ Marcia Marcus	Director
Print:	Marcia Marcus	
Signed:	/s/ Scott Perren	Director
Print:	Scott Perren	