ACCELR8 TECHNOLOGY CORP
Form 10QSB
December 15, 2004

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from __________________ to ____________________

Commission file number 0-11485

ACCELR8 TECHNOLOGY CORPORATION
(Exact name of small business issuer as specified in its charter)

COLORADO	84-1072256
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

7000 Broadway, Bldg. 3-307, Denver, CO, 80221
(Address of principal executive office)

(303) 863-8088
(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ____

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at December 14, 2004

Common Stock, no par value	9,961,210

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PART I. FINANCIAL INFORMATION

Item 1.Financial Statements

Accelr8 Technology Corporation
Balance Sheets

ASSETS

	October 31, 2004 (Unaudited)
Current assets:	
Cash and cash equivalents	$ 6,815,161
Trade accounts receivable	11,528
Other accounts receivable	1,359
Inventory (Note 3)	25,921
Prepaid expenses and other current assets	30,451
Note receivable (Note 7)	133,333
Current assets of discontinued operations (Note 7)	
Total current assets	7,017,753
Property and equipment, net	204,615
Note Receivable (Note 7)	266,667
Investments, net	742,716
Intellectual property, net (Note 4)	4,018,119
Total assets	$ 12,249,870

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$ 115,720
Accrued compensation and other liabilities	55,844
Liabilities for discontinued operations (Note 7)	--
Deferred revenue (Note 8)	90,000
Total current liabilities	261,564
Long-term liabilities:	
Deferred compensation	761,466
Total long-term liabilities	761,466
Total liabilities	1,023,030

Commitments and Contingencies (Notes 5, 6 and 9):	
Shareholders' equity (Note 6):	
Common stock, no par value; 11,000,000 shares authorized; 9,961,210 shares issued and outstanding, respectively	12,863,020
Contributed capital	461,049
Accumulated deficit	(1,823,629)
Shares held for employee benefit (1,129,110 shares at cost)	(273,600)
Total shareholders' equity	11,226,840
Total liabilities and shareholders' equity	$ 12,249,870

See accompanying notes to unaudited financial statements.

Accelr8 Technology Corporation
Statements of Operations
For the Three Months Ended October 31, 2004 and 2003
(Unaudited)

	2004	
Revenues:		
Revenue	$ 21,724	$
Costs and expenses:		
Cost of sales - OptiChem(TM)	10,530	
General and administrative	261,056	
Marketing and sales	10,749	
Research and development	203,149	
Depreciation	15,405	
Amortization (Note 4)	58,698	
Total costs and expenses	559,587	
Loss from operations	(537,863)	(
Other (expense) income:		
Interest income	28,766	
Unrealized gain (loss) on investments	(703)	
Realized gain on sale of investments	--	
Total other income	28,063	
Loss from continuing operations	(509,800)	(
Income from discontinued operations (Note 7)	--	

Net loss	$ (509,800)	$ (
Net loss per share:		
Continuing operations	$ (.05)	$
Discontinued operations	--	
Basic and diluted net loss per share	$ (.05)	$
Weighted average shares outstanding	9,961,210	9,

See accompanying notes to unaudited financial statements.

Accelr8 Technology Corporation
Statements of Cash Flows
For the Three Months Ended October 31, 2004 and 2003
(Unaudited)

	2004	
Cash flows from operating activities:		
Net loss from continuing operations	$ (509,800)	$
Adjustments to reconcile net (loss) to net cash (used in) operatin activities:		
Depreciation	15,405	
Amortization	58,698	
Unrealized holding (gain) loss on investments	703	
Realized (gain) on sale of investments, interest and dividends reinvested	(2,114)	
(Increase) decrease in assets:		
Accounts receivable	53,061	
Inventory	4,366	
Prepaid expense and other	3,521	
Increase (decrease) in liabilities:		
Accounts payable	18,876	
Accrued liabilities	9,051	
Deferred revenue	30,000	
Deferred compensation	20,161	
Net cash used in operating activities	(298,072)	
Cash flows from investing activities:		
Purchase of furniture and fixtures	(3,287)	
Cost of obtaining patents and trademarks	(5,985)	
Contribution to deferred compensation trust	(75,000)	

Net cash used in investing activities	(84,272)	
Cash used by discontinued operations	(35,925)	
Decrease in cash	(418,269)	
Beginning balance	7,233,430	
Ending balance	$ 6,815,161	$

See accompanying notes to unaudited financial statements.

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Accelr8 Technology Corporatioin
Notes to Unaudited Financial Statements
For the Three Months Ended October 31, 2004 and 2003

Note 1. Basis of Presentation

The financial statements included herein have been prepared by Accelr8 Technology Corporation (the "Company") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with our annual audited financial statements dated July 31, 2004, included in our annual report on Form 10-KSB as filed with the SEC.

Management believes that the accompanying unaudited financial statements are prepared in conformity with generally accepted accounting principles, which require the use of management estimates, and contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the periods presented. The results of operations for the three month period ended October 31, 2004 may not be indicative of the results of operations for the year ended July 31, 2005.

Note 2. Reclassification

Certain reclassifications have been made in the fiscal 2004 financial statements to conform to the classifications used in fiscal 2005. Such reclassifications have no effect on net income (loss) as previously reported.

Note 3. Inventory

The Company purchases raw materials (custom chemicals and glass substrates) for producing OptArray slides. 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 at October 31, 2004 and 2003, as slides currently are made for specific orders and shipped as produced.

Note 4. Intellectual Property

Intellectual property consisted of the following:

	October 31, 2004	July 31, 2004
OptiChem technologies	$ 4,454,538	$ 4,454,538
Patents	186,230	180,245
Trademarks	49,019	49,019
Total intellectual property	4,689,787	4,683,802
Accumulated amortization	(671,668)	(612,970)
Net intellectual property	$ 4,018,119	$ 4,070,832

Intellectual properties are recorded at cost and are being amortized on a straight-line basis over their estimated useful lives of 20 years, which approximates the patent and patent application life of the OptiChem technologies. Amortization expense was $58,698 and $58,128 respectively, for the three months ended October 31, 2004 and 2003.

The Company routinely evaluates the recoverability of its long-lived assets based upon estimated future cash flows from or estimated fair value of such long-lived assets. If in management's judgment, the anticipated undiscounted cash flows or estimated fair value are insufficient to recover the carrying amount of the long-lived asset, the Company will determine the amount of the impairment, and the value of the asset will be written down. Management believes that the fair value of the technology exceeds the carrying value. However, it is possible that future impairment testing may result in intangible asset write-offs, which could adversely affect the Company's financial condition and results of operations.

Note 5. Employee Stock Based Compensation

The Company accounts for stock based compensation to employees and directors using the intrinsic value method in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The Company accounts for stock based compensation to non-employees in accordance with SFAS No. 123, "Accounting for Stock Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment to FASB No. 123."

The Company applies SFAS No. 123 and 148 in valuing options granted to consultants and estimates the fair value of such options using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as services are provided. Options granted to consultants for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

The following table illustrates the effect on net loss if the Company had applied the fair value recognition provisions of SFAS 123.

	Three Months Ended October 31, 2004	Three Months Ended October 31, 2003
Net loss from continuing operations-as reported	$(509,800)	$(465,270)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards	(1,025)	(1,025)
Pro forma net loss from continuing operations	$(510,825)	$(466,295)
Earnings per share from continuing operations:		
Basic and diluted - as reported	$ (.05)	$ (.05)
Basic and diluted - pro forma	$ (.05)	$ (.05)

Note 6. Shareholders' Equity

Common Stock Options

At October 31, 2004, there were 702,500 stock options outstanding at prices ranging from $1.45 to $3.20 with expiration dates between May 6, 2005 and August 1, 2011. For the three months ended October 31, 2004 and 2003, stock options exercisable into 702,500 and 755,000 shares of common stock were not included in the computation of diluted earnings per share because their effect was antidilutive.

Contingent options

On July 12, 2003, the Company issued 50,000 options at an exercise price of $2.25 each, to purchase all rights in technology known as YoDx which will be integrated into the Company's existing technology. In connection with the purchase of the YoDx technology, the Company agreed to issue an additional 200,000 stock options with the same terms upon the earlier of (a) the Company achieving certain accumulated revenue levels associated with the YoDx(TM) technology, as defined in the agreement, or (b) a change in control of the Company prior to the expiration date of the options. As of October 31, 2004, the contingent provisions have not been met and the options have not been granted.

Note 7. Sale of Software Migration Tools

On July 30, 2004, we completed the sale of the assets related to the Software Migration Business, which consisted of tools for legacy-code modernization and the resale of third-party software to Transoft Group Ltd (the "Asset Sale"). The aggregate purchase price of the Asset Sale was $500,000; which was payable $100,000 in cash and the Company was issued a promissory note payable in three equal annual installments of $133,333 with annual interest of 4% on the unpaid balance payable quarterly. In addition, the purchase price included the assumption of support obligations under pre-existing support and maintenance agreements. The assets, liabilities, results of operations and cash flows for the Software Migration Business have been classified as Discontinued Operations in the financial statements.

Net income from the discontinued operations for the three months ended October 31, 2003 was $42,272. A summary of income and expenses for the three months ended October 31 2003 is below:

	2003
Revenues	$103,686
Cost of sales	19,145
Administrative and marketing	41,093
Depreciation	1,176
Total costs and expenses	61,414
Income from discontinued operations	$ 42,272

Note 8. Proof of Principle Testing Agreement

On April 12, 2004, the Company signed a proof of principle testing agreement with a major life sciences company (the agreement has a non-disclosure clause as to name of entity). Under the agreement, Accelr8 agreed to develop a customized surface coating to be applied to blank substrates provided by the customer for a total price of $90,000. The agreement included reasonable amounts of technical support through December 31, 2004. The Company has delivered the

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required customized coated substrates and has been paid in full at October 31, 2004. In accordance with EITF 00-21, "Revenue Arrangements with Multiple Deliverables", revenue in the amount of $90,000 has been deferred until no additional service delivery obligations are required by the Company or December 31, 2004, the expiration date of the agreement.

Note 9. Subsequent Event

On November 24, 2004, the Company entered into a worldwide exclusive manufacturing and marketing license agreement (the "License Agreement") with SCHOTT Jenaer Glas GmbH ("SCHOTT"). The Company also signed a second supply agreement (the "Supply Agreement") for OptiChem coated amine-reactive slides manufactured by Accelr8.

Pursuant to the License Agreement Schott shall pay the Company a non-refundable fee of $100,000. Fifty thousand dollars ($50,000) of such fee shall be credited against future royalties. During the 2-year term of the agreement Schott shall pay Accelr8 a royalty payment equal to 6% of net sales of licensed products. If the total net sales during the initial 2-year term equal or exceed, $1,125,000, then the total royalty payable by Schott for the initial term shall be a flat fee of $90,000. An optional 1-year extension may be exercised by SCHOTT by payment of a $90,000 upfront renewal fee.

Pursuant to the Supply Agreement, the Company will supply 10,000 OptiChem coated microarraying slides, including 1,000 slides purchased prior to the execution of the Supply Agreement, to SCHOTT at a price of $14.00 each. The Supply Agreement with SCHOTT has a term of six months or until delivery of all of the slides purchased under the Supply Agreement is complete. The Supply Agreement also includes an option to SCHOTT until December 31, 2005 to negotiate an exclusive license for the application of OptiChem coatings on 96-well microtiter plates. In return SCHOTT will provide 7,500 glass substrates to Accelr8 at no charge. The option is valued at $15,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-QSB contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Company, intends that such forward-looking statements be subject to the safe harbors created thereby. These forward-looking statements, which can be identified by the use of words such as "may," "will," "expect," "anticipate," "estimate," or "continue," or variations thereon or comparable terminology, include the plans and objectives of management for future operations, including plans and objectives relating to the products and future economic performance of the Company. In addition, all statements other than statements of historical facts that address activities, events, or developments the Company expects, believes, or anticipates will or may occur in the future, and other such matters, are forward-looking statements.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties. These forward-looking statements are based on assumptions that the Company will retain key management personnel, that the Company's forecasts will accurately anticipate market demand for the Company's products and that there will be no material adverse change in the Company's operations or business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward-looking statements are

reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in forward-looking information will be realized. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion should be read in conjunction with the Company's future operating results may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, General public perception of issues and solutions, and other uncertain business conditions that may affect the Company's business. The Company cautions the reader that a number of important factors discussed herein, and in other reports, filed with the Securities and Exchange Commission including its 10KSB for the year ended July 31, 2004, could affect the Company's actual results and cause actual results to differ materially from those discussed in forward-looking statements.

Overview

Prior to January 2001, Accelr8 was a provider of software tools and consulting services. Since the acquisition of the OpTest suite of technologies, we have focused primarily upon research and development relating to the technologies acquired, and the development of revenue producing products related to that technology. The potential market opportunity in the growing area of biosciences, coupled with unique patented technology that was beyond initial development stage, led us to pursue a purchase agreement with DDx.

On January 18, 2001, Accelr8 purchased the OpTest technology assets from DDx and commenced investment in development and optimization of OpTest's surface chemistry (OptiChem) and quantitative instrument (QuanDx(R)). Our proprietary surface chemistry and quantitative instruments support rapid assessment of medical diagnostics, food-borne pathogens, water-borne pathogens and bio-warfare assessments. Presently the Company sells advanced microarray slides coated with its proprietary OptiChem activated surface chemistry for use in academic research, drug discovery and molecular diagnostics. This surface coating has the ability to shed sticky biomolecules that interfere with bio-analytical assays such as microarrays and immunoassays. Management believes that this property substantially improves analytical performance by enabling higher sensitivity, greater reproducibility, and higher throughput by virtue of simplified application methods.

On November 24, 2004, we entered into an exclusive global manufacturing and distribution licensing agreement with Schott Nexterion (Schott Jenaer Glas GmbH, Jena, Germany) and a second supply agreement for microarray slides using Accelr8's OptiChem(R) surface chemistry.

In January 2004, management commenced development of the BACcelr8r, a rapid bacterial identification and antibiotic resistance detection platform.

The BACcelr8r embodies all three of Accelr8's wholly owned core technologies: OptiChem surface chemistry, QuanDx optical detection, and YoDx(TM) accelerated assay processing. We believe that the same integrated technology combination will provide a platform for molecular analysis, as used in genomics and proteomics, and molecular diagnostics. We expect the benefits of BACcelr8r to be very high sensitivity, rapid results, high reproducibility, and relatively low cost per test and expect the BACelr8r will be initially used in the ICU (intensive care units) of hospitals for the diagnosis and treatment assessment of VAP (ventilator associated pneumonia).

In fiscal 2005 we intend to complete technical studies on materials and processes to be used in the BACcelr8r system. We also intend to begin BACcelr8r product design and development. During first quarter fiscal 2005 we focused on

assay development and refined methods of analyte capture intended for use in BACcelr8r. With microarraying products, we will continue manufacturing hydrogel slides for resale to Schott customers pursuant to the Supply Agreement. In addition, we expect to conduct further custom OptiChem coating development in projects funded by industrial customers.

See "Note 9. Subsequent Events" for a description of the Supply Agreement and the License Agreement with SCHOTT.

Changes in Results of Operations: Three months ended October 31, 2004 compared to three months ended October 31, 2003.

On July 30, 2004, we completed the sale of the assets related to the Software Migration Business. See Note 7 to the financial statements for details. As a result, the following revenues, costs, and expenses relate only to our continuing operations.

OptiChem revenues for the three months ended October 31, 2004, were $21,724 as compared to $22,284 for the three months ended October 31, 2003 for a decrease in sales of $560 or 2.5%.

During the three months ended October 31, 2004, sales to SCHOTT, our largest customer were $19,494 representing 90% of the Company's net revenues. During the three months ended October 31, 2003, sales to the Company's two largest customers were $14,800 and $3,380 representing 66% and 15% of net revenues. The loss of our major customer and the inability to replace the revenues with another customer would have a further material adverse effect on our results of operations.

Cost of sales for the three months ended October 31, 2004 was $10,530, an increase of $2,254 as compared to $8,276 during the three months ended October 31, 2003. This increase was primarily due to increased labor incurred in manufacturing, quality control and shipping of OptiChem slides.

General and administrative expenses for the three months ended October 31, 2004 were $261,056, an increase of $2,715 or 1% as compared to $258,341 during the three months ended October 31, 2003. The major categories of significant change for the three months ended October 31, 2004 as compared to the three months ended October 31, 2003 are detailed below.

Consulting fees increased $20,713 primarily due to the cost of an independent fair value determination of the Company's intellectual property ($11,200) and accounting fees for work previously done by an employee ($10,110).

Salaries had a net increase of $21,000, largely due to a former consultant that was previously charged to marketing and sales that is now employed as president of the company. Some of this change was offset by an accounting employee that is now a consultant.

Corporate and shareholder expense decreased $32,233 in the three months ended October 31, 2004 as compared to the three months ended October 31, 2004. In October 2003 the Company was listed on the American Stock Exchange which required a $55,000 listing fee plus one month of the annual fee ($1,458) for a total of $56,458 as compared to three months of annual fee ($4,374) in the current quarter for a net decrease of $52,084. This decrease was offset by an increase in expense of an investor relations firm ($8,737) and the cost of a presentation to an investor conference ($6,500) to increase the Company's profile within the scientific and investment communities.

Corporate insurance decreased $9,016 due to a reduction in cost of the directors, officers, and Company reimbursement liability coverage.

Deferred compensation decreased $13,244 due to a change in market value of investments in the deferred compensation trust.

Payroll taxes and employee benefits increased a total of $10,469 due to a greater number of employees.

Marketing and sales expenses for the three months ended October 31, 2004 were $10,749 a decrease of $29,853 or 74% as compared to $40,602 during the three months ended October 31, 2003. This decrease was due to decreased consulting fees ($26,947) because the consultant is now employed by the Company, as president, and his salary is charged to general and administrative.

Research and development expenses for the three months ended October 31, 2004 were $203,149 an increase of $60,316 or 42% as compared to $142,833 during the three months ended October 31, 2003. Salaries attributable to research and development increased $44,708 due primarily to additional employees performing work on surface chemistry and the BACcelr8r project.

Depreciation for the three months ended October 31, 2004 was $15,405, an increase of $6,540 or 74% as compared to $8,865 during the three months ended October 31, 2003. This increase is due to an increased amount of laboratory equipment placed into service.

Amortization for the three months ended October 31, 2004 was $58,698, an increase of $570 or 1% as compared to $58,128 during the three months ended October 31, 2003.

As a result of these factors, loss from operations for the three months ended October 31, 2004 was $537,863, an increased loss of $43,102 or 9% as compared to a loss from operations of $494,761 for the three months ended October 31, 2003.

Interest income for the three months ended October 31, 2004 was $28,766, an increase of $12,479 or 77% as compared to $16,287 during the three months ended October 31, 2003. This increase was primarily due to increased interest rates.

There was no realized gain on marketable securities held in the deferred compensation trust for the three months ended October 31, 2004 as compared to a gain of $1,975 for the three months ended October 31, 2003.

Unrealized gain (loss) on marketable securities held in the deferred compensation trust for the three months ended October 31, 2004 was a loss of $703 as compared to unrealized gain of $11,229 for the three months ended October 31, 2003. The unrealized loss was a result of the change in market value of the underlying assets. The unrealized loss in marketable securities is reflected as decreased deferred compensation and included in general and administrative expenses.

In the three months ended October 31, 2003 there was income from discontinued operations totaling $42,272. See Note 7 to the financial statements for details.

The Company has not recorded an income tax provision or benefit in either period. Deferred income tax assets and liabilities are computed to determine differences between the financial statement basis and the estimated income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future. As of October 31, 2004, a valuation allowance has been recorded for the deferred tax asset, as management has not determined that it is more likely than not that this amount of the deferred tax asset will be realized.

As a result of these factors, net loss for the three months ended October 31, 2004 was $509,800 an increased loss of $86,802 or 21% as compared to a net loss of $422,998 during the three months ended October 31, 2003.

Capital Resources and Liquidity

Detailed below is a comparison of the Company's capital resources and liquidity at October 31, 2004 as compared to July 31, 2004.

	October 31, 2004	July 31, 2004	Increase (Decrease)	Incre (Decre
Cash and cash equivalents	$6,815,161	$ 7,233,430	$(418,269)	(5.
Current assets	$7,017,753	$7,504,195	$(486,442)	(6.
Working capital	$6,756,189	$7,257,408	$(501,219)	(6.
Shareholders' equity	$11,226,840	$11,736,640	$(509,800)	(4.

Cash and cash equivalents as of October 31, 2004 decreased by $418,269 as compared to fiscal year end, July 31, 2004. This decrease was largely the result of a net loss of $509,800 and an increase in deferred revenue of $30,000, which was the final payment under the Proof of Principal Testing Agreement (See Note 8) and a payment of $75,000 into the deferred compensation trust, offset by depreciation and amortization of $74,103.

The Company utilized $298,072 in operating activities in the three months ended October 31, 2004 compared to cash flow utilized in the amount of $428,034 in the comparable period in 2003. The principal elements that gave rise to the difference are changes in receivables, inventory and deferred revenue.

The Company believes that its existing balances of cash and cash equivalents will be sufficient to satisfy its working capital needs, capital expenditures and other liquidity requirements for its existing operations in the next twelve to twenty four months.

Item 3. Controls and Procedures

An evaluation was conducted under the supervision and with the participation of the Company's management, including Thomas V. Geimer, the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2004. Based on that evaluation, Mr. Geimer concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Mr. Geimer also confirmed that there was no change in the Company's internal control over financial reporting during the quarter ended October 31, 2004 that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults of Senior Securities

Not applicable.

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

The Annual Meeting of the Company's Shareholders was held on December 14, 2004. The matters considered at the meeting were:

a) The election of Thomas V. Geimer, A. Alexander Arnold III, and Charles E. Gerretson to the Company's Board of Directors;

b) Adoption an amendment to the Company's Articles of Incorporation, as amended, which would effect an increase in the number of authorized shares of the Company's no par value common stock (the "Common Stock") from 11,000,000 shares to 12,000,000 shares, without having any effect upon the issued and outstanding shares of Common Stock;

c) Approval and ratification of the Company's 2004 Omnibus Stock Option Plan, which authorizes the issuance of up to 500,000 shares of the Company's Common Stock that may be issued under the Plan; and

d) To ratify the selection of Anton Collins Mitchell LLP as the independent public accountants of the Company for the fiscal year ending July 31, 2005.

Each of the nominees was elected to the Board of Directors, the amendment to effect an increase in the number of authorized shares of the Company's no par value common stock from 11,000,000 shares to 12,000,000 shares was adopted, the Company's 2004 Omnibus Stock Option Plan, which authorizes the issuance of up to 500,000 shares of the Company's Common Stock that may be issued under the Plan was adopted and Anton Collins Mitchell LLP were ratified as the Company's independent public accountants. The votes cast at the annual meeting upon the matters considered were as follows:

	For	Withhold
Election of Directors		
Thomas V. Geimer	7,668,256	192,101
A. Alexander Arnold III	7,847,748	12,609

Charles E. Gerretson	7,840,747	19,610

Adoption an amendment to the Company's Articles of Incorporation, as amended, which would effect an increase in the number of authorized shares of the Company's no par value common stock (the "Common Stock") from 11,000,000 shares to 12,000,000 shares

For	Against	Abstain
7,716,610	135,879	7,868

Approval of the 2004 Omnibus Stock Option Plan

For	Against	Abstain	Not Voted
4,448,968	168,309	16,820	3,226,260

Ratification of Anton Collins Mitchell LLP

For	Against	Withhold
7,843,802	8,275	8,280

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

1. Exhibit 31.1 Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

2. Exhibit 31.2 Certification of Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

3. Exhibit 32.1 Certification of Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 0f 2002.

b) Reports on Form 8-K:

Form 8-K filed August 4, 2004 disclosing a press release announcing the sale of the software business.

SIGNATURES

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

Dated: December 15, 2004

ACCELR8 TECHNOLOGY CORPORATION

/s/ Thomas V. Geimer

Thomas V. Geimer, Secretary,
Chief Executive Officer and
Chief Financial Officer

/s/ James Godkin

James Godkin, Principal Accounting Officer