US BIODEFENSE INC
Form 10QSB/A
October 24, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment Number 1 to Form 10-QSB

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, 2007
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 of Other Jurisdiction of Incorporation)	(IRS Employer Identification No.)
375 South 6th Avenue City of Industry, California	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

US Biodefense, Inc.

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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 Annual Report on Form 10-KSB previously filed with the Commission on March 15, 2007.

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

US Biodefense, Inc.
Balance Sheet

<u>ASSETS</u>	(Unaudited) August 31, 2007	November 30, 2006
Current assets		
Cash and cash equivalents	$18,516	$22,663
Marketable securities	47,500	73,00
Accounts receivable, net of allowance of $20,000	34,720	54,827
Inventory	66,691	75,355

Total current assets	167,427	225,845
Property and equipment, net of accumulated depreciation	1,800	2,418
Customer list	7,500	7,500
Deposits	1,000	1,000
Total assets	177,727	236,763
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued expenses	59,490	19,278
Notes payable Related party	185,500	--
Deferred revenues	--	25,000
Total current liabilities	244,990	44,278
Stockholders equity:		
Common stock 100,000,000 shares authorized, $.0001 par value, 60,304,047 and 39,059,047 share issued and outstanding	6,030	3,906
Additional paid in capital	4,722,910	4,270,684
Other comprehensive deficit	(52,500)	(27,000)
Accumulated deficit	(4,743,703)	(4,055,105)
Total stockholders equity (deficit)	(67,263)	192,485
Total liabilities and stockholders equity (deficit)	$177,727	$236,763

See accompanying notes to financial statements

US Biodefense, Inc.
Statements of Operations
For the three and nine
months ended August 31, 2007 and 2006
(Unaudited)

	Three months ended August 31,		Nine months ended August 31,	
	2007	2006	2007	2006
Revenues				
Revenues from sales of tangible products	$34,864	$31,302	$162,751	$31,302
Revenues from services	--	37,500	25,000	37,500
Revenues Related parties	--	6,667	--	46,667
Total revenues	34,864	75,469	187,751	115,469
Cost of tangible products sold	21,316	25,415	107,183	25,415
	13,548	50,054	80,568	90,054
Research and development expenses	--	--	--	23,171

General and administrative expenses	86,264	86,738	314,816	93,939
General and administrative expenses Paid by issuance of common stock	17,000	270,200	454,350	270,200
General & administrative expenses Related party	--	22,500	--	22,500
Total expenses	103,264	379,438	769,166	413,310
Net income (loss)	$(89,716)	$(329,384)	$(688,598)	$(323,256)
Weighted average number of shares outstanding	58,970,713	34,885,714	48,681,547	31,831,269
Basic and diluted net income (loss) per common share	$(0.00)	$(0.01)	$(0.01)	$(0.01)

See accompanying notes to financial statements

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US Biodefense, Inc.
Statement of Cash Flows
For the nine months ended August 31, 2007 and 2006
(Unaudited)

	2007	2006
Cash flows from operating activities		
Net income (loss)	$(688,598)	$(323,256)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	618	59
Impairment of assets	--	22,500
Stock issued for payroll Related party	100,000	--
Stock issued for services	354,350	270,200
Changes in operating assets and liabilities:		
Accounts receivable	20,107	(15,727)
Inventory	8,664	(73,447)
Prepaid expenses	--	20,000
Bank overdraft	--	(3,947)
Accounts payable	40,212	7,374
Deferred revenues	(25,000)	(64,167)
Net cash used for (provided by) operating activities	(189,647)	(160,411)
Cash flows from financing activities		
Advances from related party, net	185,500	17,200
Proceeds from sale of common stock	--	200,000
Total cash flows from financing activities	185,500	217,200
Cash flows from investing activities		
Purchase of equipment	--	(2,477)
Purchase of licenses	--	(2,500)

Total cash flows used for investing activities	--	(4,977)
Increase (decrease in) cash and cash equivalents	(4,147)	51,812
Cash and cash equivalents, beginning of year	22,663	17,223
Cash and cash equivalents, end of year	$18,516	$69,035
Income taxes paid	$---	$---
Interest expense paid	$---	$---
Supplemental disclosure of non-cash financing activities		
Common stock issued for services	$100,000	$--
Common stock issued for executive salaries	354,350	270,200

See accompanying notes to financial statements

US Biodefense, Inc.
Notes to Financial Statements

Note 1 - Background and Summary of Significant Accounting Policies

Note 1 - Background and Summary of Significant Accounting Policies

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial statements and operating results for the periods presented. These financial statements should be read in conjunction with the Company's financial statements for the years ended November 30, 2006 and 2005 and notes thereto contained in the Company's Annual Report on Form 10-KSB for the year ended November 30, 2006 as filed with the SEC. The results of operations for the six months ended August 31, 2007 are not necessarily indicative of the results of the full fiscal year ending November 30, 2007.

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.

The accompanying financial statements for the six months ended May 31, 2007, include the accounts of the Company and its wholly-owned subsidiary Stem Cell Research Institute, Inc. All significant intercompany transactions and balances have been eliminated.

Basis of Presentation

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 incurred a net loss for the nine months ended August 31, 2007 of $688,598 and at August 31, 2007, had an accumulated deficit of $4,743,703. 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.

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 emergency preparedness, 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

The Company recognizes revenue from the sale of products, and from the performance of services to both related and non-related parties. The Company recognizes revenue from the sale of products on the gross amount charged basis. Under this method of recording the sale of products, the cost of goods sold reflects the cost of the goods sold to the customer plus the Company's cost of executing the transaction. the Company has chosen this method since it takes ownership of the products that it purchases for resale and assumes the risks and rewards of ownership of the goods.

For sale of products, revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the contract price is fixed or determinable, title and risk of loss has passed to the customer and collection is reasonably assured. The Company's sales are typically not subject to rights of return and, historically, sales returns have not been significant.

Revenues from services are recognized upon provision of services to the customer. Unearned service revenue is deferred and recognized ratably over the duration of the service term.

Accounts receivable of the Company are reviewed to determine if their carrying value has become impaired. The Company considers the assets to be impaired if the balances are greater than six months old management regularly reviews accounts receivable and will establish an allowance for potentially uncollectible amounts when appropriate. When accounts are written off, they will be charged against the allowance. Receivables are not collateralized and do not bear interest.

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.

Inventory

Inventory is stated at the lower of cost or market. Inventory consists of purchased items held for resale. Inventory will be monitored by Company management for excess and obsolete items, and will make the necessary valuation adjustment when required.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which is generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company will periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful lives of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. We use an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

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 nine months ended August 31, 2007, the Company has items that represent other comprehensive income.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled $26,330 and $-0- for the nine months ended August 31, 2007 and 2006.

US Biodefense, Inc.
Notes to Financial Statements

Shipping and Handling

Costs incurred by the Company for shipping and handling are included in costs of revenues.

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 August 31, 2007 and 2006, the Company does not have any equity or debt instruments outstanding that can be converted into common stock.

Stock-Based Compensation

Effective January 1, 2006, the Company prospectively adopted FAS 123 R , Stock -Based Payments, and related Securities and Exchange Commission rules included in Staff Accounting Bulletin No. 107. Under this method, compensation cost recognized beginning January 1, 2006 will include costs related to all share-based payments granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of FAS 123 R. Compensation cost for stock options granted to employees is recognized ratably over the vesting period.

Prior to January 1, 2006, the Company measured compensation cost for stock-based employee compensation plans using the intrinsic value method of accounting as prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. For non-employee stock based compensations, the Company recognizes expense in accordance with FAS 123 and values the equity securities based on the fair value of the security on the date of grant.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R will provide investors and other users of financial statements with more compete and neutral financial information by requiring that the compensation costs relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". SFAS 123, as

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originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value based method

In March, 2005, the SEC issued guidance on FASB SFAS 123R, *"Share-Based Payments"* ("SFAS No. 123R"). Staff Accounting Bulletin No. 107 ("SAB 107") was issued to assist preparers by simpli-

fying some of the implementation challenges of SFAS No. 123R while enhancing the information that investors receive. SAB 107 creates a framework that is premised on two themes: (a) considerable judgment will be required by preparers to successfully implement SFAS no. 123R, specifically when valuing employee stock options; and (b) reasonable individuals, acting in good faith, may conclude differently on the fair value of employee stock options. Key topics covered by SAB 107 include (a) valuation models - SAB 107 reinforces the flexibility allowed by SFAS No. 123R to choose an option-pricing model that meets the standard's fair value measurement objective; (b) expected volatility - SAB 107 provides guidance on when it would be appropriate to rely exclusively on either historical or implied volatility; and (c) expected term - the new guidance includes examples and some simplified approaches to determining the expected term under certain circumstances.
The Company will apply the principles of SAAB 107 in conjunction with its adoption of SOFAS No. 123R.

In June, 2005, the Emerging Issues Task Force (EAT) issued No. 05-06, *"Determining the Abort-inaction Period of Leasehold Improvements Acquired in a Business Combination"* (EAT No. 05-06). EAT No. 05-06 provides that the amortization period for leasehold improvements acquired in a business combination or purchased after the inception of a lease to be the shorter of (a) the useful life of the assets or (b) a term that includes required lease periods and renewals that are reasonably assured upon the acquisition of the purchase. The guidance in EAT No. 05-06 will be applied prospectively and is effective for periods beginning afar June 29, 2005. The Company does not believe its adoption will have a material impact on its consolidated results of operations or financial position.

In June, 2005, the Financial Accounting Standards Board ('FASB") issued SFAS No. 154, *Accounting Changes and Error Corrections - a replacement of APB No. 20 and FAS No. 3" ("SFAS No. 154").* SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requiremints specify to the newly adopted accounting principle. SFAS No. 154 also provides guidance for determining whether retrospective application of a change in a accounting principle is impracticalable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial is also addressed by SFAS No. 154. SFAS No. 154 is required to be adopted in fiscal years beginning after December 15, 2005. The Company does not believe its adoption in fiscal year 2007 will have a material impact on its results of operations or financial position.

In February, 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Instruments" (SFAS 155), which amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to

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US Biodefense, Inc.
Notes to Financial Statements

account for the whole instrument on a fair value basis. SFAS 155 also clarifies and amends certain other provisions of SFAS 133 and SFAS 140. This statement is effective for all financial instruments acquired or issued in the fiscal years beginning after September 15, 2006. The Company does not expect its adoption of this new standard to have a material impact on the Company's financial position, results of operations or cash flows.

In March, 2006, the FASB issued SFAS No. 156 "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140" ("SFAS 156"). This statement was issued to simplify the accounting for servicing assets and liabilities, such as those common with mortgage securitization activities. The statement addresses the recognition and measurement of separately recognized servicing assets and liabilities and provides an approach to simplify hedge-like (offset) accounting. SFAS 156 clarifies when an obligation to service financial assets should be separately recognized (as servicing asset or liability), requires initial measurement at fair value and permits an entity to select either the Amortization Method of the Fair Value Method. This statement is effective for fiscal years beginning after September 15, 2006. The Company does not expect it adoption of this new standard to have a material impact on the Company's financial position, results of operations or cash flows.

In July, 2006, the FASB issued interpretation No. 48, "Accounting for Uncertainty in Income Taxes", ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." This interpretation prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company does not expect that the implementation of FIN 48 will have a material impact on its financial position, results of operations or cash flows.

In September, 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective in fiscal years beginning after November 15, 2007. Management is currently evaluating the impact that the adoption of this statement will have on the Company's consolidated financial statements.

In September, 2006, the FASB issued SFAS No. 158 "Employers' Accounting for Defined Pension and Other Postretirement Plans." This Statement requires recognition of the funded status of a single-employer defined benefit postretirement plan as an asset or liability in its statement of financial position. Funded status is determined as the difference between the fair value of plan assets and the benefit obligation. Changes in that funded status should be recognized in other comprehensive income. This recognition provision and the related disclosures are effective as of the end of the fiscal year ending after December 15, 2006. The Statement also requires the measurement of plan assets and benefit obligations as of the date of the fiscal year-end statement of financial position. This measurement provision is effective for fiscal years ending after December 15, 2008. The Company does not expect its adoption of this new standard to have a material impact on the Company's financial position, results of operations or cash flows.

On September 13, 2006 the Securities and Exchange Commission ("Sec") issued Staff Accounting Bulletin No. 108 ("SAB 108") which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for fiscal years ending after November 15, 2006. The Company does not expect this pronouncement to have a material impact on the Company's financial statements.

US Biodefense, Inc.
Notes to Financial Statements

Note 2 - Marketable Securities Available For Sale

On May 11, 2005, the Company entered into an agreement with a Partner. The Company will assist the Partner in identifying opportunities for commercialization of their listed technologies, while maintaining the confidentiality of the Partner.

As compensation for providing these services, the Partner gave the Company 5,000,000 shares of Section 144 stock which is restricted from sale for twelve months from date of issue, May 11, 2005. The agreement is for a period of twenty four months.

The Company recorded the stock at the value of the services to be provided which is estimated to be $100,000. The Company recorded revenue for the six month period from May through November, 2005 in the amount of $25,000, $50,000 for the year ended November 30, 2006, and $25,000 for the nine months ended August 31, 2007.

The Company has adopted SFAS 130 as required by the Financial Accounting Standards Board. SFAS 130 requires that securities that are available for sale be presented at market value on the balance sheet date. Unrealized gains and losses are recognized as a separate component of stockholders' equity. The specific identification method is used in calculating realized gains and losses. SFAS 30 also requires a statement of comprehensive income which adjusts net income for the unrealized activity. At May 31, 2007, the fair market value of common equity securities with a cost of $100,000 was $47,500. The unrealized loss of $52,500, is included as a component of other comprehensive income.

Note 3 - Licenses

The Company has agreed to exercise options to license stem cell technology through the University of British Columbia under two option agreements.

Having passed the initial validation phase, the Company is working toward a full licensing relationship and will begin pre-clinical analysis of how the cell line can be utilized. The Company is considering investigating the stem cells applications in combating ALS and Parkinson's disease.

The licenses are for periods of ten to twenty years. The Company will review the licenses at least annually. When necessary, we record changes for impairments of long-lived assets for the amount by which the present value of future cash flows, or some other fair value measure, is less than the carrying value of the respective asset.

As of August 31, 2006, the Company management determined that the value of the licenses had become impaired since the Company was no longer pursuing stem cell research. This determination was based on the resignation of the head of the Company's stem cell research department and the inability to locate a replacement at an economically feasible compensation package. The resignation was effective during the Company's third quarter.

Balance, May 31, 2006	$ 30,000
Additions	2,500
License balance due, but cancelled	(10,000)
	$ 22,500

US Biodefense, Inc.
Notes to Financial Statements

The Company had accrued expenditures related to the stem cell technology licenses in the amount of $79,167. These expenditures related to the second stage of licensing, after the initial evaluation phase. Since the Company in no longer pursuing stem cell research, the second stage will not be undertaken, and the related liabilities have been recorded as forgiveness of debt, and is included as a reduction of total expenses on the Company's Statement of Operations at November 30, 2006.

Note 4 - Property and Equipment

Property and equipment consists of the following at February 28, 2007:

Furniture and fixtures (at cost)	$ 2,477
Accumulated depreciation	(677)
	1,800

Note 5 - Comprehensive income

Accounting principles generally require that recognized revenues, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The components of other comprehensive income and related tax effects for the six months ended August 31 2007 are unrealized holding loss on available for sale securities in the amount of $52,500.

Note 6 - Income Taxes

The income tax provision reflected in the statement of operations consists of the following components for the year ended November 30, 2006:

Current income taxes payable:	
Federal	$(8,780)
State	(816)
	(9,596)

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes as follows:

	Amount	Impact on Rate
Income tax at federal rate	(72,812)	35.00%

State tax, net of federal effect	(12,825)	6.00%
Net operating loss deduction	78,041	-45.00%
	(9,596)	-4.00%

Note 7 - Earnings per share

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period.

US Biodefense, Inc.
Notes to Financial Statements

Note 8 - Related parties and Concentrations

The Company owes related parties $185,500 at August 31, 2007. The notes are non-interest bearing, and are due on demand.

Note 9 - Acquisition

On August 7, 2006, the Company acquired 100% of the outstanding stock of Emergency Disaster Systems, Inc. (EDS) a retailer of emergency disaster equipment. EDS was incorporated on July 17, 2006, by its majority stockholder who had been in the disaster prepardness industry for over seventeen years experience. The Company paid $25,000 in cash for the stock. The Company has recorded the transaction as follows:

Inventory	$ 17,50
Customer list	7,500
	$ 25,000

Note 10 - Common Stock Transactions

During the year ended November 30, 2006, the Company issued 2,000,000 shares of common stock and received proceeds of $200,000.

During the year ended November 30, 2006, the Company issued 6,755,000 shares of common stock to two entities as consulting fees totaling $270,200. The shares were issued as follows:

Date Issued	Shares Issued	Value per Share $	Valuation method	Total $
June 8, 2006	10,000	0.04	Performance commitment date	400
June 20, 2006	100,000	0.04	Performance commitment date	4,000
June 29, 2006	125,000	0.04	Performance commitment date	5,000
July 5, 2006	20,000	0.04	Performance commitment date	800
July 12, 2006	500,000	0.04	Performance commitment date	20,000

July 24, 2006	1,000,000	0.04	Performance commitment date	40,000
July 25, 2006	1,000,000	0.04	Performance commitment date	40,000
August 1, 2006	2,000,000	0.04	Performance commitment date	80,000
August 31, 2006	2,000,000	0.04	Performance commitment date	80,000
	6,755,000			270,200

The Company applies the provisions of EITF 96-18, "Accounting for Equity Instruments that are issued to Other Than Employees for Acquiring , or in conjunction with Selling Goods or Services" (EITF 96-18) for our non-employee stock-based awards. Under EITF 96-18, the measurement date at which the fair value of the stock-based award is measured is equal to the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached or (2) the date at which the counterparty's performance is complete. We recognize stock-based compensation expense for the fair value of the vested portion of the non-employee awards in our statements of operations. The performance commitment date was July 18, 2006.

During the three months ended May 31, 2007, the Company issued 9,245,000 shares of common stock to two entities as consulting fees totaling $337,350.

During the three months ended May 31, 2007, the Company issued 10,000,000 shares of common stock to its Chief Executive Officer for salary totaling $100,000.

During the three months ended August 31, 2007, the Company issued 2,000,000 shares of common stock to an individual as consulting fees totaling $17,000.

Note 11 - Other Information

The Company has filed an information statement on Schedule 14C to formally announce that all shareholders of record of U.S. BioDefense, Inc. as of September 7, 2007 will receive a dividend share distribution of one (1) share of Emergency Disaster Systems, Inc. for every one hundred (100) shares of U.S. BioDefense, Inc. owned. The actions were approved by the Board of Directors and are expected to be ratified by the majority shareholder on or before September 27, 2007.

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.

During the year ended November 30, 2006, we impaired various licenses related to our stem cell research operations. This impairment was due to the resignation of our stem cell research department head and our inability to engage a replacement. As a result, we do not intend to continue to pursue stem cell research initiatives. However, we do intend to continue to evaluate additional biological research programs for the possibility of commercialization.

On August 7, 2006, we completed the acquisition of Emergency Disaster Systems, Inc., a California corporation incorporated on July 19, 2006. EDS provides mitigation services, emergency preparedness, and first response products to communities, government agencies, corporations and healthcare organizations. We purchased a 100% interest in EDS for an aggregate of $25,000 in cash. The EDS system, encompassing CERT bags, containers and cabinets was initially designed and originated by Charles Wright in 1989 to provide earthquake preparedness supplies to communities in California. EDS provides mitigation services, emergency preparedness, and first response products to communities, government agencies, corporations and healthcare organizations. The basic kits contain a three day supply of food and water rations, in addition to first aid, lighting, hygiene and personal care items and can be scaled for individual use or for a family. EDS also sells a stand-alone emergency radio siren product. We believe these items help mitigate a person s vulnerability to disasters such as fires, floods and earthquakes. EDS currently serves Emergency Medical Services and mass casualty rapid response systems, as well as local communities, government agencies and Fortune 500 companies with innovative emergency preparedness technology, systems and services. Charles Wright, with his 18 years of experience, currently serves as Vice President and Director of Emergency Disaster Systems, Inc., which is a wholly-owned subsidiary of US Biodefense.

On September 28, 2007, we distributed to all shareholders of record as of September 7, 2007, a dividend share distribution of one share of Emergency Disaster Systems, Inc. for every 100 shares of U.S. BioDefense, Inc. owned. Shareholders that would own fractional shares were paid in cash for the estimated market value of the EDS stock, or $0.80 per share.

Results of Operations

Revenues

Our revenues are derived primarily from three sources: sales of tangible products, services and related parties. Sales of tangible products are attributable solely to Emergency Disaster Systems, Inc., our wholly-owned subsidiary that we acquired on August 7, 2006. Revenue from services is derived from the recognition of deferred revenues from stock received in advance for services to be performed by us to Diamond I. Finally, revenue from related parties is solely from our October 15, 2005 contract with Financialnewsusa.com, a related party, to provide biodefense-related industry news and information to them in exchange for $40,000, for which we were paid in advance the entire balance of the contract.

During the three months ended August 31, 2007, we generated aggregate revenues of $34,864, compared to total revenues of $75,469 during the year ago three month period ended August 31, 2006. This 54% decrease in total revenues, or $40,605, is materially attributable to the full recognition of revenues from our previously prepaid contracts for services with Diamond I and Financialnewsusa.com, which contributed $44,167 in revenues during the three month period ended August 31, 2006. Despite the overall decline in revenues, however, revenue from tangible products attributable to EDS increased $3,562, or 11% from the prior period.

Gross Profit

In association with sales of tangible products related specifically to our EDS operations, we incurred cost of goods sold in the amount of $21,316 during the three months ended August 31, 2007. This amount represents a margin of approximately 39% on sales of tangible products, and a gross margin of 39% on total revenues for the period ended August 31, 2007. After factoring cost of goods sold, our gross profit was $13,548 during the three months ended August 31, 2007.

In the year ago period ended August 31, 2006, cost of goods sold amounted to 25,415, attributable solely to sales recognized from EDS. Our gross margin on sales of tangible products is therefore approximately 19%, and a gross margin of 66% on total revenues for the period ended August 31, 2006. After factoring cost of goods sold, our gross profit was $50,054 during the three months ended August 31, 2006.

Expenses

General and administrative expenses during the three months ended August 31, 2007 and 2006 were comprised of three main categories: (1) expenses paid in the form of common stock in lieu of cash for services, (2) expenses incurred related to the impairment of assets and (3) miscellaneous expenses related to the general operation of our business. General and administrative expenses decreased by 73%, or $276,174, year over year from $379,438 in the quarter ended August 31, 2006 to $103,264 in the three months ended August 31, 2007. Or management believes the decrease in these expenditures are correlated with our reduction in the number of employees and compensation paid with common stock in lieu of cash. General and administrative expenses remained comparatively stable, with $86,264 incurred in the three months ended August 31, 2007, and $86,738 incurred in the year ago three months ended August 31, 2006. Despite the overall decline in expenses, we expect to continue to incur general and administrative expenses for the foreseeable future, although we cannot estimate the extent of these costs.

Losses

Our net loss from operations totaled $89,716 for the three months ended August 31, 2007, compared to a net loss of $329,384 for the three months ended August 31, 2006. This represents a narrowing deficit of 73%, or $239,668, in a year-to-year comparison. Although we anticipate incurring ongoing operating losses, we expect these losses to continue narrow in year-to-year comparison as we generate increased revenues and as expenses plateau over the next several years. However, we cannot guarantee the accuracy of our expectations.

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 greater revenues or obtain capital infusions by issuing equity or debt securities in exchange for cash. As of August 31, 2007, we had $18,516 in cash, $47,500 in marketable securities, $34,720 in net accounts receivables and $66,691 in saleable inventory. If we are unable to generate sufficient cash flows from sales of our products and services, collect outstanding accounts receivable, or 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, 2007, David Chin loaned us a total of $185,500 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of August 31, 2007, the amount owed was $185,500. 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 independent registered public 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

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms. Disclosure controls are also designed with the objective of ensuring that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon their evaluation as of the end of the period covered by this report, David Chin, who serves as our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures are not effective to ensure that information required to be included in our periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

Our board of directors was advised by E. Randall Gruber, CPA, PC, our independent registered public accounting firm, that during their performance of audit procedures for 2006 E. Randall Gruber, CPA, PC identified a material weakness as defined in Public Company Accounting Oversight Board Standard No. 2 in our internal control over financial reporting.

This deficiency consisted primarily of inadequate staffing and supervision that could lead to the untimely identification and resolution of accounting and disclosure matters and failure to perform timely and effective reviews. However, our size prevents us from being able to employ sufficient resources to enable us to have adequate segregation of duties within our internal control system. Our management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

3	Articles of Incorporation & By-Laws		
		a.	Articles of Incorporation of Teal Eyes, Inc. *
		b.	Amendment to Articles of Incorporation of Teal Eyes, Inc. *
		c.	Amendment to Articles of Incorporation of Terzon Corporation. *
		d.	Amended and Restated Articles of Incorporation of Candy Stripers Candy Corp. *
		e.	By-Laws of the Company. *
		f.	Certificate of Amendment to Articles of Incorporation filed May 13, 2003 **
10	Material Contracts		
		a.	Stock Purchase Agreement with Charles Wright ***
		b.	Stock Purchase Agreement with Equity Solutions ***
		c.	Consulting Agreement with Charles Wright ****
31	Rule 13a-14(a)/15d-14(a) Certifications		
32	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)		

*	Incorporated by reference herein filed as en exhibit to Form 10SB12G filed on September 1, 2000.
**	Incorporated by reference herein filed as Exhibit 3 to Form 10-QSB filed on July 15, 2003.
***	Incorporated by reference herein filed as an exhibit to Form 8-K filed on August 14, 2006
****	Incorporated by reference herein filed as an exhibit to Form 8-K filed on August 30, 2006

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 24, 2007

Signed:	/s/ David Chin	President and
Print:	David Chin	Director
Signed:	/s/ David Chin	Secretary and
Print:	David Chin	Director
Signed:	/s/ David Chin	Treasurer and
Print:	David Chin	Director