US BIODEFENSE INC
Form 10QSB/A
August 29, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

Amendment No. 1
to
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: February 28, 2006
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: 30,304,086

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 February 24, 2006, and subsequent amendments made thereto.

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

US Biodefense, Inc.
Balance Sheet
February 28, 2006 and 2005
(Unaudited)

ASSETS	(Unaudited) February 28, 2006	November 30, 2005
Current assets		
Cash and cash equivalents	$9,129	$17,223
Marketable securities	150,000	150,000
Prepaid expenses	--	20,000
Total current assets	159,129	187,223
Licenses	30,000	20,000
Deposits	1,000	1,000
Total assets	190,129	208,223
LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT)		
Current liabilities		
Bank overdraft	3,507	3,947
Accounts payable	79,167	79,167
Notes payable – Related party	6,313	1,812
Accrued income taxes	9,596	9,596
Deferred revenues	81,667	101,667
Total current liabilities	180,250	196,189

Deferred taxes	19,150	19,150
Total liabilities	199,400	215,339
Stockholders equity:		
Common stock, 100,000,000 shares authorized, $.0001 par value, 30,304,047 shares issued and outstanding	30,304	30,304
Additional paid in capital	3,773,086	3,773,086
Other comprehensive deficit	30,850	30,850
Accumulated deficit	(3,843,511)	(3,841,356)
Total stockholders equity (deficit)	(9,271)	(7,116)
Total liabilities and stockholders equity (deficit)	$190,129	$208,223

See accompanying note to financial statements

US Biodefense, Inc.
Statements of Operations
For the three months ended February 28, 2006 and 2005
(Unaudited)

	2006	2005
Revenues	$20,000	$62,500
Research and development expenses	12,866	--
General and administrative expenses	6,288	38,557
General & administrative expenses Related party	3,000	--
Total expenses	22,154	38,557
Net income (loss)	$(2,154)	$23,943
Weighted average number of shares outstanding	30,304,047	10,101,349
Basic and diluted net loss per common share	$(0.00)	$(0.00)

See accompanying note to financial statements

US Biodefense, Inc.
Statement of Cash Flows
For the three months ended February 28, 2006 and 2005
(Unaudited)

	2005	2004
Cash flows from operating activities		
Net income (loss)	$(2,154)	$23,943
Adjustments to reconcile net loss to net cash used in		
operating activities:		
Changes in operating assets and liabilities:		
Prepaid expenses	20,000	(400)
Bank overdraft	(440)	---
Accounts payable	---	4,724
Deferred revenues	(20,000)	(12,500)
Net cash used for (provided by) operating activities	(2,594)	15,767
Cash flows from financing activities		
Advances from related party	4,500	---
Cash flows used for investing activities		
Purchase of licenses	(10,000)	---
Increase (decrease in) cash and cash equivalents	(8,094)	15,767
Cash and cash equivalents, beginning of year	17,223	33,558

Cash and cash equivalents, end of year	$9,129	$49,325
Supplenmental disclosures:		
Income taxes paid	$---	$---
Interest paid	---	---

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, 2005 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 $3,843,511 at Feb.28, 2006. In addition, the Company generate 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

The Company recognizes revenues when all of the criteria in SAB 104, Topic 13 - Revenue Recognition are met. Revenues are realized or realizable and earned when there exists persuasive evidence that an arrangement exists, delivery has occurred or services have been rendered, the Company's price to it's customer is fixed or determinable, and collectibility is reasonably assured.

Revenues from services under contracts, including consulting, are recognized ratably over the term of the contract. In cases where the services are considered "project" in nature, the Company recognizes revenue as the services are performed. The contracts include the pricing agreed to by the Company and the customer and the criteria for payment. If at the outset of the customer arrangement the Company determines that the arrangement fee is not fixed or determinable or that collectibility is not probable, the Company defers the revenues and recognizes the revenues when the arrangement fee becomes due and payable or as cash is received when collectibility concerns exist.

Deferred revenues consists of amounts billed in excess of revenues recognized on consulting services. Deferred revenues are subsequently recorded as revenues in a subsequent period using the revenue recognition policies.

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.

US Biodefense, Inc.
Notes to Financial Statements

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.

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.

Advertising Costs
Advertising costs are expensed as incurred. There were no advertising costs for the three month periods ended February 28, 2006 or February 28, 2005.

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 February 28, 2006 and February 28, 2005, 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

US Biodefense, Inc.
Notes to Financial Statements

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.

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 February 28, 2006, an officer and director of the Company loaned the Company a total of $6,313 to pay for general and administrative expenses. The loan bears no interest and is due upon demand.

Note 3 - Deferred Revenues (Including Related Parties)

The Company has 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 director. As of February 28, 2006, $81,667 is reflected as revenues received in advance and will be amortized ratably over the service period. The related party represents $6,667 of this amount.

Note 4 - Related party sales and concentrations

A related party represented 100% of the Company's total revenues for the three months ended February 28, 2006.

Note 5- Lease Agreement

The Company has negotiated a lease agreement for office space and shared expenses, including the use of an administrative assistant, office equipment, utilities and parking privileges. The monthly lease payment is in the amount of $2,000 per month. The lease is on a month to month basis, and is cancelable upon seven days advance notice. This lease is with a related party.

Note 6 - 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.

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US Biodefense, Inc.

Notes to Financial Statements

The Company recorded the stock at market price on the acquisition date which was two cents, or $100,000. The Company recorded revenue for the six month period from May through November, 2005 in the amount of $25,000, with the balance of $75,000 included as deferred revenues on the Company's balance sheet at February 28, 2006.

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 February 28, 2006, the fair market value of common equity securities with a cost of $100,000 was $150,000. The unrealized gain of $50,000, net of the related income tax cost of $19,150 is included as a component of other comprehensive income.

Note 7 Licenses

The Company has agreed to exercise options to license stem cell technology through the University of British Columbia under two option agreements totaling $30,000.

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 Parkinsons 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.

Note 8 Notes Payable (Including Related Parties)

As of February 28, 2006, an officer and director of the Company loaned the Company a total of $6,313 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of February 28, 2006, the amount owed is $6,313.

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 managements 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 managements assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, UBDEs 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

<R>Our revenues totaled $20,000 for the current quarter ended February 28, 2006. Our revenues are solely attributable to our contract with Financialnewsusa.com, a related party. Comparatively, in the three months ended February 28, 2005, we realized revenues of $62,500, attributable to services performed for FNUSA and Diamond I. The decrease in revenues represents a period-to-period decrease of 68%. We speculate the reason for the decline in revenues to be our lack of additional clients and sources of revenue generating capability. We do not have any long-term agreements to provide our services to any single customer or group of customers. As a result, we are unable to predict the stability of, and ability to continue to generate, ongoing revenues. If we are unable to generate revenues, we may be unable to sustain our business and may subsequently cease operations.

Expenses

Total expenses for the three month period ended February 28, 2006 were $22,154. In the comparable year ago period ended February 28, 2005, we incurred total expenses of $28,557. Aggregate expenses decreased approximately 43%, or $16,403.

Our management attributes the general decrease to a lack of clientele and consequent decrease in expenditures "back office" operations supporting the servicing of clients, evidenced by general and administrative expenses decreasing $29,269, or 76%, from $38,557 in the three month period ended February 28, 2005 to $9,288 in the current period ended February 28, 2006. General and administrative expenses mainly consist of office expenditures such as postage and delivery fees, supplies and other similar miscellaneous items. We expect to continue to incur general and administrative expenses for the foreseeable future, although we cannot estimate the extent of these costs.

While general expenses decrease, we initiated research and development efforts, which caused us to spend $12,866 in the three months ended February 28, 2006. We did not conduct any research and development activities in the period ended February 28, 2005.

We expect to continue to incur expenditures in the foreseeable future related to ongoing research and development and the expansion of our business operations. As we continue to pursue research and development efforts, we expect expenses to stabilize over the next several years. Unfortunately, we cannot accurately estimate the extent or impact of ongoing expenses.

Losses

Our net loss totaled $2,154 for the period ended February 28, 2006, compared to a net loss of $23,943 in the prior period. This represents a narrowing deficit of 109%, or $26,097, in a year-to-year comparison. Although we anticipate incurring ongoing operating losses, we expect these losses to narrow in year-to-year comparison as we generate increased revenues and as expenses begin to plateau over the next several years. However, we cannot guarantee the accuracy of our expectations.</R>

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 February 28, 2006, David Chin loaned us a total of $6,313 to pay for general and administrative expenses. The loan bears no interest and is due upon demand. As of February 28, 2006, the amount owed is $6,313. 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

Item 3. Controls and Procedures

<R>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 2005 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, and resultantly, no change to our internal control over financial reporting has been made. Our management is required to apply their judgment in evaluating the cost-benefit relationship of possible controls and procedures.<R>

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 Ex (c) to Form 10SB12G filed on September 1, 2000.
	d. Amended and Restated Articles of Incorporation of Candy Stripers Candy Corp. Incorporated by reference h (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 f

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)

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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)

August 26, 2006

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

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