US BIODEFENSE INC
Form 10-Q
July 21, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2008

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.) |

300 State St. East, Suite 226, Oldsmar, Florida 34677
(Address of principal executive offices)

(727) 417-7807
(Registrant's telephone number, including area code)

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. xYes o  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  o    Accelerated filer  o

Smaller reporting company  x

Non-accelerated filer (Do not check if
a smaller reporting company)  o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  o Yes  x No

As of May 31, 2008, the registrant had 12,954,375 shares of common stock, par value $0.001, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

US BIODEFENSE, INC. AND SUBSIDIARIES
BALANCE SHEETS
MAY 31, 2008 AND NOVEMBER 30, 2007

| Assets | 2008 | 2007 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $20,739 | $359 |
| Accounts receivable | 6,042 | - |
| Marketable securities available for sale | - | 47,500 |
| Deferred finance charges | 38,195 | - |
| Notes receivable from related parties | 169,500 | - |
| Total crrent assets | 234,476 | 47,859 |
| Domain Portfolio | 695,622 | - |
| Property and equipment, net of accumulated depreciation of $885 at November 30, 2007 | - | 1,592 |
| Total assets | 930,098 | 49,451 |

| Liabilities and Stockholders' Equity (Deficit) | | |
|---|---|---|
| Current liabilities | | |
| Accounts payable and accrued expenses | 62,685 | 47,946 |
| Loans from affiliates | 218,193 | - |
| Capital lease obligation - current portion | 21,411 | - |
| Notes payable to related parties | 249,284 | 7,200 |
| Total current Liabilities | 551,573 | 55,146 |
| Captial lease obligation | 82,075 | - |
| Note Payable - Affiliate | 1,500,000 | - |
| Settlement reserve | 170,000 | 190,000 |
| Total liabilities | 2,303,648 | 246,146 |
| Stockholders' equity: | | |
| Common stock 100,000,000 shares authorized, $0.001 par value, 12,954,375 and 63,284,047 shares issued | 12,954 | 63,284 |

| | | |
|---|---|---|
| and outstanding at May 31, 2008 and November 30, 2007 | | |
| Additional paid in captial | 5,486,721 | 4,677,496 |
| Other comprehensive income (deficit) | - | (52,500) |
| Preferred stock dividend | (1,253,229) | - |
| Accumulated deficit | (5,619,996) | (4,693,975) |
| Total stockholders' equity (deficit) | (1,373,549) | (195,695) |
| Total Liabilities and stockholders' equity (deficit) | $ 930,098 | $ 49,451 |

See notes to financial statements.

US BIODEFENSE, INC. AND SUBSIDIARIES
STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2008 AND 2007

| | Three months ended May 31, | | Six months ended May 31, | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| REVENUES | | | | |
| Revenues from services | $ 10,388 | 12,500 | $ 10,388 | 25,000 |
| Total Revenues | 10,388 | 12,500 | 10,388 | 25,000 |
| EXPENSES | | | | |
| General and administrative expenses | 259,963 | 438,556 | 644,817 | 445,512 |
| Impairment of assets | - | | 49,092 | - |
| | - | - | | |
| Total Expenses | 259,963 | 438,556 | 693,909 | 445,512 |
| | - | - | | |
| Loss from continuing operations | (249,575) | (426,056) | (683,521) | (420,512) |
| Discontinued Operations (Note 6) | | | | |
| Income (loss) from operations of discontinued emergency disaster preparedness subsidiary | - | (96,728) | - | (178,370) |
| | - | - | | |
| Income (loss) on discontinued operations | - | (96,728) | - | (178,370) |
| | - | - | | |
| Net loss | (249,575) | (522,784) | (683,521) | (598,882) |
| Weighted average number of shares outstanding | 6,457,000 | 48,242,797 | 6,477,188 | 44,878,332 |
| Basic and diluted net income (loss) per common share | $ (0.04) | (0.01) | $ (0.11) | (0.01) |

See notes to financial statements.

US BIODEFENSE, INC AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MAY 31, 2008 AND 2007

| | 2008 | 2007 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $ (683,521) | (598,882) |
| Adjustments to reconcile net income (loss) to net cash from operating activities: | | |
| Depreciation | - | 412 |
| Amortization of deferred finance fees | 3,472 | |
| Deferred revenues | - | (25,000) |
| Impairment of assets | 49,092 | |
| Stock issued for consulting services | 227,670 | 337,350 |
| Stock issued for compensation | 60,000 | 100,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,042) | (2,516) |
| Inventory | - | 3,133 |
| Bank overdraft | - | 30,516 |
| Accounts payable and accrued expenses | 15,972 | 39,978 |
| Settlement reserve | (20,000) | |
| Total cash flows from operating activities | (353,357) | (115,009) |
| Cash flows from investing activities: | | |
| Purchase of domain names | (391,472) | |
| Cash flows from financing activities: | | |
| Advances from (repayments to) related parties, net | 250,584 | 100,676 |
| Loans from affiliates | 218,193 | - |
| Note receivable for sale of common stock | 212,000 | - |
| Capital lease payments | (3,568) | - |
| Proceeds from sale of common stock | 88,000 | - |
| Total cash flows from financing activities | 765,209 | 100,676 |
| Increase (decrease in) cash and cash equivalents | 20,380 | (14,333) |
| Cash and cash equivalents, beginning of period | 359 | 22,663 |
| Cash and cash equivalents, end of period | $ 20,739 | 8,330 |
| Income taxes paid | $ - | $ - |
| Interest expense paid | $ - | $ - |

See notes to financial statements.

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US Biodefense, Inc.
Notes to Financial Statements

Note 1 - Background and Summary of Significant Accounting Policies

The Company

US Biodefense, Inc., doing business as Elysium Internet (the "Company"), a Utah corporation, was headquartered in the City of Industry, California at November 30, 2007. Effective January 10, 2008, the Company relocated its corporate headquarters to Oldsmar, Florida.

The Company originally incorporated under the name Teal Eye, Inc. in 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, as amended, changing its name to Candy Stripers Corporation, Inc. On January 6, 1998, the Company amended its Articles of Incorporation, as amended, changing its name to Piedmont, Inc. On May 31, 2003, the Company amended its Articles of Incorporation, as amended, and changed its name to US Biodefense, Inc.

Effective January 10, 2008, the Company experienced a change in control as the result of a series of transactions. Effective on that date, the Company executed an employment agreement with Scott Gallagher pursuant to which he became the Chairman of the board of directors and Chief Executive Officer of the Company. Simultaneously, the former Chairman, David Chin, resigned as an officer and director of the Company leaving Mr. Gallagher as its sole director. Also effective as of that date, Mr. Gallagher and a company controlled by him, 221 Fund, LLC acquired 95.6% of the Company, and as a result of these transactions Mr. Gallagher assumed control of the Company. On the same date the Company changed its business direction and began doing business as “Internet Holdings” to focus on acquiring direct navigation Internet domain names that could be developed into profitable business ventures.

On April 4, 2008, the Company acquired 100% of the assets of Elysium Internet, Inc., a direct navigation Internet media company, in exchange for stock and a note to FTS Group, Inc. The Company's Chairman and Chief Executive Officer, Scott Gallagher, is also the Chairman and Chief Executive Officer of FTS Group, Inc.

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 six months ended May 31, 2008 of $683,521 and at May 31, 2008, had an accumulated deficit of $5,619,996. In addition, the Company generated little revenue from its operations. These conditions raise substantial doubt as to the Company's ability to continue as a going 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: raise funds through the issuance of its common stock, debt instruments or other means that it deems necessary; and acquire or develop business and business assets related to its new Internet domain and media oriented business model.

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

While the Company operated the Emergency Disaster Systems business, the Company recognized revenue from the sale of products, and from the performance of services to both related and non-related parties. The Company recognized 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 chose this method since it took ownership of the products that it purchased for resale and assumed the risks and rewards of ownership of the goods.

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

In the Company's current business model, the Company recognizes revenue when it makes a sale through its directory business. Sales generated from third-party aggregators are recognized in the month they are made.

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 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 that 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. For the six months ended May 31, 2007, inventory consisted of purchased items held for resale. Inventory was monitored by Company management for excess and obsolete items, and valuation adjustments were made when required. As a result of the Emergency Disaster Systems, Inc. spin-off, the Company has no inventory remaining at May 31, 2008.

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 are 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 results of operations.

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. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

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.

Stock-Based Compensation

Effective January 1, 2006, the Company prospectively adopted SFAS 123R, "Share-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 includes 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 SFAS 123R. Compensation cost for stock options granted to employees is recognized ratably over the vesting period.

Recent Accounting Pronouncements

In June 2006, FASB issued FIN No. 48, “Accounting for Uncertainty in Income Taxes.”  The interpretation applies to all tax positions related to income taxes subject to FASB Statement No. 109, “Accounting for Income Taxes.”  FIN No. 48 clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold in determining if a tax position should be reflected in the financial statements.  Only tax positions that meet the “more likely than not" recognition threshold may be recognized.  The interpretation also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure, and transition requirements for uncertain tax positions.  FIN No. 48 was effective for the Company's fiscal year ended November 30, 2007.  The Company did not have material tax positions that would have resulted in a material impact upon implementation of FIN No. 48.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements."  This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands disclosures about fair value measurements.  SFAS No. 157 applies to fair value measurements already required or permitted by existing standards.  SFAS No. 157 will be effective for the Company's fiscal year ending November 30, 2008.  The Company is currently evaluating the requirements of SFAS No. 157 and has not yet determined the impact on its financial condition and results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and other Postretirement Plans – an amendment of FASB Statement No. 87, 88, 106 and 132R."  This pronouncement requires an employer to make certain recognitions, measurements, and disclosures regarding defined benefit postretirement plans.  The Company does not have any defined benefit postretirement plans and SFAS No. 158 will not have any impact on its financial condition and results of operations.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements in Current Year Financial Statements" ("SAB 108").  SAB 108 provides guidance on consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment.  SAB 108 is effective for fiscal years ending after November 15, 2006.  The adoption of SAB 108 did not have an impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value.  SFAS 159 became effective for the Company on January 1, 2008.  The adoption of SFAS 159 did not have a material impact on the Company's financial position, cash flows and results of operations.

Note 2 - 1-For-1,000 Reverse Stock Split

In November 2007, the Company's Board of Directors authorized the Company to proceed with a 1-for-1,000 reverse stock split, effective on December 3, 2007, which had been approved by the Company's consenting stockholder at the close of business on November 12, 2007. The Company's common stock began trading at the split-adjusted level on January 11, 2008.

As the reverse stock split proportionally reduced the issued and outstanding shares of common stock of the Company, without any change to the authorized number of shares or the par value, the "Common stock" balance on the condensed consolidated balance sheet at May 31, 2008, and all share and per share data contained in this Quarterly Report on Form 10-Q, unless otherwise indicated, has been adjusted to reflect the 1-for-1,000 reverse stock split.

Note 3 - 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.

Note 4 - Related Parties and Concentrations

The Company owes related parties $249,284 at May 31, 2008. The notes are non-interest bearing, and are due on demand.

The Company had a note receivable from a related party of $169,500 at May 31, 2008. The note was non-interest bearing.

Note 5 - Common Stock Transactions

During the three months ended May 31, 2007, the Company issued 9,245,000 shares of common stock to two entities as consideration for consulting services performed valued at $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 due to him to compensate him for employment services performed valued at $100,000.

During the three months ended August 31, 2007, the Company issued 2,000,000 shares of common stock to an individual as consideration for consulting services performed valued at $22,000.

During the three months ended August 31, 2007, the Company issued 980,000 shares of common stock to an individual as consideration for consulting services performed valued at $7,840.

During the three months ended January 31, 2008, the Company issued 400,000 shares of common stock to an individual as consideration for consulting services performed valued at $60,000.

During the three months ended February 29, 2008, the Company issued 5,000,000 shares of common stock to Scott Gallagher in exchange for $150,000.

During the three months ended February 29, 2008, the Company issued 5,000,000 shares of common stock to 221 Fund, LLC in exchange for $150,000.

Note 6 - Discontinued Operations

As of September 24, 2007, the Company completed the spin-off of Emergency Disaster Systems, Inc., a wholly-owned subsidiary of US Biodefense, Inc., whereby stockholders of record as of September 7, 2007 received one share of common stock of Emergency Disaster Systems, Inc. for every 100 shares of common stock of US Biodefense such holders possessed. Stockholders received cash in lieu of fractional shares for amounts less than one full Emergency Disaster Systems, Inc. share.

In accordance with Statement of Financial Standards No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets," (SFAS 144) revenues and expenses associated with Emergency Disaster Systems, Inc. are classified as discontinued operations for the year ended November 30, 2007. The same classification as discontinued operations required by SFAS 144 is also required for previously issued financial statements for each period incorporated in this report. Consequently, the comparative income statement for the three months ended May 31, 2007 has been revised to reflect the operation of Emergency Disaster Systems, Inc. as discontinued operation.

Results from discontinued operations were as follows:

| | | Six months ended May 31, 2007 |
|---|---|---|
| Revenues | $ | 127,887 |
| Cost of tangible products sold | | (85867) |
| | | 42,020 |
| Expenses | | (220,390) |
| Income (loss) from discontinued operations | $ | (178,370) |
| Basic and diluted net income (loss) per common share | $ | 0.00 |

Note 7 - Rescission Offer

Upon taking control of the Company, new management identified a problem relating to the Company’s spin-off of its wholly-owned subsidiary Emergency Disaster Systems, Inc. which occurred on September 24, 2007. The Company intends to undertake a rescission offer to recipients of shares of Emergency Disaster Systems, Inc. in the September 24, 2007 distribution. The Company is issuing this rescission offer because it believes the distribution may have been in violation of certain registration requirements under the Securities Act of 1933, as amended.

The Company estimates that the rescission offer of its September 2007 distribution of shares of Emergency Disaster Systems could cost it $18,985 plus additional legal and accounting expenses. The Company currently does not have sufficient cash to pay for such rescission offer. The Company believes it will not need the total amount of such funds because it believes the holders of a majority of the shares distributed will not participate in such rescission. However, if the Company does have to pay the total amount, it will have to borrow funds to cover those expenses. The Company may not have access to such funds which could cause further liability under federal and state law. Additionally, if the Company borrows such funds, it will increase its debt which could inhibit the Company from implementing its business plan. The Company has set up a reserve account of up to $100,000 to cover any and all anticipated legal, accounting and filing costs related to the spin-off and rescission offer.

There is considerable legal uncertainty under both federal and state securities laws concerning the efficacy of rescission offers and general waivers and releases with respect to barring claims that would be based on securities law violations. The rescission offer may not terminate any or all potential contingent liability that the Company may have in connection with that distribution. In addition, it may not be able to enforce the waivers it may receive in connection with the rescission offer to bar any claims based on allegations of federal or state securities law violations that the rescission offerees who accept the offer may have, until the applicable statutes of limitations have run.

While the Company believes this rescission offer will satisfy certain requirements and laws, the conditions and criteria for satisfying federal and most state rescission requirements are predicated primarily on factual circumstances rather than on objective standards. Given the size of the Company and its working capital deficit, the Company may not have sufficient funds to satisfy any additional rescission rights and costs in which case the Company's future results of operations could be adversely affected and it could be forced to cease operations.

Note 8 - Commitments and Contingencies

On November 6, 2006, Sandra Sawyer filed a suit in Los Angeles Superior Court against US Biodefense, Inc. and David Chin, one of the Company’s officers and directors at the time the lawsuit was filed, alleging a breach of contract by Mr. Chin in relation to the purchase of the Company by Mr. Chin from Ms. Sawyer. On April 20, 2007, Mr. Chin filed a cross-complaint against the plaintiff alleging breach of contract. On November 21, 2007, the Company reached a settlement with Ms. Sawyer, whereby the Company agreed to pay to Ms. Sawyer an aggregate sum of $90,000 over 15 months. In the event of default, the Company will be required to pay Ms. Sawyer a sum of $225,000 less any payments made under this agreement. The Company was in compliance with this settlement agreement through May 31, 2008.

Note 9 – Subsequent Event

On June 1, 2008, the Company entered into an Internet Domain Name Purchase Agreement with Smash Clicks, Inc., pursuant to which the Company agreed to purchase 100% of the domain names Pediatricians.com, Psychiatrists.com and Podiatrists.com in a contract value of $1,000,000 payable in cash or stock at the Company's option.

The Promissory Note is payable by the Company in quarterly installments of $300,000 beginning on January 1, 2009, payable in either cash or stock at the Company's option. If the Company elects to make payments in stock, the amount of shares to be issued will be calculated at 94% of the average closing price of the Company's common stock for the proceeding five (5) trading days as traded on the Over-the-Counter Bulletin Board stock market. The Promissory Note is due October 31, 2009.

Item 2. Management's Discussion and Plan of Operation

Forward-Looking Statements

This report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described in this report, our annual report on Form 10-KSB and other filings we make from time to time with the Securities and Exchange Commission. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made. We do not intend to update any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations, except as required by law.

Overview

We incorporated in the State of Utah on June 29, 1983 under the name Teal Eye, Inc. In 1984, we merged with Terzon Corporation and changed our name to Terzon Corporation. On September 7, 1984, we changed our name to Candy Stripers Candy Corporation and engaged in the business of manufacturing and selling candy and gift items to hospital gift shops across the country. 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 12, 2003, we changed our name from Piedmont, Inc. to US Biodefense, Inc.

On August 7, 2006, we completed the acquisition of Emergency Disaster Systems, Inc., a California corporation incorporated on July 19, 2006. Emergency Disaster Systems was engaged in the business of disaster mitigation and emergency preparedness. We purchased a 100% interest in Emergency Disaster Systems for an aggregate of $25,000 in cash. On September 24, 2007, we distributed all of the shares of Emergency Disaster Systems stock to our stockholders on a pro rata basis and thus exited that business.

Effective January 10, 2008, we experienced a change in control as the result of a series of transactions. Effective on that date, we executed an employment agreement with Scott Gallagher pursuant to which he became our Chairman of the board of directors and Chief Executive Officer. Simultaneously, our former Chairman, David Chin, resigned as an officer and director of our Company leaving Mr. Gallagher as our sole director. Also effective as of that date, Mr. Gallagher and a company controlled by him, 221 Fund, LLC, acquired 95.6% of our common stock. As a result of these transactions Mr. Gallagher assumed control of our Company.

On April 4, 2008, we acquired 100% of the shares of Elysium Internet, Inc., a direct navigation Internet media company in exchange for stock and a note to FTS Group, Inc. Our Chairman and Chief Executive Officer, Scott Gallagher, is also the Chairman and Chief Executive Officer of FTS Group, Inc.

Results of Operations

Revenue

For the three months ended May 31, 2008, we reported total revenue of $10,388, compared to revenue of $12,500 for the same period ended May 31, 2007. For the six months ended May 31, 2008, we reported total revenue of $10,388 compared to revenue of $25,000 for the same period ended May 31, 2007. The decrease in revenue for the year over year period was due to the change of business direction experienced on April 4, 2008 and related to the fact that we generated sales for roughly half of the quarter ended May 31, 2008. During the quarter ended May 31, 2008, we acquired the assets of Elysium Internet, Inc., a direct navigation Internet Media Company. Our new management decided to change the focus of the business to the Internet media space and to begin acquiring and developing Internet domain related assets and businesses.

Expenses

Total expenses for the three months ended May 31, 2008 were $259,963 compared to expenses of $438,556, for the period ended May 31, 2007. Total expenses for the six months ended May 31, 2008 were $644,817 compared to expenses of $445,512 for the same period ended May 31, 2007. Expenses are related to the development of new web properties and web sites as well as increased sales and marketing efforts. Year over year comparisons are difficult to quantify due to the change in business direction. We expect expenses to continue to increase as we acquire additional domain names, build out new web sites and increase our sales and marketing efforts.

For the three months ended May 31, 2008, general and administrative expenses were $259,963, compared to $438,556 for the three months ended May 31, 2007. For the six months ended May 31, 2008, general and administrative expenses were $644,817, compared to $445,512 for the same period ended May 31, 2007. The increase in general and administrative expenses is related to increased costs surrounding our recent business change, management change and our spin-off of Emergency Distribution Systems.

We expect to continue to incur increased expenditures in the foreseeable future related to the development and future expansion of our new business operations. Over the next 12-month period we expect overall operating expenses to increase as we pursue business opportunities in the Internet domain and related Internet media space.

Losses

Our net loss for the three months ended May 31, 2008 was $249,575, compared to a loss of $522,784 for the same period ended May 31, 2007. Our net loss for the six months ended May 31, 2008 was $683,521, compared to a loss of $598,882 for the same period ended May 31, 2007. We expect to continue to post losses for the remainder of 2008 as we seek to increase development of our newly acquired assets. We believe that as we develop or acquire Internet domain and media related assets and businesses we can meet our goal of becoming profitable in the next 12 to 24 months. However, due to funding needs, market uncertainties and a variety of other factors that are out of our control, we cannot guarantee the accuracy of our expectations and when or if we will ever become a profitable business.

Liquidity and Capital Resources

As of May 31, 2008, we had total assets of $930,098 consisting of $20,739 in cash, $6,042 in accounts receivable, $38,195 in deferred finance charges, $169,500 in notes receivable from related parties and $695,622 in our domain portfolio. As of May 31, 2008, we had total liabilities of $2,303,648 consisting of $1,500,000 of notes payable-Affiliate, $249,284 in note due to related parties, $218,193 in loans from Affiliate, $82,075 capital lease obligation and $170,000 as a settlement reserve.

We have limited cash on hand and will require additional capital to support strategic acquisitions and to fund our current expansion plans. We may be unable to continue operations for the next 12 months if we are unable to generate revenues or obtain capital infusions by issuing equity or debt securities in exchange for cash. 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.

Our management anticipates the need to hire additional full or part-time employees over the next 12 months as we continue to increase our operations. At this time we believe that our operations are currently on a small scale that is manageable by our current staff. While we believe that the addition of employees is required over the next 12 months, we have retained two independent consultants and contractors to perform development related activities and market Internet related products and services we are currently developing.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Smaller reporting companies are not required to provide the information required by this Item.

Item 4(T). Controls and Procedures

Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer / Acting Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our Chief Executive Officer / Acting Chief Financial Officer has concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer / Acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls and procedures are designed to provide reasonable assurance that such information is accumulated and communicated to our management. Our disclosure controls and procedures include components of our internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting is expressed at the level of reasonable assurance that the control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

2. provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures of our Company are being made only in accordance with authorizations of our management and our directors; and

3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer / Acting Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of May 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework, specifically as supplemented by the COSO publication, Internal Control over Financial Reporting – Guidance for Smaller Public Companies. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of May 31, 2008.

Changes in Internal Controls

There were no changes in our internal control over financial reporting that occurred during the second quarter covered by this quarterly report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

This quarterly report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this quarterly report.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

On November 6, 2006, Sandra Sawyer filed a suit in Los Angeles Superior Court against US Biodefense, Inc. and David Chin, one of our officers and directors at the time the lawsuit was filed, alleging a breach of contract by Mr. Chin in relation to the purchase of our Company by Mr. Chin from Ms. Sawyer. On April 20, 2007, Mr. Chin filed a cross-complaint against the plaintiff alleging breach of contract. On November 21, 2007, we reached a settlement with Ms. Sawyer, whereby we agreed to pay to Ms. Sawyer an aggregate sum of $90,000 over 15 months. In the event of default, we will be required to pay Ms. Sawyer a sum of $225,000 less any payments made under this agreement. We were in compliance with this settlement agreement through May 31, 2008.

To our knowledge, as of May 31, 2008, there was no other threatened or pending litigation against our company or our officers or directors in their capacity as such.

### Item 1A. Risk Factors

Smaller reporting companies are not required to provide the information required by this Item.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended May 31, 2008, we issued 750,000 shares of our common stock to our directors as full compensation for serving on our board during 2008.

During the three months ended May 31, 2008, we issued 250,000 shares of our common stock to an individual as compensation for consulting services rendered, valued at $37,500.

With respect to the issuances of our securities described above, we relied on the Section 4(2) exemption from securities registration under the federal securities laws for transactions not involving any public offering. No advertising or general solicitation was employed in offering the securities. The securities were issued to accredited investors. The securities were offered for investment purposes only and not for the purpose of resale or distribution, and the transfer thereof was appropriately restricted by us.

### Item 3. Defaults Upon Senior Securities

None.

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

On May 5, 2008, the holders of 76.5% of our voting securities acted by written consent to authorize our Company to file Amended and Restated Articles of Incorporation, including the action to change our corporate name to Elysium Internet, Inc. and to increase the number of authorized shares of our common stock to 250,000,000 shares. On July 11, 2008, we filed the foregoing Amended and Restated Articles of Incorporation with the Utah Secretary of State and are awaiting effectiveness.

### Item 5. Other Information

Item 4.01. Changes in Registrant's Certifying Accountant.

Effective July 18, 2008, our Board of Directors dismissed Gruber & Company, LLC as our independent accountant. Gruber & Company performed our audits for the fiscal years ended November 30, 2006 and 2007.

Except as reported in our Form 10-KSB for the fiscal year ended November 30, 2007, which stated that "conditions exist which raise substantial doubt about the Company's ability to continue as a going concern unless it is able to generate sufficient cash flows to meet its obligations and sustain its operations," and our Form 10-KSB/A for the fiscal year ended November 30, 2006, which stated that "the Company has no established source of revenue, which raises substantial doubt about its ability to continue as a going concern" the reports of Gruber & Company on our financial statements for the fiscal years ended November 30, 2007 and 2006 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits for the past two fiscal years and through the termination date, there were no disagreements with Gruber & Company, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Gruber & Company's satisfaction, would have caused Gruber & Company to make reference to the subject matter of the disagreement in connection with its report.

Gruber & Company was provided a copy of the foregoing disclosures and was requested to furnish a letter addressed to the United States Securities and Exchange Commission stating whether or not it agrees with the above disclosures. As of the date of this report on Form 10-Q, we have not received a copy of the letter pursuant to that request. Upon receipt, we will file a copy of the letter in a current report on Form 8-K.

On July 18, 2008, our Board of Directors engaged J. Crane CPA, P.C. as our independent registered public accounting firm for the fiscal year ended November 30, 2008. During the fiscal years ended November 30, 2007 and 2006 and through July 18, 2008, no one on our behalf has consulted with J. Crane CPA, P.C. regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that J. Crane CPA, P.C. concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

Item 6. Exhibits

3.1. Articles of Incorporation, dated June 24, 1983 (included as Exhibit 3.1 to the Form 10SB12G filed September 1, 2000, and incorporated herein by reference).

3.2 Amendment to the Articles of Incorporation, dated July 17, 1984 (included as Exhibit 3.2 to the Form 10SB12G filed September 1, 2000, and incorporated herein by reference).

3.3 Amendment to the Articles of Incorporation, dated September 7, 1984 (included as Exhibit 3.3 to the Form 10SB12G filed September 1, 2000, and incorporated herein by reference).

3.4 Amended and Restated Articles of Incorporation, dated December 29, 1997 (included as Exhibit 3.4 to the Form 10SB12G filed September 1, 2000, and incorporated herein by reference).

3.5 By-Laws (included as Exhibit 3.5 to the Form 10SB12G filed September 1, 2000, and incorporated herein by reference).

3.6 Certificate of Amendment to the Articles of Incorporation, dated May 12, 2003 (included as Exhibit 3 to the Form 10-QSB filed July 15, 2003, and incorporated herein by reference).

4.1

US Biodefense, Inc. 2006 Qualified Stock Option Plan, dated April 26, 2006 (included as Exhibit 4.1 to the Form S-8 filed July 25, 2006, and incorporated herein by reference).

4.2 US Biodefense, Inc. 2007 Stock Incentive Plan, dated April 1, 2007 (included as Exhibit 4 to the Form S-8 filed May 4, 2007, and incorporated herein by reference).

4.3 US Biodefense, Inc. 2008 Stock Incentive Plan, dated February 15, 2008 (included as Exhibit 10.1 to the Form S-8 filed February 15, 2008, and incorporated herein by reference).

10.1 Stock Purchase Agreement between the Company and Charles Wright, dated August 7, 2006 (included as Exhibit 2 to the Form 8-k filed August 14, 2006, and incorporated herein by reference).

10.2 Stock Purchase Agreement between the Company and Equity Solutions, Inc., dated August 7, 2006 (included as Exhibit 10.1 to the Form 8-k filed August 14, 2006, and incorporated herein by reference).

10.3 Consulting Agreement between the Company and Charles Wright, dated August 21, 2006 (included as Exhibit 10 to the Form 8-K filed August 30, 2006, and incorporated herein by reference).

10.4 Executive Employment Agreement between the Company and Scott Gallagher, dated January 10, 2008 (included as Exhibit 10.1 to the Form 8-K filed January 10, 2008, and incorporated herein by reference).

10.5 Agreement for Purchase and Sale of Stock between the Company and Scott Gallagher, dated January 10, 2008 (included as Exhibit 10.2 to the Form 8-K filed January 10, 2008, and incorporated herein by reference).

10.6 Agreement for Purchase and Sale of Stock between the Company and 221 Fund, LLC, dated January 10, 2008 (included as Exhibit 10.3 to the Form 8-K filed January 10, 2008, and incorporated herein by reference).

10.7 Asset Purchase Agreement between the Company and FTS Group, Inc., dated March 19, 2008 (included as Exhibit 10.1 to the Form 8-K filed April 10, 2008, and incorporated herein by reference).

10.8 Promissory Note between due January 3, 2010, issued by the Company to FTS Group, Inc. (included as Exhibit 10.2 to the Form 8-K filed April 10, 2008, and incorporated herein by reference).

10.9 Internet Domain Name Purchase Agreement between the Company and Smash Clicks, Inc., dated June 1, 2008 (included as Exhibit 10.1 to the Form 8-K filed June 3, 2008, and incorporated herein by reference).

10.10 Promissory Note due October 31, 2009, issued by the Company to Smash Clicks, Inc. (included as Exhibit 10.2 to the Form 8-K filed June 3, 2008, and incorporated herein by reference).

17.1 Letter of Resignation to the Company from David Chin, dated January 10, 2008 (included as Exhibit 17.1 to the Form 8-K filed January 10, 2008, and incorporated herein by reference).

31.1 Certification of the Chief Executive Officer and Acting Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 Certification of Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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.

US BIODEFENSE, INC.

By: /s/ Scott Gallagher
Scott Gallagher
Chief Executive Officer, Acting Chief
Financial Officer, Principal Accounting Officer and Chairman of the Board of Directors

Dated: July 21, 2008