

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

- Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended September 30, 2007
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 000-51590

**ENABLE IPC CORPORATION**

*(Exact name of small business issuer as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**38-3718471**

*(I.R.S. Employer Identification Number)*

**25520 Avenue Stanford, Suite 311**

**Valencia, California 91355**

*(Address of principal executive offices)*

**661-775-9273**

*(Issuer's telephone number)*

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes  No

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

At September 30, 2007, the registrant had outstanding 23,432,696 shares of common stock with a par value of \$0.001 per share.

Transitional Small Business disclosure format: Yes  No

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**PART 1 -- FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

ENABLE IPC CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED BALANCE SHEET  
SEPTEMBER 30, 2007

ASSETS		
	September 30, 2007 (Unaudited)	March 31, 2007
Current assets		
Cash	\$ 42,129	\$ 21,913
Prepaid expenses due within 12 months	37,447	19,184
Other receivable	-	240
Total current assets	<u>79,576</u>	<u>41,337</u>
Fixed assets, net	11,380	13,346
Intangible assets, net	<u>519,690</u>	<u>534,536</u>
Total assets	<u><u>\$ 610,646</u></u>	<u><u>\$ 589,219</u></u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	\$ 60,475	\$ 84,685
Accrued expenses and other current liabilities	251,053	216,553
Due to stockholders, net of discounts	243,108	249,314
Minimum royalty payments due within 12 months	<u>45,000</u>	<u>45,000</u>
Total current liabilities	599,636	595,552
Long-term liabilities		
Present value of minimum royalty payments	697,335	663,177
Due to stockholders, long term, net of discounts	<u>-</u>	<u>-</u>
Total liabilities	1,296,971	1,258,729
Commitments and contingencies		
Stockholders' deficit		
Preferred stock; \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock; \$0.001 par value; 50,000,000 shares authorized, 23,432,696 shares issued and outstanding	23,433	14,922
Additional paid-in capital	804,765	514,141
Additional paid-in capital - warrants	90,000	-
Accumulated deficit	<u>(1,604,523)</u>	<u>(1,198,573)</u>
Total stockholders' deficit	<u>(686,325)</u>	<u>(669,510)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 610,646</u></u>	<u><u>\$ 589,219</u></u>

See Accompanying Notes to Financial Statements

ENABLE IPC CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	<u>Three months ended September 30</u>		<u>Six months ended September 30</u>		<u>March 17, 2005</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>(Inception) through</u> <u>September 30, 2007</u>
Revenues					
Operating expenses					
General and administrative					
Legal and professional fees	37,360	6,449	61,303	14,235	218,940
Wages and salaries	37,500	37,500	75,000	75,000	382,408
Research and development	30,550	22,348	97,558	63,508	381,374
Other general and administrative	78,477	48,191	134,843	78,575	457,373
Total general and administrative	<u>183,887</u>	<u>114,488</u>	<u>368,734</u>	<u>231,318</u>	<u>1,440,095</u>
Loss from operations	(183,887)	(114,488)	(368,734)	(231,318)	(1,440,095)
Interest income (expense)	<u>(19,731)</u>	<u>(16,530)</u>	<u>(37,216)</u>	<u>(32,397)</u>	<u>(162,925)</u>
Loss before provision for income taxes	(203,618)	(131,018)	(405,950)	(263,715)	(1,603,020)
Provision for income taxes	-	(843)	-	(843)	(1,503)
Net loss	<u>(203,618)</u>	<u>(131,861)</u>	<u>(405,950)</u>	<u>(264,558)</u>	<u>(1,604,523)</u>
Basic and diluted loss per common share	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.13)</u>
Basic and diluted weighted average common shares outstanding	<u>21,182,756</u>	<u>12,005,466</u>	<u>18,884,645</u>	<u>11,920,808</u>	<u>12,548,538</u>

See Accompanying Notes to Financial Statements

ENABLE IPC CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance at March 17, 2005 (Date of inception)	\$ -	\$ -	\$ -	\$ -	\$ -
Common stock issued for cash	2,546,216	2,546	10,185	-	12,731
Common stock issued for office supplies	521,584	522	2,086	-	2,608
Common stock issued for patent assignment related to Technology and Patent Agreement	2,000,000	2,000	8,000	-	10,000
Common stock issued for fixed assets	2,780,200	2,780	11,121	-	13,901
Common stock issued for services	1,000,000	1,000	4,000	-	5,000
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,533)</u>	<u>(20,533)</u>
Balance at March 31, 2005	8,848,000	8,848	35,392	(20,533)	23,707
Common stock issued for cash	2,807,000	2,807	265,593	-	268,400
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(531,152)</u>	<u>(531,152)</u>
Balance at March 31, 2006	11,655,000	11,655	300,985	(551,685)	(239,045)
Common stock issued for cash	3,017,497	3,017	195,906	-	198,923
Common stock issued for services	150,000	150	10,350	-	10,500
Common stock issued in satisfaction of obligations due to stockholders	100,000	100	6,900	-	7,000
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646,888)</u>	<u>(646,888)</u>
Balance at March 31, 2007	14,922,497	14,922	514,141	(1,198,573)	(669,510)
Common stock issued for cash	6,230,000	6,230	174,870	-	181,100

Common stock issued for services	2,065,841	2,067	100,963	-	103,030
Common stock issued in satisfaction of due to stockholders	214,358	214	14,791	-	15,005
Warrants issued in conjunction with due to related parties	-	-	90,000	-	90,000
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(405,950)</u>	<u>(405,950)</u>
Balance at September 30, 2007 (unaudited)	<u>23,432,696</u>	<u>\$ 23,433</u>	<u>\$ 894,765</u>	<u>\$ (1,604,523)</u>	<u>\$ (686,325)</u>

See Accompanying Notes to Financial Statements

ENABLE IPC CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months ended <u>September 30, 2007</u>	Six Months ended <u>September 30, 2006</u>	March 17, 2005 (Inception) through <u>September 30, 2007</u>
Cash flows from operating activities:			
Net loss	\$ (405,950)	\$ (264,558)	\$ (1,604,523)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	16,812	17,168	84,929
Stock based compensation	103,030	-	118,530
Stock based compensation related to office supplies	-	-	2,608
Interest accrued on present value of minimum royalty payments	34,158	31,735	158,478
Changes in operating assets and liabilities:			
Prepaid expenses	(18,263)	706	(37,447)
Other receivable	240	-	-
Accounts payable	(24,210)	6,418	74,407
Accrued liabilities	34,500	81,818	354,490
Net cash used by operating activities	<u>(259,683)</u>	<u>(126,713)</u>	<u>(848,528)</u>
Cash flows from investing activities:			
Purchase of fixed assets	-	-	(8,241)
Net cash used by investing activities	-	-	(8,241)
Cash flows from financing activities:			
Issuance of common stock for cash	181,100	42,000	661,154
Change in due to stockholders	98,799	83,464	237,744
Net cash provided by financing activities	<u>279,899</u>	<u>125,464</u>	<u>898,898</u>
Net change in cash	20,216	(1,249)	42,129
Beginning balance, April 1	<u>21,913</u>	<u>1,374</u>	<u>-</u>
Ending balance, September 30	<u><u>\$ 42,129</u></u>	<u><u>\$ 125</u></u>	<u><u>\$ 42,129</u></u>

(Continued)

ENABLE IPC CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(Continued)

	Six Months ended <u>September 30, 2007</u>	Six Months ended <u>September 30, 2006</u>	March 17, 2005 (Inception) through <u>September 30, 2007</u>
Schedule of non-cash investing and financing activities:			
Issuance of 2,780,200 shares for fixed assets	\$ -	\$ -	\$ 13,901
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Purchase of intangible asset			
Issuance of 2,000,000 shares related to Technology and Patent Assignment	\$ -	\$ -	\$ 10,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Present value of minimum royalty payments related to Technology and Patent Assignment	-	-	583,857
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	\$ -	\$ -	\$ 593,857
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Issuance of warrants in conjunction with due to stockholders	\$ 90,000	\$ -	\$ 90,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Issuance of common stock in satisfaction of obligations due to stockholders	\$ 15,005	\$ -	\$ 22,005
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Supplemental disclosure for			
Cash paid for			
Interest	\$ 2,254	\$ 190	\$ 2,525
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Income taxes	\$ -	\$ 843	\$ 1,503
	<u>                    </u>	<u>                    </u>	<u>                    </u>

See Accompanying Notes to Financial Statements



ENABLE IPC CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

**Note 1. Basis of Presentation**

Enable IPC (Intellectual Property Commercialization) Corporation (the “Company”) is a development stage company incorporated on March 17, 2005 under the laws of the state of Delaware. The Company is engaged in the development of new power technologies that combine thin films and nanotechnology. The Company will use these breakthroughs to manufacture microbatteries on microscopically thin film (which are expected to be smaller, cheaper, last longer, and more environmentally friendly than today's standard batteries) and ultracapacitors on standard carbon sheets impregnated with nanoparticles.

The accompanying unaudited condensed financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended March 31, 2007, on file with the Securities and Exchange Commission. The interim financial statements present the condensed balance sheet, statements of operations, stockholders' deficit and cash flows of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

The interim financial information is unaudited. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company as of September 30, 2007 and the results of operations and cash flows presented herein have been included in the financial statements. Interim results are not necessarily indicative of results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

**Note 2. Stock-Based Compensation**

On April 1, 2006 the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), “Share-Based Payment”, requiring the Company to recognize expense related to the fair value of its employee stock option awards. The Company recognizes the cost of all share-based awards on a graded vesting basis over the vesting period of the award.

The Company has granted no warrants or options to employees since inception. Accordingly, the adoption of SFAS No. 123 (R) did not impact the financial statements.

**Note 3. Related-Party Transactions**

*Services*

At September 30, 2007, the Company owed \$243,108 to related parties. Of this amount, \$241,608 was owed to two shareholders for consulting services rendered to the Company. In addition, the Company owed a total of \$1,500 to Board members for services rendered.

*Loans*

The Company had two outstanding loans payable to shareholders on September 30, 2007. They are summarized as follows:

The first loan was for \$50,000 at 13% interest per annum for a term of 24 months. The lender also received warrants to purchase 1,250,000 restricted shares of common stock. Proceeds of \$50,000 were allocated to the warrants based on their estimated fair value (utilizing the Black-Scholes method) and credited to additional paid-in capital. This amount is reflected as a discount against the notes payable and will be amortized to interest expense

over the life of the note. The Company is required to make monthly payments of \$2,377 for 24 months. Interest on this loan totals \$7,050. As of September 30, 2007 the Company had made two payments on this loan totaling \$4,754 (\$3,691 toward principal and \$1,063 toward interest). Total principal remaining on this loan on September 30 was \$48,165. Total unamortized discount also totaled \$48,165.

The second loan was for \$40,000 at 13% interest per annum for a term of 24 months. The lender also received warrants to purchase 1,000,000 restricted shares of common stock. Proceeds of \$40,000 were allocated to the warrants based on their estimated fair value (utilizing the Black-Scholes method) and credited to additional paid-in capital. This amount is reflected as a discount against the notes payable and will be amortized to interest expense over the life of the note. The Company is required to make monthly payments of \$1,905 for 24 months. Interest on this loan totals \$5,721. As of September 30, 2007 the Company had made one payment on this loan totaling \$1,905 (\$1,400 toward principal and \$505 toward interest). Total principal remaining on this loan on September 30 was \$40,000. Total unamortized discount also totaled \$40,000.

#### **Note 4. Going Concern**

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is in the development stage, has no operating revenue and incurred a net loss of approximately \$1,603,715 for the period from March 17, 2005 (Date of Inception) through September 30, 2007. The Company's management is in the process of raising additional capital for the Company. As part of this effort, during the fiscal year ending March 31, 2006, the Company issued an aggregate of 2,807,000 shares of common stock for proceeds of \$268,400. Also in September 2005 the Company issued to another private investor a warrant to purchase 305,000 shares of common stock at an exercise price of \$0.10 per share, none of which had been exercised as of September 30, 2007. During the year ended March 31, 2007, the Company issued an aggregate of 3,017,497 shares of common stock for cash proceeds of \$202,225 (less offering costs of \$3,302), 150,000 shares of common stock in payment for services valued at \$10,500 and 100,000 shares of common stock to repay loans valued at an aggregate of \$7,000. Also, in February 2007, the Company issued to two private investors warrants to purchase an aggregate of 350,000 shares of common stock at an exercise price of \$0.10 per share, none of which had been exercised as of September 30, 2007.

In April 2007, the Company issued an aggregate of 106,153 shares of common stock to two companies for services valued at \$13,760. In May 2007, the Company issued an aggregate of 2,500,000 shares of common stock to a private investor for proceeds of \$75,000, less \$550 in offering costs. In June 2007, the Company issued 2,500,000 shares of common stock to a private investor for proceeds of \$50,000, less \$600 in offering costs. In August 2007, the Company issued an aggregate of 214,358 shares of common stock to repay loans totaling \$15,005, an aggregate of 1,459,688 shares of common stock for services valued at \$69,800 and an aggregate of 200,000 shares of common stock to two private investors for cash proceeds of \$8,000. Also in August 2007, the Company issued to two private investors warrants to purchase an aggregate of 2,250,000 shares of common stock at an exercise price of \$0.04 per share, none of which had been exercised as of September 30, 2007. In September 2007, the Company issued an aggregate of 500,000 shares of common stock for services valued at \$20,000 and an aggregate of 1,030,000 shares of common stock to two private investors for cash proceeds of \$51,500 less offering costs of \$2,500.

The Company continues to seek to raise additional funds to support operations through private placements of equity and debt securities. Management believes that the funds raised through this plan will be sufficient to support operations through the year ending March 31, 2009.

These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to obtain additional financing or sale of its common stock as may be required and ultimately to attain profitability.

#### **Note 5. Present Value of Minimum Royalty Payments, Net**

The Company has entered into a Technology and Patent Assignment Agreement ("Agreement") granting the Company proprietary rights in consideration for royalties equal to 5% of the net sales of the product. The combined royalty amounts in any single calendar year must be at least equal to the amount shown in the schedule below, or else the 5% royalty shall not be paid, and instead the amount shown in the schedule below shall be paid. Future minimum annual royalty payments under the Agreement are as follows as of September 30, 2007:

2006	\$	10,000
2007		15,000
2008		20,000
2009		45,000
2010		75,000
Thereafter		<u>1,500,000</u>
		<u>1,665,000</u>

As of September 30, 2007, the Company had made neither the \$10,000 payment for 2006 nor the \$15,000 payment for 2007. The recipient of these payments has agreed to defer such payments until the Company has sufficient funds. The Company recorded the present value of the above royalty payments totaling \$583,857 (assuming a 10% per annum imputed interest rate) as part of the value of the intangible asset. As of September 30, 2007, the present value of minimum royalty payments, net is as follows:

Present value of minimum royalty payments	\$	583,857
Plus: Accrued interest on minimum royalty payments		158,478
Less: Minimum royalty payments due within 12 months		<u>(45,000)</u>
Present value of minimum royalty payments, net	\$	<u>697,335</u>

#### **Note 6. Common Stock**

In April 2007, the Company issued an aggregate of 106,153 shares of common stock to two companies for services valued at \$13,760. In May 2007, the Company issued an aggregate of 2,500,000 shares of common stock to a private investor for proceeds of \$75,000, less \$550 in offering costs. In June 2007, the Company issued 2,500,000 shares of common stock to a private investor for proceeds of \$50,000, less \$600 in offering costs.

In August 2007, the Company issued an aggregate of 214,358 shares of common stock to repay loans totaling \$15,005, an aggregate of 1,459,688 shares of common stock for services valued at \$69,800 and an aggregate of 200,000 shares of common stock to two private investors for cash proceeds of \$8,000. Also in August 2007, the Company issued to two private investors warrants to purchase an aggregate of 2,250,000 shares of common stock at an exercise price of \$0.04 per share, none of which had been exercised as of September 30, 2007. In September 2007, the Company issued an aggregate of 500,000 shares of common stock for services valued at \$20,000 and an aggregate of 1,030,000 shares of common stock to two private investors for cash proceeds of \$51,500 less offering costs of \$2,500.

## **ITEM 2. Management's Discussion and Analysis or Plan of Operation**

This quarterly report contains forward-looking statements including statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expects," "anticipates," "intends," "believes" or similar language. These forward-looking statements involve risks, uncertainties and other factors. All forward-looking statements included in this quarterly report are based on information available to us on the date hereof and speak only as of the date hereof. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. The factors discussed below under "Risk Factors" and elsewhere in this quarterly report are among those factors that in some cases have affected our results and could cause the actual results to differ materially from those projected in the forward-looking statements.

In this quarterly report, the "Company," "we," "us" and "our" refer to Enable IPC Corporation, a Delaware corporation.

### **Overview**

This discussion is intended to supplement, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements.

We were incorporated in March 2005 to develop and commercialize rechargeable batteries for use in low power applications. One of our products will be a thin film lithium battery. A patent application covering this technology was assigned to us in March 2005 by Dr. Sung H. Choi, our Technical Advisor and a principal stockholder. This product is in the very earliest stage of development.

In addition, we are working with SolRayo, LLC and the University of Wisconsin to develop, license and eventually commercialize and sell an ultracapacitor technology. We believe this technology will allow us to make ultracapacitors which will compliment our microbattery as well as meet performance specifications for existing consumer, and possibly industrial and transportation products. We currently anticipate that our ultracapacitors will be our initial products.

To date, we have commenced limited business operations and have realized no income. We have funded our operations through private placements of equity and loans and contributions from our founders. We have incurred a net loss from operations from inception through September 30, 2007, of \$1,604,523.

## **Results of Operations**

### ***Three months ended September 30, 2007 compared to three months ended September 30, 2006***

Revenues. We did not generate any revenue in the three months ended September 30, 2007, as our focus since inception has been on raising funds to conduct the research and development of our technology. We also generated no revenue during the three-month period ended September 30, 2006. We are a development stage company in our second year of research and development activities, and do not anticipate receiving revenue until we complete product development. There can be no assurance that we will ever receive revenues or reach profitability.

General and Administrative Expenses. General and administrative expenses for the three months ended September 30, 2007 were \$183,887, higher than the \$114,488 in general and administrative expenses during the same period in 2006. These expenses for the three months ended September 30, 2007 included \$37,500 in wages and salaries to our sole employee, which equaled the wage expenses for the comparable period in 2006. In the three months ended September 30, 2007, we incurred \$37,360 in legal and accounting expenses, consisting of \$7,400 in auditor fees, \$7,417 in investor relations activities and \$22,543 in legal fees. This total was nearly six times the legal and accounting expenses of \$6,449 for the three-month period ended September 30, 2006, reflecting the increased costs associated with being a public company. We had \$30,550 in research and development expenses for the three months ended September 30, 2007, an increase from \$22,348 for the three months ended September 30, 2006, due to increased research and development activity relating primarily to our new ultracapacitor technology. We incurred \$78,477 in other expenses during the three months ended September 30, 2007, an increase from the \$48,191 in other expenses we incurred for the three months ended September 30, 2006. The 2007 expenses consisted of \$8,414 in depreciation and amortization, a slight decrease from \$8,893 for the same period in 2006; \$4,000 in Board member services, a decrease from \$7,500 for the same period in 2006 due to decreased Board activities during the period; \$4,509 in insurance, an increase from \$353 for the same period in 2006, due to the addition of our director's and officer's liability insurance policy; \$6,412 for web and brochure design and printing, a decrease from \$12,714 for the same period in 2006, due primarily to less activity relating to website and brochure design and printing; \$37,875 for consulting expenses, an increase from \$1,050 for the same period in 2006, due to an increase in consultants' activities and the addition of two consultants; \$9,524 in rent, an increase from \$6,336 for the same period in 2006 due to a structured increase provided in our lease; and \$7,743 in other expenses, a decrease from \$11,345 during the same period in 2006. We anticipate that as we ramp up our operations (including incurring the obligations of a public company), our general and administrative expenses will increase significantly.

Sales and Marketing Expenses. We did not incur sales and marketing expenses for the three months ended September 30, 2007, but intend to develop our sales and marketing efforts at a measured pace until our products are ready for introduction into the market. We also incurred no sales and marketing expenses for the three months ended September 30, 2006.

Interest Income/Expense We had interest expense of \$19,731 for the three months ended September 30, 2007, compared to interest expense of \$16,530 for the comparable period in 2006. The increase was primarily attributable to interest on the additional royalties due to Dr. Choi under the Technology and Patent Assignment Agreement and to interest on loans from shareholders.

Net Loss. As a result of the foregoing factors, our net loss was \$203,618 or \$0.01 per share, for the three months ended September 30, 2007. This loss is greater than the net loss of \$131,861, or \$0.01 per share, for the three months ended September 30, 2006.

### ***Six months ended September 30, 2007 compared to six months ended September 30, 2006***

Revenues. We did not generate any revenue in the six months ended September 30, 2007, as our focus since inception has been on raising funds to conduct the research and development of our technology. We also generated no revenue during the six-month period ended September 30, 2006. We are a development stage company in our second year of research and development activities, and do not anticipate receiving revenue until we complete product development. There can be no assurance that we will ever receive revenues or reach profitability.

General and Administrative Expenses. General and administrative expenses for the six months ended September 30, 2007 were \$368,734, higher than the \$231,318 in general and administrative expenses during the same period in 2006. These expenses for the six months ended September 30, 2007 included \$75,000 in wages and salaries to our sole employee, which equaled the wage expenses for the comparable period in 2006. In the six months ended September 30, 2007, we incurred \$61,303 in legal and accounting expenses, consisting of \$12,400 in auditor fees, \$16,836 in investor relations activities and \$32,067 in legal fees. This total was over four times the legal and accounting expenses of \$14,235 for the six-month period ended September 30, 2006, consisting of \$7,300 in auditor fees, \$3,815 in investor relations activities and \$3,120 in legal fees, each reflecting the increased costs associated with being a public company. We had \$97,588 in research and development expenses for the six months ended September 30, 2007, an increase from \$63,508 for the six months ended September 30, 2006, due to increased research and development activity relating primarily to our new ultracapacitor technology. We incurred \$134,843 in other expenses during the six months ended September 30, 2007, an increase from the \$78,575 in other expenses we incurred for the six months ended September 30, 2006. These 2007 expenses consisted of \$16,811 in depreciation and amortization, a slight decrease from the \$17,169 for the same period in 2006; \$8,000 in Board member services, a slight increase from the \$7,500 for the same period in 2006; \$6,936 in insurance, an increase from \$705 for the same period in 2006, due to the addition of our director's and officer's liability insurance policy; \$15,397 for web and brochure design and printing, a slight increase from the \$12,714 for the same period in 2006; \$44,450 for consulting expenses, an increase from \$2,550 for the same period in 2006, due to an increase in consultants' activities and the addition of two consultants; \$19,048 in rent, an increase from \$15,115 for the same period in 2006, due to a structured increase provided in our lease; \$11,028 in travel and related expenses, an increase from \$7,124 for the same period in 2006, due to an increase in conference participation during the period and travel related to research and development on the ultracapacitor technology; and \$13,173 in other expenses, an increase from \$15,698 during the same period in 2006. We anticipate that as we ramp up our operations (including incurring the obligations of a public company), our general and administrative expenses will increase significantly.

Sales and Marketing Expenses. We did not incur sales and marketing expenses for the six months ended September 30, 2007, but intend to develop our sales and marketing efforts at a measured pace until our products are ready for introduction into the market. We also incurred no sales and marketing expenses for the six months ended September 30, 2006.

Interest Income/Expense. We had interest expense of \$37,216 for the six months ended September 30, 2007, compared to interest expense of \$32,397 for the comparable period in 2006. The increase was primarily attributable to interest on the additional royalties due to Dr. Choi under the Technology and Patent Assignment Agreement and to interest on loans from shareholders.

Net Loss. As a result of the foregoing factors, our net loss was \$405,950 or \$0.02 per share, for the six months ended September 30, 2007. This loss is greater than the net loss of \$264,558, or \$0.02 per share, for the six months ended September 30, 2006.

## **Liquidity and Capital Resources**

From our date of inception (March 17, 2005), we have obtained the majority of our cash resources from private placements of equity and loans and contributions from our founders. Our operating plan for the years ending March 31, 2008 and 2009 is focused on development of our products. We currently anticipate that cash of \$2,500,000 is required to support this plan. At September 30, 2007, we had only \$42,129 in cash, and had a burn rate of approximately \$36,000 per month. We are in the process of raising additional capital. As part of this effort, during the fiscal year ended March 31, 2006, we issued an aggregate of 2,807,000 shares of common stock for proceeds of \$268,400. In the fiscal year ended March 31, 2007, we issued an aggregate of 3,017,497 shares of common stock for cash proceeds of \$198,923. Also, in September 2005, we issued to a private investor a warrant to purchase 305,000 shares of common stock at an exercise price of \$0.10 per share, none of which had been exercised as of September 30, 2007. We have continued to raise funds during the first six months of fiscal 2008. During April 2007, we issued an aggregate of 106,153 shares of common stock to two companies for services valued at an aggregate of \$13,760, less \$830 in offering costs. During May 2007, we issued an aggregate of 2,500,000 shares of common stock to a private investor for proceeds of \$75,000, less \$550 in offering costs. During June 2007, we issued an aggregate of

2,500,000 shares of common stock to a private investor for proceeds of \$50,000, less \$600 in offering costs. In July 2007, we filed a registration statement on Form SB-2 with the Securities and Exchange Commission to raise additional capital by selling shares of our common stock publicly. In August 2007, we issued an aggregate of 214,358 shares of common stock to repay loans totaling \$15,005, an aggregate of 1,459,688 shares of common stock for services valued at \$69,800 and an aggregate of 200,000 shares of common stock to two private investors for cash proceeds of \$8,000. Also in August 2007, we issued to two private investors warrants to purchase an aggregate of 2,250,000 shares of common stock at an exercise price of \$0.04 per share, none of which had been exercised as of September 30, 2007. In September 2007, we issued an aggregate of 500,000 shares of common stock for services valued at \$20,000 and an aggregate of 1,030,000 shares of common stock to two private investors for cash proceeds of \$51,500 less offering costs of \$2,500.

We will continue to seek to raise additional funds to support operations through private placements of equity and debt securities. We believe that the funds raised through this plan will be sufficient to support our operations through the year ending March 31, 2009. A large portion of our anticipated costs will relate to product research and development. In addition, we plan to invest in additional employees, and to build our infrastructure to comply with the requirements of being a publicly traded company. We currently plan to hire two full time engineers to assist with product development. Once we receive the required additional financing, we anticipate continued growth in our operations and a corresponding growth in our operating expenses and capital expenditures. We do not anticipate any revenue from operations for the next one or two years. Therefore, our success will be dependent on funding from private placements of equity securities. There can be no assurance that we will be successful in raising any capital, and at the present time, we have no other agreements or arrangements for any private placements.

All of these conditions give rise to substantial doubt about our ability to continue as a going concern. Our financial statements do not include adjustments relating to the recoverability and classification of reported asset amounts or the amount and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to obtain additional financing from the sale of our common stock, as may be required, and ultimately to attain profitability.

The report of our independent certified public accountants, included in our Annual Report on Form 10-KSB for the year ended March 31, 2007, contains a paragraph regarding our ability to continue as a going concern.

During the six months ended September 30, 2007, we continued to spend cash to fund our operations. Cash used by operating activities for the six months ended September 30, 2007 equaled \$259,683, and consisted principally of our net loss of \$405,950, a decrease in accounts payable of \$24,210 and an increase in prepaid expenses of \$18,263, offset by an increase in accrued liabilities of \$34,500, interest of \$34,158 accrued on the present value of our minimum royalty payments to Dr. Choi, stock-based compensation of \$103,030, a decrease in other receivable of \$240 and depreciation and amortization of \$16,812. During the comparable period in 2006, net cash of \$126,713 was used by operating activities, consisting of our net loss of \$264,558, offset by an increase in accrued liabilities of \$81,818, an increase in accounts payable of \$6,418, a decrease in prepaid expenses of \$706, interest of \$31,735 accrued on the above referenced royalty payments and depreciation and amortization of \$17,168.

We did not use any cash in investing activities for the three months ended September 30, 2007, or the three months ended September 30, 2006.

Cash flow from financing activities for the six months ended September 30, 2007 produced a net increase in cash of \$279,899, consisting of \$181,100 from the issuance of common stock and \$98,799 from an increase in the amounts due to our stockholders. During the six months ended September 30, 2006, cash flows from financing activities produced a net increase of cash of \$125,464, consisting of \$42,000 from the issuance of common stock and \$83,464 from an increase in the amounts due to our stockholders.

As of September 30, 2007, we had cash of \$42,129, an increase from the balance of \$21,913 at March 31, 2007. Our working capital deficit decreased to \$520,060 at September 30, 2007, from \$554,215 at March 31, 2007. There were no material commitments for capital expenditures at September 30, 2007.

Our ultracapacitor research and development activities over the next twelve months will involve the completion of the fabrication of alpha units, the full testing and characterization of these units, the development of a manufacturing process for a number of ultracapacitor products and the production of beta units for certain applications. With respect to our thin film lithium batteries, we expect in the next twelve months to conduct research and development activities consisting of the characterization of our technology by developing one or more half-battery test fixtures, followed by necessary chemical and structural modifications. These activities will be undertaken with a view

towards our ultimate goal of developing a working, fully functional prototype, which we currently anticipate could take approximately two years.

As of September 30, 2007, we are uncertain as to the completion date of our research and development, or if products will ever be completed as a result of this research and development activity. We anticipate that the funds spent on research and development activities will need to increase prior to completion of a product. We may not be able to secure funding in the future necessary to complete our intended research and development activities. We have certain minimum annual royalty payments to Dr. Sung H. Choi pursuant to the Technology and Patent Assignment.

These minimum annual royalty payments are as follows:

2006	\$	10,000
2007		15,000
2008		20,000
2009		45,000
2010		75,000
Thereafter		1,500,000
		<u>1,665,000</u>

As of September 30, 2007, the payments of \$10,000 due in 2006 and \$15,000 due in 2007 had not been paid. Dr. Choi has agreed to defer the payments until such time as the company has adequate funds.

### **Critical Accounting Policies**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported. Note 1 of Notes to Financial Statements describes the significant accounting policies used in the preparation of the financial statements. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of our financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on our financial condition and results of operations. Specifically, critical accounting estimates have the following attributes: 1) we are required to make assumptions about matters that are highly uncertain at the time of the estimate, and 2) different estimates we could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on our financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the financial statements as soon as they became known. Based on a critical assessment of our accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and present a meaningful presentation of our financial condition and results of operations. In preparing our financial statements to conform to accounting principles generally accepted in the United States, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. These estimates include useful lives for fixed assets for depreciation calculations and assumptions for valuing options and warrants. Actual results could differ from these estimates.

We consider that the following are critical accounting policies:

**Research and Development Expenses.** All research and development costs are expensed as incurred. The value of acquired in-process research and development is charged to expense on the date of acquisition. Research and development expenses include, but are not limited to, payroll and personnel expense, supplies, raw materials to fabricate our prototype devices, manufacturing costs, consulting, legal fees and research-related overhead. Accrued liabilities for raw materials to manufacture our prototype devices, manufacturing costs, and patent legal fees are included in accrued liabilities and included in research and development expenses.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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. 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).

We periodically evaluate whether events and circumstances have occurred that may warrant revision of the estimated useful life 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.

Stock-based Compensation. On April 1, 2006 we adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment", requiring us to recognize expense related to the fair value of its employee stock option awards. We recognize the cost of all share-based awards on a graded vesting basis over the vesting period of the award. We have granted no warrants or options to employees since inception. Accordingly, the adoption of SFAS No. 123 (R) did not impact our financial statements.

#### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

#### **ITEM 3. Controls and Procedures**

Based on an evaluation conducted within 90 days prior to the filing date of this quarterly report, our Chief Executive Officer and Chief Financial Officer concluded that we maintain effective disclosure controls and procedures that ensure information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Specifically, the disclosure controls and procedures assure that 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. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of management's evaluation.

## **PART II -- OTHER INFORMATION**

#### **ITEM 1. Legal Proceedings**

Not applicable.

#### **ITEM 1A. Risk Factors**

#### **Special Note About Forward-Looking Statements**

Some of the information in this quarterly report contains forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate," "believe," "estimate," and "continue" or similar words. You should read statements that contain these words carefully because they:

- discuss our expectations about our future performance;
- contain projections of our future operating results or of our future financial condition; or
- state other "forward-looking" information.



We believe it is important to communicate our expectations to our stockholders. There may be events in the future, however, that we are not able to predict accurately or over which we have no control.

The risk factors listed in this section provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. You should be aware that the occurrence of any of the events described in these risk factors could have a material and adverse effect on our business, results of operations and financial condition. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

### **Risks Related To Our Business**

***Our auditors have stated that they have doubts as to our ability to continue as a going concern, which could hamper our ability to obtain investment capital and prevent us from implementing our business plan.***

Our independent auditors, L.L. Bradford & Co., have indicated that they have substantial doubt as to our ability to continue as a going concern. This opinion is based on their analysis of our financial condition (see "Report of Independent Registered Accounting Firm" in our annual report on Form 10-KSB for the year ended March 31, 2007). This opinion could seriously hamper our ability to raise the additional funds we need to implement our business plan. If we cannot obtain additional funds, it is likely that we will be unable to implement our business plan.

***We are an early stage company with no products currently available for commercial sale, and have a limited operating history on which to evaluate our potential for future success.***

We were formed in March 2005 and have only a limited operating history upon which you can evaluate our business and prospects. We have yet to develop sufficient experience regarding actual revenues to be received from our operations. In addition, we have no products currently available for commercial sale, and do not expect to have products available for sale in the near future. We are a start-up company. You must consider the risks and uncertainties frequently encountered by early stage companies in new and rapidly evolving markets such as competing technologies, lack of customer acceptance of a new or improved product and obsolescence of the technology before it can be fully commercialized. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition will be materially and adversely affected.

***We expect losses for the foreseeable future and may never achieve profitability.***

For the period from March 17, 2005 (date of inception) through September 30, 2007, we had net losses from operations of \$1,604,523. We will continue to incur losses from operations for the foreseeable future. These losses will result primarily from costs related to product research and development. In addition, we plan to invest in additional employees to assist with product development and to build our infrastructure to comply with the requirements of being a publicly traded company. Our management believes these expenditures are necessary to commercialize our technology and to penetrate the markets for our products. If our revenue growth is slower than anticipated or our operating expenses exceed expectations, our losses will be significantly greater. We may never achieve profitability.

***If we do not raise additional capital, we may have to curtail or even cease operations.***

Our operating plan for the years ending March 31, 2008 and 2009 is focused on development of our products. We currently anticipate that cash of \$2,500,000 will be required to support this plan. At September 30, 2007, we had only \$42,129 in cash. We are actively seeking additional funding.

Obtaining capital will be challenging in a difficult environment, due to uncertainty in the United States economy and current world instability. We currently have no commitments for any additional funding, and there can be no assurance that we will be able to obtain additional funding in the future from either debt or equity financings, bank loans, collaborative arrangements or other sources on terms acceptable to us, or at all.

If adequate funds are not available or are not available on acceptable terms when required, we may be required to significantly curtail our operations or may not be able to fund expansion, take advantage of unanticipated acquisition opportunities, develop or enhance services or products or respond to competitive pressures. Any one of these could have a material adverse effect on our business, results of operations and financial condition.

***Raising additional capital may cause significant dilution to our stockholders.***

We are actively seeking additional funding. If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution and such securities may have rights, preferences and privileges senior to those of our common stock.

***If we obtain additional funding through debt financing, we may not receive favorable terms.***

To obtain additional capital, we may need to use debt financing. If we are required to borrow money, we will incur interest expenses, which will negatively impact our operating results. We may also be subject to restrictive covenants in the debt agreement that will limit our operating flexibility.

***Establishing our revenues and achieving profitability will depend on our ability to develop and commercialize our products.***

Much of our ability to establish revenues and to achieve profitability and positive cash flows from operations will depend on the successful introduction of our products in development. Many products based on our technologies will represent new applications, and our prospective customers will not use our products unless they determine that the benefits provided by these products are greater than those available from competing products.

We may be required to undertake time-consuming and costly development activities for new products. In addition, we may also be required to seek regulatory clearance or approval in order to commercialize new products. Although we are not currently aware of any regulatory requirements that may affect our operations, in the event that we elect to pursue alternative battery or ultracapacitor electrolyte chemistries we might be subject to state environmental laws or regulations governing the disposal of hazardous chemicals. We currently have no plans to pursue any such alternative chemistries. The completion of the development and commercialization of any of our products under development remains subject to all of the risks associated with the commercialization of new products based on innovative technologies, including unanticipated technical or other problems, manufacturing difficulties and the possible insufficiency of the funds allocated for the completion of such development.

***Competition for experienced personnel is intense and our inability to attract and retain qualified personnel could significantly interrupt our business operations.***

Our future success will depend, to a significant extent, on the ability of our management to operate effectively, both individually and as a group. Given our early stage of development, we are dependent on our ability to attract, retain and motivate high caliber key personnel. Competition for qualified personnel in our industry is intense, and we may not be successful in attracting and retaining such personnel. There may be only a limited number of persons with the requisite skills to serve in these key positions. We may be unable to retain our key employees or attract, assimilate and retain other highly qualified employees in the future. Competitors and others may in the future attempt to recruit our employees.

***We depend on our current executive officers.***

Our performance is substantially dependent on the continued services and on the performance of our executive officers and other key employees and consultants, particularly David A. Walker, our Chief Executive Officer, and Mark A. Daugherty, Ph.D., our Chief Technology Officer. The loss of the services of any of our executive officers or key employees or consultants could materially and adversely affect our business. Our employment agreement with Mr. Walker expired on March 31, 2007; however, he has verbally agreed to continue to provide his services as needed. We have no written agreement with Dr. Daugherty; however, he has verbally agreed to provide consulting services as needed. We currently have no key man insurance for either Mr. Walker or Dr. Daugherty.

***Legislative and regulatory actions and potential new accounting pronouncements are likely to impact our future financial condition and results of operations.***

There have been certain regulatory changes, including the Sarbanes-Oxley Act of 2002, and there may potentially be new accounting pronouncements or additional regulatory changes which will have an impact on our future financial condition and results of operations. The Sarbanes-Oxley Act of 2002 and other rule changes as well as proposed legislative initiatives will increase our general and administrative costs, as we will incur increased legal and accounting fees to comply with such rule changes. In addition, proposed initiatives are expected to result in changes

in certain accounting and disclosure rules. These and other potential changes could materially increase the expenses we report in our financial statements and adversely affect our operating results.

***We may be unable to compete effectively with other companies in our market sector, many of whom are substantially larger and more established and have significantly greater resources.***

We compete in two new, rapidly evolving and highly competitive market sectors: the microbattery market and the ultracapacitor market. We expect competition to persist and intensify in the future from a number of different sources. Increased competition could result in reduced prices and gross margins for our products and could require increased spending by us on research and development, sales and marketing and customer support, any of which could have a negative financial impact on our business.

In the microbattery market, we compete with Energizer, Duracell and Rayovac, which sell batteries incorporating competing technologies. We also compete with several small companies that use competing technologies to manufacture thin film batteries. One of these competitors, Oak Ridge Micro-Energy, Inc. announced on April 4, 2006 that it has established its first manufacturing line for LiIon batteries, which will help the company eventually to obtain high volume manufacturing capability. We do not know the sales price of the products that Oak Ridge Micro-Energy, Inc. plans to produce and sell, and do not know whether we will be able to compete with such products. If the sales price of the batteries to be sold by Oak Ridge Micro-Energy, Inc. is less than ours and if such batteries are able to penetrate these and other markets successfully, it could have a material adverse impact on our business. We have also been informed that another competitor, Front Edge Technologies, Inc., is currently selling products for specialized government applications. We do not know the specific products or their sales prices, and so do not know whether our proposed products will be competitive with those sold by Front Edge Technologies, Inc. In November 2006, Wired Magazine reported that one of our competitors, Solicore, was working with Visa to use thin film batteries in smart cards with on-board displays. Finally, Infinite Power Solutions, Inc., a licensee of Oak Ridge National Energy Lab, announced that it plans to begin production of its thin film batteries in early 2008.

In the ultracapacitor market, we compete with Maxwell Technologies, Panasonic, Epcos and Elna which (according to Frost & Sullivan's *World Capacitor Markets* report, on pages 2-15, September 2005) together controlled over 80% of the world market share. We also compete with many smaller companies that use competing technologies to manufacture ultracapacitors. If the sales prices of the ultracapacitors sold by these companies are lower than ours it could have a material adverse impact on our business.

Many of our competitors are substantially larger than we are and have significantly greater financial, sales and marketing, technical, manufacturing and other resources and more established distribution channels. These competitors may be able to respond more rapidly to new or emerging technologies and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than we can. We have encountered, and expect to encounter, customers who are extremely confident in and committed to the product offerings of our competitors. Furthermore, some of our competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties to increase their ability to rapidly gain market share by addressing the needs of our prospective customers. These competitors may enter our existing or future markets with solutions that may be less expensive, provide higher performance or additional features or be introduced earlier than our solutions. Given the market opportunity in the low power battery and ultracapacitor markets, we also expect that other companies may enter our market with alternative products and technologies, which could reduce the sales or market acceptance of our products and services, perpetuate intense price competition or make our products obsolete. If any technology that is competing with ours is or becomes more reliable, higher performing, less expensive or has other advantages over our technology, then the demand for our products and services would decrease, which would harm our business.

***If we are unable to effectively manage our growth, we may experience operating inefficiencies and have difficulty meeting demand for our products.***

We anticipate that if we are able to raise sufficient capital, we will rapidly and significantly expand our operations. Our expansion plan calls for the hiring of two full time engineers to work on the development of our technology. We currently anticipate that further significant expansion will be required to address potential growth in our customer base and market opportunities. This expansion could place a significant strain on our management, products, development activities, sales and marketing personnel and other resources, which could harm our business. In the future, we may experience difficulties meeting the demand for our products. Our management team may not be able to achieve the rapid execution necessary to fully exploit the market for our products and services. We cannot assure you that our systems, procedures or controls will be adequate to support the anticipated growth in our operations.

We may not be able to install management information and control systems in an efficient and timely manner, and our current or planned personnel, systems, procedures and controls may not be adequate to support our future operations.

***Our limited ability to protect our intellectual property and defend against claims may adversely affect our ability to compete.***

We plan to rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. However, we cannot assure you that the actions we have taken will adequately protect our intellectual property rights or that other parties will not independently develop similar or competing products that do not infringe on our patent pending. We enter into confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our documentation and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise misappropriate or use our products or technology.

Our industry is characterized by the existence of a large number of patents and frequent claims and related litigation regarding patent and other intellectual property rights. If we are found to infringe the proprietary rights of others, or if we otherwise settle such claims, we could be compelled to pay damages or royalties and either obtain a license to those intellectual property rights or alter our products so that they no longer infringe upon such proprietary rights. Any license could be very expensive to obtain or may not be available at all. Similarly, changing our products or processes to avoid infringing the rights of others may be costly or impractical. Litigation resulting from claims that we are infringing the proprietary rights of others could result in substantial costs and a diversion of resources, and could have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to successfully protect our inventions through the issuance and enforcement of patents, our operating results could be adversely affected.***

We plan to have an active program to protect our proprietary technology through the filing of patents. To date, we have one patent pending and no issued patents.

There can be no assurance that:

- any current or future U.S. or foreign patent applications would be approved;
- any issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;
- our patents will not be declared unenforceable;
- the patents of others will not have an adverse effect on our ability to do business; or
- others will not independently develop similar or competing technology or design around any patents that may be issued to us.

If any of the above were to occur our operating results could be adversely affected.

***Our headquarters are located in Southern California where disasters may occur that could disrupt our operations and harm our business.***

Our corporate headquarters is located in Southern California. Historically, this region has been vulnerable to natural disasters and other risks, such as earthquakes, which at times have disrupted the local economy and posed physical risks to our property as well as that of our manufacturers.

In addition, terrorist acts or acts of war targeted at the United States, and specifically Southern California, could cause damage or disruption to us, our employees, facilities, partners, suppliers, distributors and resellers, and customers, which could have a material adverse effect on our operations and financial results. We currently do not have redundant, multiple site capacity in the event of a natural disaster or catastrophic event. In the event of such an occurrence, our business would suffer.

***Acquisitions may disrupt or otherwise have a negative impact on our business.***

We may acquire or make investments in complementary businesses, products, services or technologies on an opportunistic basis when we believe it will assist us in carrying out our business strategy. Growth through acquisitions has been a successful strategy used by other battery and electronic component companies. Other than

our discussions with SolRayo, we do not have any present understanding, nor are we having any discussions relating to any such acquisition or investment. In addition, we have no experience in identifying quality acquisition candidates, successfully acquiring them and integrating them into an existing infrastructure. If we buy a company, then we could have difficulty in assimilating that company's personnel and operations. In addition, the key personnel of the acquired company may decide not to work for us. An acquisition could distract our management and employees and increase our expenses. Furthermore, we may have to incur debt or issue equity securities to pay for any future acquisitions, the issuance of which could be dilutive to our existing stockholders.

***Anti-takeover provisions and our right to issue preferred stock could make a third-party acquisition of us, or the removal of our current management, difficult.***

We are a Delaware corporation. Anti-takeover provisions of Delaware law could make it more difficult for a third party to acquire control of us or remove members of current management, even if such change in control would be beneficial to stockholders. Our Certificate of Incorporation provides that our Board of Directors may issue preferred stock without stockholder approval. The issuance of preferred stock could make it more difficult for a third party to acquire us. All of the foregoing could adversely affect prevailing market prices for our common stock.

### **Risk Related To Our Industry**

***The markets in which we compete are subject to rapid technological progress and to compete we must continually introduce new products that achieve broad market acceptance.***

The low power battery and ultracapacitor markets are characterized by rapid technological progress, frequent new product introductions, changes in customer requirements and evolving industry standards. If we do not regularly introduce new products in these dynamic environments, our future product lines will become obsolete. Alternative technologies could achieve widespread market acceptance and displace the technologies on which we have based our future products. We cannot assure you that our technological approaches will achieve broad market acceptance or that other technologies or devices will not supplant our own products and technologies.

***Certain products from which we are excluded from pursuing may prove more lucrative than the products we may and do choose to pursue.***

We have entered into a license option agreement with the University of Wisconsin that limits our use of patented ultracapacitor technology. If we exercise the option, we may acquire an exclusive license to the technology for the consumer electronics field of use. However, we will be prohibited from using the technology in other fields of use, such as, for example, power tools. These prohibited fields of use may prove to be more lucrative than any permitted use we do pursue.

### **Risks Related To Our Common Stock**

***We have no current plans to pay dividends.***

We have never paid cash dividends on our common stock and we do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon the future earnings, capital requirements, financial requirements and other factors that our Board of Directors will consider. Since we do not anticipate paying cash dividends on our common stock, the return on investment on our common stock will depend solely on an increase, if any, in the market value of the common stock.

***Certain of our early private placements may have involved "general solicitations" under federal and state securities laws, the result of which is that the holders of shares of common stock and warrants issued in these placements may have rescission rights that could require us to reacquire the shares for an aggregate repurchase price of up to \$188,000.***

Shares of common stock and warrants issued in our July 2005 - September 2005 private placements may not have been exempt from registration or qualification under federal securities laws and the securities laws of certain states. These private placements occurred after we filed a registration statement on Form SB-2 with the SEC in June 2005. We conducted the private placements in order to provide the funding required to sustain our operations during this period. In evaluating how to conduct the private placements, we determined that we would use the exemptions provided by Section 4(2) and Regulation D under the Securities Act of 1933, as amended, notwithstanding the uncertainty as to whether the private placements would be integrated with the pending public offering contemplated

by the registration statement. The concept of integration contains certain factual and legal uncertainties which arise because the factors establishing integration involve a number of subjective determinations including: (i) whether the sales are part of a single plan of financing; (ii) whether the sales involve issuance of the same class of securities; (iii) whether the sales have been made at or about the same time; (iv) whether the same type of consideration is being received; and (v) whether the sales are being made for the same general purpose. The Section 4(2) and Regulation D exemptions prohibit the use of "general solicitations" in the offer and sale of securities. If integration is found, the filing of a registration statement for a public offering will constitute, in most cases, a "general solicitation" of investors in the private placement. We believed that the relevant factors in our private placements precluded integration, and so we concluded that relying on Section 4(2) and Regulation D, despite these uncertainties, would be in the best interest of our stockholders. Because of this uncertainty, the shares and warrants we issued in these private placements may have been issued in violation of either federal or state securities laws, or both, and may be subject to rescission.

If we decide to make a rescission offer, and if the rescission offer is accepted, we could be required to make aggregate payments to the holders of these shares and warrants in an amount equal to the value of all warrants and common stock issued in those placements plus statutory interest. Federal securities laws do not provide that a rescission offer will terminate a purchaser's right to rescind a sale of stock that was not registered as required or was not otherwise exempt from such registration requirements. If any or all of the offerees reject the rescission offer, we may continue to be liable under federal and state securities laws for up to an amount equal to the value of all warrants and common stock issued in those placements plus any statutory interest we may be required to pay. In addition, if it is determined that we offered securities without properly registering them under federal or state law, or securing an exemption from registration, regulators could impose monetary fines or other sanctions as provided under these laws. To date, we have not made a rescission offer and such an offer is not currently being contemplated.

***Our common stock price is highly volatile; our stock is "penny stock."***

The market price of our common stock is highly volatile, as the market for small cap and micro cap technology companies in particular has been highly volatile. Investors may not be able to resell their shares of our common stock following periods of volatility because of the market's adverse reaction to volatility. We cannot assure you that our stock will trade at the same levels it currently trades or that industry stocks, in general, will sustain their current market prices. Factors that could cause such volatility may include, among other things:

- actual or anticipated fluctuations in our quarterly operating results;
- announcements of technological innovations;
- changes in financial estimates by securities analysts;
- conditions or trends in the low power battery and/or ultracapacitor industries;
- changes in the market valuations of other companies in such industry; and
- the acceptance of market makers and institutional investors of us and our stock.

In addition, although our common stock is traded on the Over the Counter Bulletin Board, or OTCBB, we have not yet experienced robust trading in our common stock. There can be no assurance that we will ever be able to successfully apply for listing on the American Stock Exchange or the NASDAQ Capital Market in the foreseeable future due to the trading price for our common stock, market capitalization, our working capital and revenue history. Failure to list our shares on the American Stock Exchange or the NASDAQ Capital Market will impair the liquidity for our common stock.

The Securities and Exchange Commission has adopted regulations which generally define a "penny stock" to be any security that 1) is priced under five dollars, 2) is not traded on a national stock exchange or on NASDAQ, 3) may be listed in the "pink sheets" or the OTCBB, 4) is issued by a company that has less than \$5 million in net tangible assets and has been in business less than three years, or by a company that has under \$2 million in net tangible assets and has been in business for at least three years, or by a company that has revenues of less than \$6 million for 3 years.

Penny stocks can be very risky. Prices often are not available. Investors in penny stocks are often unable to sell stock back to the dealer that sold them the stock. Thus an investor may lose his or her investment. Our common stock is a "penny stock" and thus is subject to rules that impose additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors.

Consequently, the "penny stock" rules may restrict the ability of broker/dealers to sell our securities, and may adversely affect the ability of holders of our common stock to resell their shares in the secondary market.

***Holders of our common stock may be diluted in the future.***

We are authorized to issue up to 50,000,000 shares of common stock. To the extent of such authorization, our Board of Directors will have the ability, without seeking stockholder approval, to issue additional shares of common stock in the future for such consideration as our Board of Directors may consider sufficient. The issuance of additional common stock in the future will reduce the proportionate ownership and voting power of our common stock held by existing stockholders.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

On September 25, 2007, the SEC declared effective our registration statement on Form SB-2 (File No. 333-144668) relating to the offer and sale of 12,500,000 shares of common stock, at a price of \$0.20 per share. The aggregate price of the offering amount registered was \$2,500,000. There is no underwriter involved in this offering. As of September 30, 2007, no shares have been sold in this offering.

During August 2007, we issued an aggregate of 214,358 shares of common stock to repay loans totaling \$15,005, an aggregate of 1,459,688 shares of common stock for services valued at \$69,800 and an aggregate of 200,000 shares of common stock to two private investors for cash proceeds of \$8,000. In addition, we issued to two private investors warrants to purchase an aggregate of 2,250,000 shares of common stock at an exercise price of \$0.04 per share. As of September 30, 2007, none of the warrants had been exercised. The issuances were made in reliance on Section 4(2) of the Securities Act, and without general solicitation or advertising. The recipients were sophisticated investors with access to all relevant information necessary to evaluate the investment, and who represented to us that the shares were being acquired for investment purposes.

During September 2007, we issued an aggregate of 500,000 shares of common stock for services valued at \$20,000 and an aggregate of 1,030,000 shares of common stock to two private investors for cash proceeds of \$51,500 less offering costs of \$2,500. The issuances were made in reliance on Section 4(2) of the Securities Act, and without general solicitation or advertising. The recipients were sophisticated investors with access to all relevant information necessary to evaluate the investment, and who represented to us that the shares were being acquired for investment purposes.

**ITEM 3. Defaults Upon Senior Securities**

Not applicable.

**ITEM 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

**ITEM 5. Other Information**

Not applicable.

**ITEM 6. Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
3.1	Certificate of Incorporation (filed as Exhibit 3.1 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
3.2	Bylaws (filed as Exhibit 3.2 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
4.1	Form of Subscription Agreement (filed as Exhibit 4.1 to the Registrant's Amendment No. 1 to Form SB-2 Registration Statement on September 30, 2005 and incorporated herein by

reference)

- 10.1 Technology and Patent Assignment dated March 17, 2005 by and between the Registrant and Dr. Sung H. Choi (filed as Exhibit 10.1 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
- 10.2 Sublease Agreement effective March 15, 2005 by and between the Registrant and Rastiff Business Ventures, Inc. (filed as Exhibit 10.2 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
- 10.3 Standard Industrial/Commercial Multi-Tenant Lease-Gross dated December 10, 2004 by and between Rastiff Business Ventures, Inc. and Paragon Business Center (filed as Exhibit 10.3 to the Registrant's Amendment No. 1 to Form SB-2 Registration Statement on September 30, 2005 and incorporated herein by reference)
- 10.4 Employment Agreement dated March 15, 2005 by and between the Registrant and David A. Walker (filed as Exhibit 10.4 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
- 10.5 Consulting Agreement dated March 15, 2005 by and between the Registrant and Mark A. Daugherty (filed as Exhibit 10.5 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
- 10.6 Consulting Agreement dated March 15, 2005 by and between the Registrant and Dr. Sung N. Choi (filed as Exhibit 10.6 to the Registrant's Form SB-2 Registration Statement on June 3, 2005 and incorporated herein by reference)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
- 32.1 Section 1350 Certification of Principal Executive Officer
- 32.2 Section 1350 Certification of Principal Financial Officer

## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated November 9, 2007

Enable IPC Corporation

By: /s/ David A. Walker  
David A. Walker  
Chief Executive Officer

By: /s/ Anna Rhee  
Anna Rhee  
Chief Financial Officer