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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): November 12, 2007

OCULUS INNOVATIVE SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-33216	68-0423298
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
1129 N. McDowell Blvd, Petaluma, California		94954
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (707) 782-0792

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition.

On November 12, 2007, Oculus Innovative Sciences, Inc. issued a press release announcing financial results for its fiscal quarter ended September 30, 2007 and gave an update on the Company events for the second fiscal quarter. The full text of the press release is furnished as Exhibit 99.1, and a copy of the transcript of the conference call is furnished as Exhibit 99.2.

The Company reported in the press release that a court had declared the Company's patents enforceable and in the earnings call the Company stated that a federal court had handed down a judgment in favor of Oculus against Nofil indicating that the Company's patents are enforceable. To clarify, the court granted Oculus' motion to dismiss Nofil Corporation's cross complaint against the Company for monetary damages and injunctive relief. Judgment on this Order has not yet been entered. Additionally, the Court took under advisement its ruling on Oculus' motion for summary judgment against Nofil. The Company expects the Court to rule on this motion on November 14, 2007. The Company also reported in the press release and in the earnings call that SinoPharm continues Microcyn clinical trials and patient enrollment to support SFDA approval. The Microcyn SFDA trials are being conducted through our distributor, China Baotai, and a contract research organization specializing in clinical trials, with input from SinoPharm pursuant to a contract between China Baotai and SinoPharm.

The information in this report, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act"), or incorporated subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act, as amended, and shall not be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings, except as shall be expressly set forth by specific reference in such a filing.

The press release and the transcript furnished as Exhibits 99.1 and 99.2, respectively, to this report contain certain statements that may include forward-looking within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "estimates," "plans," "projects," "continue," "ongoing," "potential," "expect," "predict," "believe," "intend," "may," "will," "should," "could," "would", including our belief that the completion of the Phase II trials will be an important milestone in our clinical trials, in developing our protocol for our Phase III trials, and in building relationships with strategic partners; our intention to continue to reduce our operating expenses, in particular outside the United States, and our sales and marketing efforts; our plan to allocate more resources to our drug development program in the United States; our ability to contain our costs; our timing for completion of enrollment in our trials and announcement of results; our timing for release of data and meetings with regulatory authorities; our ability to obtain guidance from regulatory authorities; our ability to find partners to assist in the commercialization of our products in the international marketplace and in regulatory approvals; the timing of product launch; the acceptance of our products in international markets; our ability to achieve break even in domestic or international markets; the timing and amount of orders; the continued focus of management on U.S. clinical trials; the type of approvals that will be sought or obtained; the availability and suitability of screen sites and sites for clinical trials; our ability to attract financing on terms acceptable to us, if at all; our ability to formulate and obtain approvals for a protocol and enroll patients; and the occurrence of drug-related adverse events . These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These are statements that relate to future periods and include statements about, but not limited to: the progress and timing of our development programs and regulatory approvals for our products; the benefits and effectiveness of our products; the development of protocols for clinical studies; enrollment in and completion of clinical studies; the content and timing of submissions to, and decisions made by, the FDA and other regulatory agencies; the ability of our products to meet existing or future regulatory standards; our ability to protect our intellectual property and to prevail in any challenges to it; our ability to compete with other companies that are developing or selling products that are competitive with our products; our ability to attract capital on terms acceptable to us, if at all; our ability to control and to reduce our costs; our ability to ensure any specified level of return on investment; and other risks detailed form time to time in the Company’s filings with the Securities and Exchange Commission, including the annual report on Form 10-K/A which was filed with the Securities & Exchange Commission on July 27, 2007.

Item 7.01 Regulation FD Disclosure.

A copy of the transcript of the conference call and question and answer session, conducted at 11:30 a.m. EDT on November 12, 2007 to discuss our financial results for the second fiscal quarter ended September 30, 2007, and certain corporate events and plans is furnished as Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release issued by Oculus Innovative Sciences, Inc. dated November 12, 2007.

99.2 Conference call transcript dated November 12, 2007.

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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 hereunto duly authorized.

OCULUS INNOVATIVE SCIENCES, INC.

November 12, 2007

By: /s/ Robert Miller

Name: Robert Miller
Title: Chief Financial Officer

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Exhibit Index

Exhibit No.	Description
99.1	Press release issued by Oculus Innovative Sciences, Inc. dated November 12, 2007.
99.2	Conference call transcript dated November 12, 2007.

Exhibit 99.1

Oculus Innovative Sciences Announces Fiscal Second Quarter 2008 Quarterly Results and Clinical Update

Highlights

- 60 patients enrolled in U.S. Phase II Microcyn® trial
- Microcyn Technology data presented at the 47 th Interscience

  Conference on Antimicrobial Agents and Chemotherapy (ICAAC)
- Sinopharm of China continues Microcyn clinical trials and patient enrollment to support SFDA approval.
- $10.1 million private placement of common stock completed

PETALUMA, Calif. (November 12, 2007) – Oculus Innovative Sciences, Inc. (NASDAQ: OCLS) today announced quarterly results for its fiscal second quarter of 2008, ended September 30, 2007.

Hoji Alimi, chairman and CEO, stated, "The company has enrolled 60 patients in its Phase II Microcyn trial. We are on target to complete patient enrollment in the current quarter followed by release of preliminary top line data in Q1 08. Our quarterly financials continue to reflect our strategic direction, which is to invest in U.S. clinical trials. We believe this investment is the highest value-creating opportunity for the company and long term will provide the greatest return to investors. To accomplish this we have allocated our financial and management resources to focus on clinical trials while reducing our sales and marketing efforts outside the United States. We continue to rely on partners to grow our international markets, including China and India."

The Company has enrolled and randomized 60 patients in its ongoing, open-label Phase II clinical trial evaluating its Microcyn® Technology (OIS — 1080) in the treatment of mildly infected foot ulcers. The trial is designed to show only that topical Microcyn has sufficiently similar cure and improvement rates to oral levofloxacin, thereby providing rationale for larger Phase III trials designed to demonstrate statistically significant safety and efficacy to achieve an NDA marketing approval.

The trial is evaluating three different treatment arms: 1) topical Microcyn alone 2) topical Microcyn in combination with oral levofloxacin; and 3) oral levofloxacin plus topical saline. Each patient will receive 10 days of treatment with a 14-day follow-up. Designed into the trial are three assessment time points: day 3, day 10, and day 24. This design allows for various options to analyze the data which will provide important information for the design of our Phase III trial. As previously disclosed, the Company expects to complete enrollment of the Phase II trial by calendar year end 2007 and to provide results in the first calendar quarter of 2008.

"The most recent quarter was highlighted by our enrollment of 60 patients in the study, the completion of a $10.1 million private placement of common stock, and the presentation of five scientific studies on OIS 1080 at ICAAC," continued Mr. Alimi. "We look forward to completing our Phase II trial in the very near future."

Fiscal Second Quarter 2008 Results

Revenues for the fiscal second quarter of 2008 were $977,000, a 22% decrease from $1.3 million in the fiscal second quarter of 2007. Our service revenues for the quarter were $307,000, up 43% from $214,000 in the second fiscal quarter last year. In the fiscal second quarter of 2008, net sales of Microcyn were $670,000, 33% lower than $1.0 million in the fiscal second quarter of 2007. Gross product margins in the fiscal second quarter of 2008 were 40%, compared to 48% in the year-ago period, caused primarily by lower product revenues.

Operating expenses for the fiscal second quarter of 2008 were $6.0 million, up 20% from $5.0 million in the year-ago period. This increase was primarily attributed to a $1.2 million increase in clinical development costs related to the ongoing Phase II trial in patients with mildly infected diabetic foot ulcers, as well as preparation for the two Phase III pivotal trials. The increase in research and development costs was partially offset by lower selling, general and administrative expenses mostly due to cost reductions in Mexico and Europe. Operating expenses in Europe and Mexico decreased $919,000 or 47%, compared to the same quarter last year, reflecting our strategy to reduce international costs and to focus our resources on the clinical trials in the US. These declines in international operating expenses were partially offset by higher selling, general and administrative costs associated with being a public company.

Net loss for the fiscal second quarter of 2008 was $5.5 million, or $0.44 per common share, basic and diluted, compared to a net loss of $4.5 million, or $1.06 per common share, basic and diluted, in the fiscal second quarter of 2007. For the fiscal second quarter of 2008, net loss included $300,000 of non-cash stock-based compensation expenses, compared to $146,000 in the fiscal second quarter of 2007.

Cash and cash equivalents at September 30, 2007, was $14.9 million, compared to cash and cash equivalents, and restricted cash at June 30, 2007, of $14.9 million. During the second fiscal quarter of 2007, the Company raised $10.1 million in a private placement of common stock with net proceeds of $9.1 million and repaid $4.7 million of debt, substantially reducing the outstanding debt balance to $2.9 million.

Fiscal Second Quarter 2008 Corporate Highlights and Business Outlook:

- Oculus Innovative Sciences announced that posters on the following five studies assessing the anti-infective nature of Microcyn Technology were presented at the 47th Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC) held in Chicago the week of September 17th, 2007:
  - Super-Oxidized Solution (SOS) Therapy for Diabetic Foot Ulcers
  - Effects of pH Neutral, Super-Oxidized Solution on Human Dermal Fibroblasts In Vitro
  - The Anti-Viral Efficacy of a New Super-Oxidized Solution
  - The Anti-Bacterial Efficacy of a New Super-Oxidized Solution

    Activity of a pH Neutral Super-Oxidized Solution Against Bacteria Selected for Sodium Hypochlorite Resistance Bacteria Selected for Sodium Hypochlorite Resistance

  Oculus Innovative Sciences also held a prospective investigators meeting at ICAAC, which included a review of the ongoing Phase II clinical study.
- Sinopharm of China continued Microcyn clinical trials and patient enrollment to support SFDA approval.
- Oculus Innovative Sciences strengthened its cash position by closing a private placement of common stock and warrants for gross proceeds of $10.1 million. Rodman & Renshaw, LLC (OTCBB: EFSV) acted as the exclusive placement agent for the financing.
- U.S. District Federal Court declared intellectual property “enforceable.”

Conference Call
Oculus management will host an investment community conference call and webcast to discuss these topics on November 12, 2007, at 11:30 a.m. ET (8:30 a.m. PT). A live broadcast over the Internet will be available at http://ir.oculusis.com/events.cfm and will be archived for one year. To listen over the phone, please call 1-877-407-4018 (domestic/toll-free) or 1-201-689-8471 (international). A telephone replay will be available for 30 days after the call at 1-877-660-6853 (domestic/toll-free), or 1-201-612-7415 (international). Please enter account number 3055 and conference identification number 261781.

Oculus Innovative Sciences, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
REVENUE				
Product	$ 670	$ 1,038	$ 1,302	$ 1,942
Service	307	214	541	388
Total revenues	977	1,252	1,843	2,330
COST OF REVENUES				
Product	403	539	779	1,043
Service	287	221	528	422
Total cost of revenues	690	760	1,307	1,465
Gross profit	287	492	536	865
OPERATING EXPENSES				
Research and development	2,283	828	4,490	1,595

Selling, general and administrative	3,683	4,221	7,141	7,867
Total operating expenses	5,966	5,049	11,631	9,462
Loss from operations	(5,679)	(4,557)	(11,095)	(8,597)
Interest expense	(306)	(222)	(645)	(261)
Interest income	200	42	406	100
Other income (expense), net	243	368	774	92
Net loss	(5,542)	(4,369)	(10,560)	(8,666)
Preferred stock dividends	—	(121)	—	(242)
Net loss available to common stockholders	$ (5,542)	$ (4,490)	$(10,560)	$(8,908)
Net loss per common share: basic and diluted	$ (0.44)	$ (1.06)	$ (0.86)	$ (2.11)
Weighted-average number of shares used in per common share calculations: Basic and diluted	12,574	4,223	12,209	4,221

About Oculus

Oculus Innovative Sciences is a biopharmaceutical company that develops, manufactures and markets a family of products based upon the Microcyn Technology platform, which is intended to help prevent and treat infections in chronic and acute wounds. The Microcyn Technology platform is a controlled slow-release solution containing active chlorine and other gases resulting in a biocompatible technology to treat a wide range of pathogens, including antibiotic-resistant strains of bacteria, viruses, fungi and spores. The technology has demonstrated significant wound healing in chronic and acute wounds. It has been commercialized outside of the U.S. for the treatment of infected wounds. It is currently under evaluation for the treatment of mildly infected diabetic ulcers in the U.S.

Oculus' principal operations are in Petaluma, California, and it conducts operations in Europe, Latin America and Japan through its wholly owned subsidiaries, Oculus Innovative Sciences Netherlands B.V., Oculus Technologies of Mexico, S.A. de C.V. and Oculus Japan K.K. Oculus' website is www.oculusis.com.

Forward-Looking Statements

Except for historical information herein, some matters set forth in this press release are forward-looking within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements about our ability to replicate the results of the test in clinical trials, if at all, or for such trials or other tests to establish the conclusions suggested by the results of the test. These forward-looking statements are identified by the use of words such as "believe," "will receive," "evaluating," "expects," "to provide," "completing," and "designed," among others. These forward-looking statements are based on Oculus Innovative Sciences, Inc.'s current expectations. Investors are cautioned that such forward-looking statements in this press release are subject to certain risks and uncertainties inherent in the Company's business including risks inherent in the development and commercialization of potential products, the risk that scientific data may not be sufficient to meet regulatory standards or receipt of required regulatory clearances or approvals, risks that revenues will not reach expected levels, the Company's future capital needs, and its ability to obtain additional funding and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission including the quarterly report on Form 10-Q for the quarter ended June 30, 2007 and Form 10-K for the fiscal year ended March 31, 2007. Oculus Innovative Sciences disclaims any obligation to update these forward-looking statements.

Contact:
Oculus Innovative Sciences, Inc.
Dan McFadden
Director of Public and Investor Relations
(425) 753-2105
dmcfadden@oculusis.com

The Ruth Group
Sara Ephraim (investors)
(646) 536-7002
sephraim@theruthgroup.com

Jason Rando / Janine McCargo (media)
(646) 536-7025 / 7033
jrando@theruthgroup.com
jmccargo@theruthgroup.com

Exhibit 99.2

Oculus Innovative Sciences, Inc.
Fiscal 2008 Second Quarter Earnings
November 12, 2007

Operator: Greetings ladies and gentlemen, and welcome to the Oculus Innovative Sciences Conference Call to Review Results for the Fiscal 2008 Second Quarter Earnings. At this time all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Ms. Carol Ruth, Investor Relations from The Ruth Group. Thank you, Ms. Ruth, you may begin.

Carol Ruth: Okay. Thank you operator, and good morning everyone, and thank you for joining us. With me on the call today is Hoji Alimi, CEO and Founder, along with Bob Miller, Chief Financial Officer. We will open today's call with Hoji's discussion of corporate highlights from the most recent fiscal quarter, as well as an update on our clinical wound care program based on Microcyn technology. Following Hoji, Bob will review our financial results, and then we will open the call for questions. This morning Oculus issued a press release detailing fiscal second quarter 2008 financial results, along with a recent review of corporate development. A copy of the press release can be downloaded from our website at ir.oculusis.com/releases.cfm, or you can call Investor Relations at (646) 536-7002, and we'll be happy to assist you.

Before we get started, we'd like to remind listeners that this conference call contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by use of words such as will be and can, will enroll and initiation, among others. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially, including risks inherent in the development and commercialization of potential products; the risk that current clinical studies or trials will not proceed as anticipated, or may not be successful or sufficient to meet regulatory standards, or receive required regulatory clearances or approval; the company's future capital needs and its ability to obtain additional funding; and other risks detailed from time to time in the company's filings with the Securities and Exchange Commission, including the quarterly report on Form 10-Q, the annual report on Form 10-K, and Oculus Innovative Science disclaims any obligation to update these forward looking statements.

I will now turn the call over to Hoji Alimi, President, CEO, and Founder of Oculus Innovative Sciences.

Hoji Alimi: Thank you Carol. Good morning everyone, and thanks very much for taking the time and joining us on this conference call so that we can give you an update on our results of our second quarter of this year. Consistent with our previous calls, I would like to take this opportunity again to provide you guys with a detailed update regarding the most recent developments on our clinical program, our financials, and also any related activities in the areas of business development.

Our clinical program remains the focal point of our business' strategy, and this is of great importance for us to highlight to the market because I believe the completion of the Phase II trials, which we are not far from it, will be an important milestone that can really assist us to improve our clinical program in terms of moving forward, enhance our business development discussions, and most importantly, provide additional data to enhance the investors' confidence in Oculus, as well as our Microcyn technology. With me here today is also Bob Miller, our CFO. Bob will discuss the details of our financial in a minute. But I thought it might be important for me to mention that our quarterly financials continue to reflect our strategy that we've been broadcasting to the market that we are focusing our resources on advancing our U.S. clinical trials forward, while very carefully managing our operating expenses. To meet this objective, we have reduced, and we continue to maintain our sales and marketing efforts at a minimum, and allocate more financials and management resources to our drug development program, which right now we are in Phase II.

A lot of you guys remember that we had a conference call from Chicago at ECAT (sp?) meeting, and we gave guidance to the market regarding the clinical program that we are pursuing. In line with that guidance that we gave last September, our Phase II trial is moving forward as expected. Last week, Bob and I, we were in New York and we were proud to announce at Rodman and Renshaw Conference that we have enrolled and randomized 60 patients in our Phase II trial, and we expect to announce the completion of patient enrollment soon. We're on target for completing the trial this quarter, completing patient enrollment this quarter, and having the preliminary top line data to be announced in Q1 of 2008. It might be helpful for me just to take a minute and again remind everyone in terms of

how the trial is designed and what is it that management and the company is looking at.

First, the trial is designed to include three different treatment arms. One is patients are getting randomized, enrolled, and treated with topical Microcyn only. The second arm includes topical Microcyn in combination with Levoflaxin, which is oral antibiotic. And third is Levoflaxin plus saline topically. And saline is used topically to clean the wound. Each patient will receive 10 days of treatment in each arm with a 14-day follow-up. Designed in the trial are three assessment time points: day three, day 10, and day 24. This design allows us to look at the data and for a number of different ways we can analyze the data, which will provide us with really important information as how to design the Phase III trial. It is important to understand that like most Phase II trials, this trial was not as statistically powered to show non-inferiority or superiority. Again, we've been in the market, talked with a lot of people, and the question's always, are you guys expecting a superior data or not? Again, I want to emphasize this trial was not statistically powered to show non-inferiority or superiority. Like most Phase II trials, it was designed to demonstrate an effect, and in this case specifically we're looking for an ability to treat infection in mildly infected diabetic ulcers. It was also designed to identify any safety issues, and to provide insight into how best to design the larger Phase III trials that we need to get done to achieve our FDA approval. While there are a number of potential outcomes that (inaudible) may expect, we will evaluate at different assessment time points, as I mentioned, day three, day 10, and day 24. And the trial is designed to show only that topical Microcyn has sufficiently similar cure and improvement rate to oral Levoflaxin, and this is the key thing. Again, what we are looking for in this trial, and the way it's designed is that we're looking for data to show that Microcyn has sufficient similar cure and improvement rates to oral Levoflaxin. And this, we believe, will provide the rationale for a larger Phase III trial that can be designed to demonstrate statistically, in a significant statistical manner, the safety and efficacy to achieve the FDA approval from the agency. So in anticipation of completing the Phase II trials, we have been working diligently to update our CMC and IND packages. These are the regulatory files with the agency in preparation for an end to the Phase II, meeting with the FDA, which could take place sometime in 2008. Again, that depends on the agency and the timing that they can allow us to meet with them. During the end of the Phase II meeting, we will discuss our Phase II data, our development plans, and we expect we will get guidance from the agency on next steps in moving our clinical program forward. Specific to refuted (sp?) indication, the design, size, the scope of the trial will be driven by the direction and guidance that we get from FDA.

Before I turn the call over to Bob, let me quickly touch on a few other points, including business development activities. Again, it is extremely positive that we have announced that all 60 patients have been enrolled. We believe that that continues to give confidence to the market that we are on track, and we are completing our trial, and we also look forward to the data coming out in Q1 of 2008. But at the same time, a lot of you guys know that we have operations outside the United States; we have manufacturing in Netherlands, we have a full manufacturing operation in Mexico. And while we are reducing our cost in international operations, we look forward to global partners to continue invest their own time and money in moving our technology forward in terms of commercialization in international market. A good example is our partner in China, Sinopharm, continues to enroll patients in the Microcyn clinical trials in China in an effort to obtain their SFDA marketing approval. And once they do, they'll expect a product launch in China to begin. We believe that Microcyn has been well received in several markets outside the U.S., which have proven to be an excellent test market for our product. We also continue our discussions with potential large pharmaceutical partners, and believe that as a company we can realize a much more favorable term once we announce our Phase II data. As I have stressed before, we see partnerships and licensing opportunities as an important complement to our ongoing clinical activities. We feel that these kind of partnerships will validate our technology and (inaudible) leverage. The technology in areas that are not part of our near term focus without becoming any sort of organizational distraction.

Additionally, as you might know, we had disclosed in our S1 and the following 10-Qs and 10-K regarding patent infringement case in Nofil Corporation from Japan. That was a disclosure in our ongoing documents. And we are very happy to announce that last Friday, the thorough (sp?) court passed a judgment in favor of Oculus indicating Oculus' patents are enforceable. And we see that message as a very positive message to us and to our investors. We have 10 issued patents, 33 patents pending, and we will continue to enforce our patent and protect our markets where we deem necessary.

At this point, I'll hand everything to Bob Miller to cover the finances. Bob?

Bob Miller: Thank you Hoji. Before going into a more detailed financial discussion, let me reiterate that our company's strategy is first and foremost to focus on the clinical process in the U.S., and secondarily to have an international presence so as to test market our technology in multiple medical applications, to break even as soon as possible, and over the long term to generate cash to aid in the funding and funding the U.S. clinical and launch process. The European, Mexican, and now Indian markets have been great test markets for our technology, generating numerous trials, which had consistently demonstrated safety and efficacy. Doctors in these markets are experiencing

consistent benefits on a large number of patients and are validating our Microcyn technology.

Revenues for the second fiscal quarter of 2008 are 977,000, a 22% decrease from 1.3 million in the second fiscal quarter of 2007. Our service revenues for the quarter were 307,000, up 43% from 214,000 in the second fiscal quarter last year. In the second fiscal quarter of 2008 net sales of Microcyn were 670,000, 35% lower than one million in the second fiscal quarter last year. Reduced revenues were mostly related to the timing of purchases by Alkem Laboratories, our primary customer in India, which purchases large amounts of Microcyn in bulk at irregular intervals. In the second fiscal quarter last year Alkem purchased a large amount of samples used for the product launch in India, while they did not purchase any product for samples during this quarter. The climb in sales to Alkem were partly offset by sales increases in Europe and the United States.

Gross product margin in the second fiscal quarter of 2008 were 40%, compared to 48% in the year ago period, caused primarily by lower product revenues.

Operating expenses for the second fiscal quarter of 2008 were 6 million, up 20% from $5 million in the year ago period. This increase was primarily attributed to a $1.2 million increase in clinical development costs related to the Phase II trial, and as well as preparation for Phase III pivotal trials. The increase in research and development products were partially offset by lower general selling administrative expenses, mostly due to cost reductions in Mexico and Europe. The operating expenses in Europe and Mexico decreased 919,000, down 47% compared to the same quarter last year, reflecting our strategy, as Hoji mentioned, to reduce cost internationally, and to focus our resources on the clinical trials in the U.S. These declines in international operating expenses were partially offset by higher SG&A costs associated with being a public company.

The net loss for the second fiscal quarter of 2008 was $5.5 million, compared to a net loss of $4.5 million in the second fiscal quarter last year. The net loss for this quarter included $300,000 of non-cash, stock-based compensation expenses, compared to 146,000 in the second fiscal quarter last year. The net loss adjusted for non-cash expenses, a non-GAAP measure, was $5.2 million, and the cost of outside clinical activities for the quarter were $700,000. Thus, the net loss adjusted for non-cash expenses, a non-gap measure, minus the outside clinical costs for the second quarter were about $4.5 million.

On the balance sheet our cash and cash-equivalents at September 30, 2007 were 14.9 million, rounded to be the same as the cash, cash-equivalents, and restricted cash at June 30, 2007, up 14.9 million. During the second fiscal quarter of 2008, the company raised 10.1 million in a private placement of common stock, strengthening our balance sheet, and repaid $4.7 million of debt, substantially reducing our debt position to $2.9 million.

At this point I will turn the call back over to Hoji.

Hoji Alimi: Thank you, Bob. So again, just briefly summarizing what we discussed here in bullet points for some of you who just joined us a little bit late, we have enrolled and randomized 60 patients in our Phase II study, which, again, should signal to the market that we all are on target to close this study on time as previously have given guidance to the market. This quarter the enrollment will be completed, and they will be on target for getting the top line data announced in Q1 of next year. Secondarily, we participated at ECAT meeting. Many of you guys are familiar with that conference, but those of you who are not, it's one of the most prominent, I'll say one of the most prominent conferences targeting pharmaceutical companies that attend. And the whole concept of the conference is around the latest and greatest technologies in areas of antimicrobial and chemotherapy. And it was really helpful for us to be there and help increase awareness amongst the largest pharmaceutical companies around Microcyn technology. Sinopharm in China, again, continues to enroll patients, and we continue to get positive feedback from them. And we hope that they can complete their SFDA in near term and launch the product in China quickly. Lastly, as Bob mentioned, we did complete a part transaction last quarter for 10.1 million. One, it improved our cash position, and most significantly, allowed us to lower our debt in the company substantially by paying back four million of debt. And then last, and also noteworthy was last Friday's ruling, Federal Court's ruling in favor of Oculus against Nofil indicating that our patents are enforceable.

Before we open up the call to questions and answers, again one thing I want to leave everyone with is a lot of you guys are familiar with the company and our history. You know we have operations and we have revenue outside the United States. But to be very clear again, the management's focus will remain on pushing our U.S. clinical trials. We will continue to keep our expenses internationally at a minimum. And then hopefully as soon as the Phase II data comes out then our business development team is going to focus primarily on taking that data, and we will be looking for appropriate partners in the drug world to partner. And the kind of partnerships we are looking for are again pharmaceutical companies that understand that niche, they understand the technology, and they can, again, finance the clinical trials we do for a cost, and then launch the product in U.S. and Europe. So with that, I'll hand everything back to, I believe the operator, and then we can open the call for questions and answers.

Operator: Thank you. Ladies and gentlemen, at this time we will be conducting the question and answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question cue. You may press star, two if you would like to remove your question from the cue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is coming from Jason Butler with Rodman and Renshaw. Please state your question.

Jason Butler: Hi guys, thanks for taking the question.
Bob Miller: Hi Jason.

Jason Butler: I was just wondering if you could explain to us why if you've already reached your target of 60 patients, why you're continuing to enroll patients in the trial.

Hoji Alimi: That's a good question, and thanks for mentioning that so we can clarify it to the market. Again, just like any other trial that any other company conducts is that when you enroll a patient and you have a certain target and specifically in our case you're looking at 60 patients, you want to make sure that you have enough invaluable (sp?) patient for the enrollment. In other words, when you enroll 60 patients and one patient was supposed to show up on the third day, and showed up on the fourth day, although that patient received complete treatment, that patient is no longer invaluable in this study. So what we had mentioned back in September when we had our conference call is that we want to make sure that once we reach the 60 patient population in our study, we'll start talking to our CRO firm (sp?) and make sure that we have enough invaluable patients to close this study. And we think we are on track, again, to enroll patients and then close this study in this quarter. Does that answer your question, Jason?

Jason Butler: Yes, thanks. Just secondly, can you give any more specific timeline on the ongoing files being started by Sinopharm?

Hoji Alimi: You know, I don't have that specific information, but what I can tell you is the last discussions we have had with China is they are conducting trials using Microcyn. And in China they're not looking for specific ulcer, they are actually doing it on different types of wounds. And so the kind of approval I know that they have enrolled more than 100 patients in their trial. And they are looking for approval as an antiseptic or treatment for all types of wounds, infected wounds in China, which is, if you look at China is a huge market; you see a lot of companies going public coming out of China, you know. It's a country that I don't think any company is going to ignore. So again, we don't want to give mixed signals to the market in terms of what our focus is, our focus remains on pushing our clinical trials forward in the U.S., but at the same time we will not ignore international market. And we are working closely with Sinopharm and they should get their approval (inaudible) hopefully.

Jason Butler: Okay, great. Thanks.

Operator: Our next question is coming from Greg Dust with Roth Capital Partners. Please state your question.

Greg Dust: Good morning. Can you hear me?
Hoji Alimi: Yes Greg. How are you?
Greg Dust: I am doing good. Yeah, thanks for taking the question.
Hoji Alimi: Absolutely.

Greg Dust: A couple of, kind of just to follow-up on the last question in terms of the pace of the enrollment, now, you know, naturally it went a little bit slower than anticipated in the Phase II. Might this have implications for the enrollment in the Phase III, should it proceed, and if not, why not?

Hoji Alimi: You know, when you do a Phase II, actually good question, Greg. And to answer your question, I don't think it's going to have an impact on Phase III. And I'll specifically tell you why is when you do a Phase II trial, you learn a lot about logistics. You learn a lot about physicians, you know, behavior, and a month of training that you have to conduct and so on. I'm sure you have a lot of experience with other pharmaceutical companies when they do their trials. What we have learned in our Phase II in terms of logistics and so on, that's already we have put that experience under our belt. But most importantly is when we start looking at Phase III trial, we have become a lot more practiced. We actually had, and we did announce to the market that we held a prospective investigative meeting at ECAT last September. We are already talking with potential investigators. We are looking at sites. We have already looked at a CRO firm that would be appropriate for the Phase III trial. So there's a lot of things we can do in advance so that as soon as we go to the agency, and hopefully when they sign off on the protocol, then we can immediately go on to the

IRBs and start getting IRB approval, and start enrolling patients. I think, you know, to move quickly from approval on the protocol into IRB, it will be one thing that we have learned during the Phase II that we should improve. And that's something we have already been very proactive on. The other thing is, it's screening sites. So there are a lot of sites that will see patients. But in our case, what we learned during the Phase II is that small sized diabetic ulcers are mostly seen by primary physicians, and not by clinical sites that we have targeted. So as a result, we had to advertise significantly around those sites, going the primary physicians and asking them if you have any patients with this type of wound profile, please refer them to these clinical sites. So, we will take that experience when we start looking at clinical sites in doing the Phase III, and also we'll be a lot more proactive in terms of advertising in advance and not waiting for the seeing the rate of patient rollout on those sites. So those are some of the things we have learned and will be incorporating in Phase III trial. And I think it will get a much more improved patient enrollment than we did in Phase II.

Greg Dust: Okay. And one other just financial question.
Hoji Alimi: Sure.

Greg Dust: We noticed about an increase in SG&A quarter on quarter sequentially of the magnitude of about $200,000. Was that a one-time thing, or is that a trend that we should be modeling going forward?

Bob Miller: In SG&A or R&D?
Greg Dust: SG&A, sequentially.

Bob Miller: Yeah. We think in terms of total operating expenses, in terms of what will be spent, and we think that the net operating loss minus operating non-cash expenses, the best guideline to use is the 4.5 million. We think that will remain fairly constant. And then of course clinical expenses will go up with our Phase III.

Greg Dust: Okay. All right. Yeah, that's great. Thanks.

Operator: As a reminder, if anyone has any additional questions, please press star, one on your telephone keypad at this time. One moment, please, while we poll for questions. We have a follow-up question coming from Jason Butler with Rodman and Renshaw.

Jason Butler: Hi guys. I just want to go back to the number of patients actually enrolled. And can you tell us how many patients enrolled are invaluable at the moment?

Hoji Alimi: We are currently looking at approximately 11 patients that we non-invaluable at this point, approximately, Jason, based on that discussion I had with CRO firm. So again, what we are looking at is anywhere, you know, when we talked to this it's a decision at the CRO firm. You know, any clean number above 45 patients and above would give us a good number of invaluable patients in this study.

Jason Butler: Okay, great. And could you just tell us if any of the patients that aren't invaluable have been removed from the trial, would this continue because of drug related adverse events?

Hoji Alimi: We don't have any reports of any drug related significant adverse event because if there were any, as I said in the past, and this is an open file. We would be notified, and we're obligated to report that to the agency right away. So to my knowledge, no, we have not had it. But again, non-invaluable patients, either they miss their, you know, exactly on the third day they were supposed to come in for evaluation and they showed up on the fourth day, they couldn't carpool, you know, for different reasons they miss those points, and that's where they took them off.

Jason Butler: Okay, great. Thank you.

Operator: Thank you. There are no further questions at this time. I'd like to turn the floor back over to management for any closing remarks.

Hoji Alimi: Well again I want to thank everyone for attending this conference call, and we appreciate you taking the time and joining the conference call. Again, we will be available even after the call; if you have any other questions, you can directly contact the company and we'll be available to answer any questions. Thank you so much.

Operator: Thank you. Ladies and gentlemen, this does conclude today's teleconference. We thank you for your participation, and you may disconnect your lines at this time.