

MICROFLUIDICS INTERNATIONAL CORP

Form S-3

December 11, 2008

Table of Contents

As filed with the Securities and Exchange Commission on December 11, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MICROFLUIDICS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-2793022

(I.R.S. Employer Identification Number)

30 Ossipee Road

Newton, Massachusetts

02464

(617) 969-5452

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brian E. LeClair

Microfluidics International Corporation

30 Ossipee Road

Newton, Massachusetts 02464

(617) 969-5452

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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265 Franklin Street

Boston, MA 02110

(617) 449-6500

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

Large accelerated
filer

Accelerated filer

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

Smaller reporting
company

CALCULATION OF REGISTRATION FEE

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Title of Each Class of Securities to be Registered	Amount to be Registered (1)(2)	Proposed Maximum Offering Price Per Share		Proposed Maximum Aggregate Offering Price		Amount of Registration Fee(3)	
Common Stock, par value \$.01 per share, issuable upon conversion of convertible debenture	4,000,000	\$	1.25	\$	5,000,000	\$	196.50
Common Stock, par value \$.01 per share, issuable upon exercise of warrant	4,318,541	\$	2.00	\$	8,637,082	\$	339.44
Common Stock, par value \$.01 per share, issuable upon exercise of warrant	4,159,270	\$	3.00	\$	12,477,810	\$	490.38
TOTAL:	12,477,811			\$	26,114,892	\$	1,026.32

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act), the shares being registered hereunder include such indeterminate number of additional shares of common stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.
- (2) The number of shares being registered represents our good faith estimate of the maximum number of shares we may issue upon conversion of the convertible debenture and exercise of the common stock purchase warrant. The actual number of shares of common stock received upon conversion of the debenture and exercise of the warrant may vary from this number.
- (3) In accordance with Rule 457(g) under the Securities Act, the registration fee is calculated based upon the conversion price of the convertible debenture and the exercise prices of the warrant.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

Table of Contents

The information contained in this prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the related registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is prohibited.

SUBJECT TO COMPLETION, DATED DECEMBER 11, 2008

PRELIMINARY PROSPECTUS

MICROFLUIDICS INTERNATIONAL CORPORATION

12,477,811 Shares

Common Stock

This prospectus relates to the potential resale by the stockholder identified in this prospectus (the Selling Stockholder) of up to 12,477,811 shares of our common stock that the Selling Stockholder has the right to receive upon: (a) the conversion of a \$5,000,000 convertible debenture into up to 4,000,000 shares of our common stock, with a conversion price of \$1.25 per share; and (b) the exercise of a warrant to purchase up to 4,318,541 shares of our common stock at an exercise price of \$2.00 per share and up to 4,159,270 shares of our common stock at an exercise price of \$3.00 per share. The Selling Stockholder acquired the convertible debenture and the warrant from us in a private placement that closed on November 14, 2008 (the Financing), and is more fully described in the section entitled Selling Stockholder beginning on page 11. We are not selling any securities under this prospectus or its supplements and will not receive any of the proceeds from the sale of shares by the Selling Stockholder, but we may receive funds from the exercise of its warrant.

This prospectus may be supplemented from time to time by one or more prospectus supplements.

The Selling Stockholder may sell the shares of common stock described in this prospectus or its supplements in a number of different ways and at varying prices. We provide more information about how the Selling Stockholder may sell its shares of common stock in the section entitled Plan of Distribution on page 12 and in any supplements to this prospectus. We will not be paying any underwriting discounts or commissions in this offering.

Our common stock is listed on the Over-the-Counter Bulletin Board (the OTC Bulletin Board) under the symbol MFLU. On December 9, 2008, the last sale price of the common stock as reported on the OTC Bulletin Board was \$0.50 per share.

Investing in our common stock involves risks and uncertainties. You should review carefully the risks and uncertainties described under the heading Risk Factors beginning on page 6 of this prospectus and under similar headings in each prospectus supplement and the other documents that are incorporated in this prospectus by reference.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 200 .

Table of Contents

TABLE OF CONTENTS

<u>ABOUT THIS PROSPECTUS</u>	2
<u>FORWARD-LOOKING STATEMENTS</u>	2
<u>PROSPECTUS SUMMARY</u>	3
<u>SUMMARY OF THE OFFERING</u>	5
<u>RISK FACTORS</u>	6
<u>USE OF PROCEEDS</u>	11
<u>SELLING STOCKHOLDER</u>	11
<u>PLAN OF DISTRIBUTION</u>	12
<u>LEGAL MATTERS</u>	13
<u>EXPERTS</u>	13
<u>INFORMATION INCORPORATED BY REFERENCE</u>	13
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	15
<u>INDEMNIFICATION</u>	15
<u>DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION OF SECURITIES ACT LIABILITIES</u>	16

ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this prospectus, and on the information contained in any prospectus supplements. We have not, and the Selling Stockholder has not, authorized anyone to provide you with information different from that contained in this prospectus or such supplements. The Selling Stockholder is offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where it is lawful to do so. The information in this prospectus is accurate only as of the date of this prospectus, and the information in any prospectus supplement is accurate only as of the date of such supplement, regardless of the time of delivery of this prospectus or any such supplement or any sale of our common stock.

FORWARD-LOOKING STATEMENTS

This prospectus, any supplements to this prospectus and other documents that are and will be incorporated into this prospectus may contain forward-looking statements. Forward-looking statements include those regarding our goals, beliefs, plans or current expectations and other statements regarding matters that are not historical facts. For example, when we use words such as project, believe, anticipate, plan, expect, estimate, intend, should, would, could, or may, or other words that convey uncertainty of future events or outcome, we are making forward-looking statements. Our forward-looking statements are subject to risks and uncertainties. You should note that many important factors, some of which are discussed elsewhere in this prospectus or in the documents we have incorporated by reference, could affect us in the future and could cause our results to differ materially from those expressed in our forward-looking statements. These important factors include the factors we identify in the documents we incorporate by reference in this prospectus. You should read these factors and the other cautionary statements made in this prospectus and in the documents we incorporate by reference as being applicable to all related forward-looking statements wherever they appear in this prospectus and in the documents incorporated by reference. We assume no responsibility to update any forward-looking statements as a result of new information, future events, or otherwise.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus and any supplements to this prospectus carefully, including the section entitled "Risk Factors" and the documents that we incorporate by reference into this prospectus or any such supplements, before making an investment decision.

Unless the context requires otherwise, in this prospectus, references to we, us or the Company are to Microfluidics International Corporation.

Company Overview

We have specialized for over 20 years in manufacturing and marketing a broad line of materials processing systems, more specifically known as high shear fluid processing systems, which are systems used in numerous applications in the chemical, pharmaceutical, biotech, food and cosmetics industries.

Our line of high shear fluid processor equipment, marketed under our Microfluidizer® trademark and trade name, process premixed formulations to produce small, uniform structures, usually of the submicron and nanoscale size (commonly defined as particles having dimensions less than 100 nanometers) including nanostructures, microemulsions and nanosuspensions. The equipment produces commercial quantities of such materials important to producers of pharmaceuticals, coatings and other products.

Additionally, our equipment is used for cell disruption to harvest the cultivated contents of bacterial yeast, mammalian and /or plant cells and for liposomal encapsulation of materials for the cosmetics and biotech/biopharma industries.

We continue our efforts to commercialize our proprietary equipment, processes and technology for the continuous production of precipitated submicron or nanoscale particles by interaction of discrete streams of reacting materials (Microfluidics Reaction Technology or MRT). We have undertaken commercialization efforts for our patented Multiple Stream Mixer/Reactor (MMR), which is a high, pressure multiple stream mixer/reactor.

In May 2007, we submitted a paper and presented a poster for a new product at the Nano Science and Technology Institute (NSTI) Nanotech 2007 Meeting. The presentation introduced a variant of our Microfluidics Reaction Technology, the Co-Reactor process and technology (Co-Reactor). The Co-Reactor utilizes our Microfluidizer processor equipped with a co-axial feed to, among other processes; advance the manufacturing nanosuspensions from the bottom up by chemical reactions or physical processes such as crystallization. It has been demonstrated for a variety of drugs using solvent and anti-solvent crystallization. We anticipate commercialization and introduction of Co-Reactor technology and equipment in 2009.

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The technology embodied within our Microfluidizer high shear fluid processor is used for formulation of products that are normally very difficult to mix and stabilize. Microfluidizer processors through process intensification allow manufacturers in the chemical, pharmaceutical, cosmetic, and food processing industries to produce higher quality products with better characteristics on a more consistent basis than with other blending, mixing or homogenizing techniques.

Further, we guarantee scale up of formulations and results on our processor equipment from flow rates as low as 100 to 200 milliliters per minute on our laboratory and bench top models to more than 15 gallons per minute on our production models.

Additionally, the equipment is used for cell disruption to harvest the cultivated contents of bacterial, yeast, mammalian and/or plant cells and for liposomal encapsulation of materials for the cosmetics and biotech/biopharma industries.

Table of Contents

Our management believes that future commercialization and growth of nanotechnology may be, in large part, enabled by the manufacturing capability of our processing equipment and our Microfluidics Reaction Technology.

We were incorporated in Delaware in 1983. The Company, formerly named Biotechnology Development Corporation, changed its name effective June 8, 1993 to Microfluidics International Corporation, and again changed its name effective July 12, 1999 to MFIC Corporation. On June 18, 2008, we changed the Company's name back to Microfluidics International Corporation. Our principal executive offices are located at 30 Ossipee Road, in Newton, Massachusetts 02464 and our telephone number is (617) 969-5452.

Table of Contents

SUMMARY OF THE OFFERING

On November 14, 2008, we sold a convertible debenture (the **Debenture**) and a warrant (the **Warrant**) to Global Strategic Partners, LLC, a Delaware limited liability company (**GSP** or the **Selling Stockholder**) pursuant to a Debenture and Warrant Purchase Agreement (the **Agreement**).

At the election of GSP, the Debenture, which has a principal face value of \$5,000,000, is convertible in whole or part on any of the maturity date, the date that any interest payment is due, or the date on which a change of control occurs into a number of shares of our common stock equal to the quotient of (i) the outstanding principal amount of the Debenture, divided by (ii) \$1.25.

The Warrant may be exercised in whole or part until the earlier to occur of: (i) the seventh anniversary of the date of the Agreement, (ii) the third anniversary of the date of the Agreement in the event that we have retired the Debenture on or before the third anniversary or (iii) such time as GSP has acquired fifty percent (50%) of the total number of shares of our common stock then outstanding on a fully diluted basis. The Warrant is exercisable in two (2) tranches. The first tranche is exercisable in whole or in part at \$2.00 per share. The aggregate number of shares of our common stock that may be purchased in tranche one is forty percent (40%) of our common stock then outstanding on a fully diluted basis, minus that number of shares of our common stock that were issuable upon exercise of the conversion of the Debenture. The Warrant's second tranche is exercisable in whole or in part at \$3.00 per share. The aggregate number of shares of our common stock that may be purchased in tranche two is equal to fifty percent (50%) of our common stock then outstanding on a fully diluted basis, minus the sum of that number of shares of our common stock that were issuable upon exercise of the conversion of the Debenture and in tranche one. Tranche two may only be exercised after the full number of shares exercisable pursuant to tranche one have been purchased. The Selling Stockholder has the right to exercise the Warrant, in whole or in part, by tendering shares of our common stock to us in payment of the exercise price, in which event we would receive shares of our common stock instead of cash upon the Selling Stockholder's exercise of the Warrant in that fashion.

To facilitate the resale of the common stock underlying each of the Debenture and the Warrant, we are registering the following shares for resale by GSP:

- 4,000,000 shares issuable upon conversion of the principal amount of the Debenture; and
- 8,477,811 shares issuable upon exercise of the Warrant.

The foregoing share amounts were calculated for the purpose of this Prospectus based on the assumptions that (i) 10,345,532 shares of our common stock were outstanding as of November 18, 2008 as set forth in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, as amended, and we issued no shares of our common stock or other securities convertible into, or exercisable for the purchase of, our common stock after November 18, 2008, (ii) options to purchase 1,305,840 shares of our common stock were outstanding as of November 18, 2008 and we issued no additional options to purchase common stock after that date, (iii) 826,439 shares of our common stock have been reserved for issuance under our 2006 Stock Plan, and (iv) each of the Debenture and the Warrant are converted or exercised in full. To the extent that we issue additional securities beyond the numbers contemplated above (for example, an acquisition for stock), the number of shares issuable upon exercise of the Warrant will increase on a share-for-share basis and we will be required to register those additional shares with the Securities and Exchange Commission at that time.

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We will not receive any of the proceeds from the Selling Stockholder's sale of our common stock. The Selling Stockholder will pay the cost of any brokerage commissions and discounts, and all expenses incurred by it in connection with the sale of those securities. See Plan of Distribution.

Table of Contents

RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this filing before deciding to purchase our common stock. If any of these risks or uncertainties occurs, our business, financial condition or operating results could be materially harmed. In that case the trading price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we may face. We believe that this filing contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to regulatory risks and clinical uncertainties. Such statements are based on management's current expectations and are subject to facts that could cause results to differ materially from the forward-looking statements. For further information you are encouraged to review our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2008, June 30, 2008 and September 30, 2008. We assume no continuing obligation to update the information contained in this filing.

We have experienced operating losses from continuing operations in two of our last five fiscal years, including the fiscal year ended December 31, 2007, and we may not be able to achieve consistent profitability in the future.

For two of the past five fiscal years, as well as the nine months ended September 30, 2008, we have experienced losses from continuing operations. During the nine months ended September 30, 2008 and the fiscal year ended December 31, 2007, we had a net loss of \$2,300,000 and \$1,507,000 respectively, and it is anticipated that we will have a net loss in the current fiscal year.

Our financial condition will be jeopardized if revenues do not increase as anticipated.

Management has committed to investing in the growth of our business, particularly with regard to making investments in sales and marketing. Those investments are likely to draw down our cash in advance of us receiving the additional revenues anticipated from such investments. As a result, our cash position could be reduced and we could confront liquidity problems if revenues do not increase as anticipated or revenues are delayed beyond expectations, and we continue to experience net losses from operations as described above.

A default under the Financing could result in substantial losses to our stockholders.

The outstanding amount of our Financing would become immediately due and payable upon the occurrence of an Event of Default under the Financing documents. See our Current Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2008 for a full discussion of the events that constitute an Event of Default. Although most of the Events of Default are standard provisions relating to timely payments, accuracy of representations, solvency, and the absence of a change of control, an Event of Default will also occur if our stockholders fail to approve an increase in our authorized shares to a number sufficient to allow the Warrant to be exercised in full, which event is entirely beyond the control of management. If any Event of Default occurs, there can be no assurance that we would be able to repay the Financing. Failure to repay the Financing could force us to reorganize our debts, possibly in bankruptcy, in which event our common stock could become worthless.

We face intense competition in many of our markets.

Our Microfluidizer product line of high-shear fluid processors has direct competition in its major markets, including its most important markets in the pharmaceutical, biotechnology and coatings/chemical industries. The severity of the competition that we confront requires that we continuously invest in research and development in order to keep our product line competitive. Despite such expenditures, however, there can be no assurance that we will be able to meet the enhancement challenges posed by our competitors, or that we will be able to create or exploit the kinds of innovations, such as our Microfluidics Reaction Technology, needed to drive future sales.

In addition, we face, and will continue to face, intense competition from other companies who manufacture and sell fluid processing systems used in particle size reduction, mixing, milling, dispersing, homogenizing, cell disruption and liposomal encapsulation applications. We expect competition to intensify in the fluid processing systems field as technical advances are made and become more widely known, and such increased competition may have a material adverse effect upon our business.

Our future success will depend in large part on our ability to maintain a technologically superior product line. Rapid technological development by us or others may result in our products or technologies becoming obsolete before we recover the expenses we incur in connection with their development. Products offered by us could be

Table of Contents

made obsolete by less expensive or more effective technologies. There can be no assurance that we will be able to make the enhancements to our technology necessary to compete successfully with newly emerging technologies.

We may experience uncertain economic trends that adversely impact our business.

We may experience in the future reduced demand for our products as a result of the uncertainty in the general economic environment in which our customers and we operate. We cannot project the extent of the impact of the economic environment specific to our industry. If economic conditions worsen or if an economic slowdown occurs, we may experience a material adverse effect on our business, operating results and financial condition.

We rely on suppliers, vendors and subcontractors.

We do not manufacture most of the components contained in our Microfluidizer materials processor equipment, but rather subcontract the manufacture of most components. Based on quality, price, and performance, we have selected certain suppliers, vendors, and subcontractors that provide parts, subassemblies, machining and finishing of components that are assembled by our production staff. It is possible that, as a result of the current economic slowdown or other reasons, one or more of our suppliers, vendors or subcontractors could go out of business or otherwise be unable to supply our needs. Although we have identified alternate sources for parts, components, machining and finishing integral to the manufacture of our products, there can be no assurance that a transition to an alternative source would not entail quality assurance or quality control difficulties, on-time delivery problems, or other transition problems, any or all of which could have an impact on our production of equipment and could have a material adverse effect on our business, financial condition, or results of operations.

Many of our current and potential customers are from the pharmaceutical and biotechnology industries and are subject to risks faced by those industries.

We derive a substantial portion of our revenues from pharmaceutical and biotechnology companies. We expect that pharmaceutical and biotechnology companies will continue to be one of our major sources of revenues for the foreseeable future. As a result, we are subject to risks and uncertainties that affect the pharmaceutical and biotechnology industries, such as pricing pressures as third-party payers continue challenging the pricing of medical products and services, government regulation, ongoing consolidation and uncertainty of technological change, and to reductions and delays in research and development expenditures by companies in these industries.

Table of Contents

In particular, the biotechnology industry is dependent on raising capital to fund operations. If biotechnology companies are unable to obtain the financing necessary to purchase our products, our business and results of operations could be materially adversely affected. As it relates to both the biotechnology and pharmaceutical industries, many companies have significant patents that have expired or are about to expire, which could result in reduced revenues for those companies. If pharmaceutical companies suffer reduced revenues as a result of these patent expirations, they may be unable to purchase our products, and our business and results of operations could be materially adversely affected.

In addition, we are dependent, both directly and indirectly, upon general health care spending patterns, particularly in the research and development budgets of the pharmaceutical and biotechnology industries, as well as upon the financial condition and purchasing patterns of various governments and government agencies. Many of our customers, including universities, government research laboratories, private foundations and other institutions, obtain funding for the purchase of products from grants by governments or government agencies. There exists the risk of potential decrease in the level of governmental spending allocated to scientific and medical research, which could substantially reduce or even eliminate these grants. If government funding necessary to purchase our products were to decrease, our business and results of operations could be materially adversely affected.

Lastly, because our Financing was provided by an affiliate of a pharmaceutical company that competes with other pharmaceutical companies, it is possible that the other companies might decide against doing business with us in the future for competitive reasons. If a significant number of pharmaceutical companies were to reduce their purchases of our products for this or any other reason, our business and results of operations could be materially adversely affected.

We have only one manufacturing facility.

We have a single manufacturing facility located in Newton, Massachusetts. Our success depends on the efficient and uninterrupted operation of that facility. Whether as a result of a fire, natural disaster, or other cause, any disruption to our manufacturing operations would significantly impair our ability to operate our business on a day-to-day basis. Although we maintain business interruption insurance, our business would be injured by any extended interruption of the operations of our manufacturing facility. Further, although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur. This insurance may not continue to be available to us. Finally, if we seek to replicate our manufacturing operations at another location, we will face a number of technical as well as financial challenges, which we may not be able to address successfully.

We rely on our trade secrets to protect our technology.

Our Microfluidizer processor equipment method patent expired on March 13, 2007 and our device patent expired on August 6, 2002. In addition, we have neither sought patent protection for our Microfluidizer processor or our interaction chamber nor trademark protection of our Microfluidizer trade name in any country other than the United States. As such, our proprietary rights are not subject to the protection of patent or trademark laws of foreign countries where our equipment is sold. Although we have made many alterations, improvements and advances to our equipment over the years and continues to make such advancements with such modification and innovations having been and being treated by us as trade secrets, the lack of our patent protections will expose us to potential competition that would likely have a material adverse effect on us.

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To protect our proprietary rights, we rely on a combination of trademark laws, trade secrets, confidentiality agreements, contractual provisions and technical means. In the event of a breach of these protections, there can be no assurance that these measures will prove to have been adequate to protect our interests, or that we will have sufficient resources to prosecute or prevail in an action against a third party.

We may be subjected to increased government regulation which could affect our ability to sell our products outside of the United States.

Although United States governmental restrictions on technology transfer, import, export and customs regulations and other present local, state or federal regulation, have not had a significant effect on us historically, any future legislation or administrative action restricting our ability to sell our products to certain countries outside the United States could significantly affect our ability to make certain foreign sales. The extent of adverse governmental regulation, which might result from future legislation or administrative action, cannot be accurately predicted. In particular, the USA Patriot Act and other governmental regulations may impose export restrictions on sale of equipment or transfer of technology to certain countries or groups. There can be no assurance that sale of our

Table of Contents

equipment will not be impacted by any such legislation or designation. Depending upon which countries and sales may be designated for trade restriction such action could have a material adverse effect on our business, financial condition, or results of operations. Also, certain agreements that may be entered into by us involving exclusive license rights may also be subject to national or supranational antitrust regulatory control, the effect of which cannot be predicted.

We rely on our top management and technical personnel.

Our continued operation, innovation and growth are to some significant degree reliant on the continued services of our executive officers and leading technical personnel. There can be no assurance that we will be able to retain such management and technical personnel if employment is offered by other companies better able to pay higher compensation, provide more and better benefits, or willing to offer longer term job security by entering into employment contracts with our employees. Further, there can be no assurance that key executive officers and leading technical personnel will not leave our employment or either die or become disabled to an extent that they cannot render their services to us. Though we believe that we can identify and recruit replacement key management and technical personnel, there can be no assurance as to such availability, the length of time required to obtain such replacement management and technical personnel, the salary level that may have to be paid to obtain their respective services, or the impact on operations that may be experienced through the interim absence of such key management and technical personnel. The loss of our top management or leading technical personnel could, therefore, have a material adverse effect on our business, financial condition, or results of operations.

Our stock is listed on the OTC Bulletin Board and our stockholders may have limited liquidity.

Our common stock is quoted on the OTC Bulletin Board, which provides significantly less liquidity than a securities exchange (such as the American or New York Stock Exchanges or The Nasdaq Stock Market). In general, over the past two years, fewer than 20,000 shares of our common stock have traded on a daily basis.

Our quarterly revenues and stock performance are variable.

The timing of orders and subsequent shipment will significantly affect quarterly revenues and resulting net income results for particular quarters which may cause increased volatility in both our revenues and stock price.

We allow our customers to lease some of our products and those leases may not turn into sales.

We sometimes lease our products to our customers prior to or instead of selling a product to a customer. Our products are expensive, and customers frequently want to test out a product's capabilities prior to purchase. We have had reasonable success in converting leases into subsequent sales of the same or a newer product; however, there is no guarantee that we will continue to be able to convert any of our leases into sales.

We may be subject to product liability claims from our customers or by persons harmed by our customers' products.

We maintain what we deem to be reasonable levels of product liability coverage through insurance policies with a reasonably small deductible. Nonetheless, inasmuch as we sell our equipment to a number of customers who make pharmaceutical preparations and consumer cosmetics, there can be no assurance that if a consumer of end products is injured or dies from such product that a suit by an injured party (or a class of similar situated plaintiffs) will not include us as well as the maker of the drug or cosmetic. Although we may have no control over the manufacture of end-products made on our equipment, we may not be able to bar a plaintiff's claims against all parties whose products and equipment were involved in the manufacturing process under a variety of legal theories of liability. We may be required to present a vigorous and costly defense if we cannot be dismissed from such an action. The cost of such legal defense may significantly impact our cash flow.

Our international business operations expose us to a variety of risks.

Table of Contents

For the three months ended September 30, 2008 and 2007, shipments outside of North America accounted for approximately 43.9% and 44.1%, respectively, of our net revenues in those periods.

We attempt to reduce some of our risk related to sales and shipments outside of the United States by requiring that our contracts generally be paid in United States Dollars. Nevertheless, a downturn in the economies of Japan, Korea or Europe might reduce investment in new technology or products while a weakening of foreign currency against the United States Dollar would make our products more expensive, each of which could have a substantial impact on our operating results.

In addition, a significant portion of our total net revenue is subject to the risks associated with shipping to foreign markets in general, including unexpected changes in legal and regulatory requirements; changes in tariffs; political and economic instability; risk of terrorism; difficulties in managing distributors and representatives; difficulties in protecting our intellectual property overseas; and natural disasters, any of which could have a negative impact on our operating results.

We may experience difficulties in the future in complying with Sarbanes-Oxley Section 404 (Section 404); and continued implementation and maintenance of internal controls necessary for continued compliance with Section 404 may result in our incurring of additional costs.

We are required to evaluate our internal controls under Section 404 of the Sarbanes-Oxley Act of 2002. We were also required to furnish a report by our management on our internal controls over financial reporting beginning with our annual report on Form 10-K for the fiscal year ended December 31, 2007. Such report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. While we have completed our self-assessment as to the effectiveness of internal control over financial reporting for the year ended December 31, 2007, which did not identify material weaknesses in our internal control systems, there can be no assurance that future material weaknesses in our internal control systems will not be identified as a result of changing financial or operating conditions. In addition, although we are currently not required to subject our internal controls to audit by our independent registered public accounting firm until at least our fiscal year ending December 31, 2009, there can be no assurance that an audit of our internal controls will not result in the identification of a material weakness. If we fail to maintain proper and effective internal controls in future periods, it could adversely affect our operating results, financial condition and our ability to run our business effectively and could cause investors to lose confidence in our financial reporting. In the event that it is determined that our internal control over financial reporting is not effective, as defined under Section 404, investor confidence in us may be adversely affected and could cause a decline in the market price of our stock.

Future changes in financial accounting standards may adversely affect our reported results of operations.

A change in accounting standards can have a significant effect on our reported financial results. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. These new accounting pronouncements may adversely affect our reported financial results.

If our accounting estimates are not correct, our financial results could be adversely affected.

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Management judgment and estimates are necessarily required in the application of our Critical Accounting Policies. We discuss these estimates in the subsection entitled Critical Accounting Policies included in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual and Quarterly Reports with the Securities and Exchange Commission. If our estimates are incorrect, our future financial operating results and financial condition could be adversely affected.

Table of Contents

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of our common stock by the Selling Stockholder. However, we may receive proceeds upon exercise of the Warrant issued to the Selling Stockholder. We intend to use any proceeds from the exercises of the Warrant for working capital and general corporate purposes.

SELLING STOCKHOLDER

The shares of common stock being offered by the Selling Stockholder are issuable upon conversion of the Debenture and upon exercise of the Warrant. For additional information regarding the Debenture and Warrant, see Summary of the Offering. We are registering the shares of common stock in order to permit the Selling Stockholder to offer the shares for resale from time to time. Except as otherwise noted and except for the Financing and the ownership of the Debenture and the Warrant, the Selling Stockholder has not had any material relationship with us within the past three years.

The table below contains information regarding the beneficial ownership of our common stock by the Selling Stockholder. The second column lists the number of shares of common stock beneficially owned by the Selling Stockholder, based on its ownership of the Debenture and the Warrant, as of December 11, 2008, assuming conversion of the entire principal amount of the Debenture and exercise of the Warrant in full, without regard to any limitations on conversions or exercise. The third column lists the shares of common stock being offered by this prospectus by the Selling Stockholder. For purposes of the table below, beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, pursuant to which a selling stockholder is deemed to have beneficial ownership of any shares of common stock that such stockholder has the right to acquire within 60 days of December 11, 2008.

In accordance with the terms of a Registration Rights Agreement, dated as of November 14, 2008, with the Selling Stockholder, this prospectus generally covers the resale of 4,000,000 shares of common stock issued or to be issued upon conversion of the Debenture and 8,477,811 shares of common stock issued or to be issued upon exercise of the Warrant. The fourth column assumes the sale of all of the shares offered by the Selling Stockholder pursuant to this prospectus. The Selling Stockholder may sell all, some or none of the shares in this offering. See Plan of Distribution.

Name of Selling Security Holder	Number of Shares Owned Prior to Offering	Maximum Number of Shares to be Sold Pursuant to this Prospectus	Number of Shares Owned After Offering
Global Strategic Partners, LLC (1)			