CLEARANT INC
Form 10-Q
November 14, 2005

Table of Contents

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Quarterly Period Ended September 30, 2005

Commission File Number 000-50309

Clearant, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**91-2190195**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

11111 Santa Monica Boulevard, Suite 650, Los Angeles, California 90025
(Address of principal executive offices, including zip code)
(310) 479-4570
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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

As of November 9, 2005, there were 39,743,550 shares of registrant s common stock, $0.0001 par value, outstanding.

Table of Contents

INDEX

Table of Contents

CLEARANT, INC.
CONDENSED BALANCE SHEETS
(in thousands)

	September 30, 2005 (Unaudited)	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 2,083	$ 177
Accounts receivable	235	127
Prepaids and other assets	386	502
Total current assets	2,704	806
Property and equipment, net	427	595
Identifiable intangibles, net	1,427	1,453
Restricted cash noncurrent	189	161
Other assets	48	63
Total assets	$ 4,795	$ 3,078
Liabilities, Redeemable Preferred Stock and Stockholders Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 1,543	$ 1,847
Accrued liabilities	1,109	3,061
Deferred revenue	60	178
Bridge loans, net	97	4,997
Total current liabilities	2,809	10,083
Deferred revenue noncurrent	75	91
Other liabilities	26	70
Total liabilities	2,910	10,244
Commitments and Contingencies		
Series A Redeemable Preferred stock:		
Series A redeemable convertible preferred stock (50,000 shares authorized; -0- and 6,454 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively)		17,829
Stockholders equity (deficit):		
		16,386

Series B preferred stock (-0- shares authorized; -0- and 6,630 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively)				
Series C junior preferred stock (-0- shares authorized; -0- and 37 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively)				86
Common stock ($0.0001 par value; 200,000 shares authorized; 35,936 and 7,365 issued and outstanding at September 30, 2005 and December 31, 2004, respectively)		4		1
Additional paid-in capital		71,008		17,398
Accumulated deficit		(69,068)		(58,820)
Other comprehensive loss		(59)		(46)
Total stockholders equity (deficit)		1,885		(24,995)
Total liabilities, redeemable preferred stock and stockholders equity (deficit)	$	4,795	$	3,078

See accompanying notes to condensed financial statements.

Table of Contents

CLEARANT, INC.
CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except for per share data)
(Unaudited)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenues:				
Licensing	$ 62	$ 27	$ 154	$ 75
Contract research and milestones	72	178	223	428
Grants	20	64	75	186
Total revenues	154	269	452	689
Cost of sales	4	9	13	25
Net revenues	150	260	439	664
Operating expenses:				
Sales and marketing	968	911	2,276	3,163
Research and development	465	1,282	1,727	3,996
General and administrative	1,326	1,393	3,563	3,536
Stock-based compensation	51	13	503	79
Total operating expenses	2,810	3,599	8,069	10,774
Loss from operations	(2,660)	(3,339)	(7,630)	(10,110)
Other income (expense):				
Interest expense, net		(98)	(1,786)	(174)
Gain on extinguishment of debt			1,290	
Gain on settlement of debt for stock			39	
Net loss	(2,660)	(3,437)	(8,087)	(10,284)
Add: Preferred stock dividend and financing costs		(413)	(2,161)	(1,215)
Net loss attributable to common stock	$ (2,660)	$ (3,850)	$ (10,248)	$ (11,499)
Net loss per share:				
Basic and diluted	$ (0.07)	$ (0.52)	$ (0.39)	$ (1.56)
Number of shares used in per share calculation:				
Basic and diluted	35,923	7,367	26,599	7,366

See accompanying notes to condensed financial statements.

F-4

Table of Contents

CLEARANT, INC.
CONDENSED STATEMENT OF STOCKHOLDERS EQUITY
(in thousands)
(Unaudited)

	Series B Preferred Stock		Series C Preferred Stock		Common Stock, $0.0001 par value		Additional		Other	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**	**Paid-in Capital**	**Accumulated Deficit**	**Comprehensive Loss**	**Totals**
Balance, December 31, 2004	6,630	$ 16,386	37	$ 86	7,372	$ 1	$ 17,398	$ (58,820)	$ (46)	$ (24,995)
Issuance of warrants to January 2005 Bridge Holders							93			93
Settlement of debt for common stock					31		64			64
Exchange of warrants for common stock					77		158			158
Beneficial return to preferred shareholders from allocation of shares from common to preferred stockholders							2,100			2,100
Conversion of preferred stock into common stock	(6,630)	(16,386)	(37)	(86)	11,542	1	30,566			14,095
Exchange of bridge loan warrants							(1,349)			(1,349)
Conversion of Series A Preferred dividend					2,141		3,794			3,794
Conversion of Series C Preferred dividend					3		5			5
Conversion of 2004 bridge loans into common stock					3,834	1	6,724			6,725
Bliss Essential, Corp. shares issued in connection with the merger transaction					7,136	1	16			17
Issuance of common stock in conjunction with Private					2,910		8,413			8,413

Placement						
Conversion of Publico Bridge Loans into common stock	783		2,373			2,373
Exercise of common stock options	49		32			32
Issuance of common stock to consultants for services	58		235			235
Compensation expenses incurred in connection with issuance of options and warrants to non-employees			386			386
Comprehensive loss:						
Net Loss				(8,087)		(8,087)
Other comprehensive loss					(13)	(13)
Total Comprehensive loss				(8,087)	(13)	(8,100)
Preferred stock dividend and financing costs				(2,161)		(2,161)
Balance at September 30, 2005 (unaudited)	35,936	$ 4	$ 71,008	$ (69,068)	$ (59)	$ 1,885

See accompanying notes to condensed financial statements.

F-5

Table of Contents

CLEARANT, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Operating activities				
Net loss	$ (2,660)	$ (3,437)	$ (8,087)	$ (10,284)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	133	98	380	295
Stock-based compensation	51	13	503	79
Non-cash interest expense associated with convertible debt financings (Note 6)		98	1,786	180
Gain on extinguishment of debt			(1,290)	
Gain on settlement of debt for stock			(39)	
Warrant exchange for common stock			158	
Changes in operating assets and liabilities:				
Receivables and prepaids	47	159	68	177
Accounts payable	30	919	(304)	1,798
Accrued liabilities	(539)	220	(1,923)	45
Deferred revenue	(30)	14	(134)	137
Other assets and liabilities	91	9	34	21
Net cash used in operating activities	(2,877)	(1,907)	(8,848)	(7,552)
Investing activities				
Cost of identified intangibles	(29)	(135)	(130)	(463)
Capital expenditures	(16)	2	(51)	(53)
Cash received in 2005 merger activities			17	
Proceeds from disposals of marketable securities		412		3,500
Net cash provided by (used in) investing activities	(45)	279	(164)	2,984
Financing activities				
Issuance of common stock, net of costs			8,455	
Issuance of Series C preferred stock, net of costs		85		85
Issuance of convertible notes payable, net of costs		3,345	2,811	5,925
Exercise of common stock options	13	1	32	1
Principal payments on bridge loans			(366)	
Principal payments on capital lease obligations		(5)	(1)	(18)
Net cash provided by (used in) financing activities	13	3,426	10,931	5,993
	(7)	(19)	(13)	(21)

Effect of translation adjustments on cash and cash equivalents				
Change in cash and cash equivalents	(2,916)	1,779	1,906	1,404
Cash and cash equivalents, beginning of period	4,999	799	177	1,174
Cash and cash equivalents, end of period	$ 2,083	$ 2,578	$ 2,083	$ 2,578

See accompanying notes to condensed financial statements.

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments, consisting solely of normal recurring adjustments, needed to fairly present the financial results for these interim periods. These financial statements include some amounts that are based on management s best estimates and judgments. These estimates may be adjusted as more information becomes available, and any adjustment could be significant. The impact of any change in estimates is included in the determination of earnings in the period in which the change in estimate is identified. The results of operations for the three and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the entire 2005 fiscal year.

In June 2005, the registrant, Clearant, Inc., formerly known as Bliss Essentials Corp., (the Company) changed its state of incorporation from Nevada to Delaware. In conjunction with the reincorporation, Clearant now has authorized common stock consisting of 200 million shares, $0.0001 par value, of which 35,936,085 shares are issued and outstanding, and 50 million shares of preferred stock, $0.0001 par value, none of which are issued and outstanding. Additional information pertaining to the Company s reincorporation in Delaware can be found on Form 14A filed with the Securities and Exchange Commission on June 16, 2005. The carrying value of the 2004 common stock has been historically revalued in accordance with the reincorporation.

The Company has omitted footnote disclosures that would substantially duplicate the disclosures contained in the audited financial statements of the Company and should be read in conjunction with the financial statements for the fiscal years ended December 31, 2004 and 2003 and notes thereto in the Company s amended Current Report on Form 8K/A dated March 31, 2005, filed with the Securities and Exchange Commission filed as of May 16, 2005. The December 31, 2004 consolidated balance sheet has been derived from the audited financial statements on Form 8-K/A. All share data has been restated to reflect any reverse stock splits that took place following the periods presented. Certain reclassifications, where needed, were made in prior periods to be consistent with current period presentation. During the quarter, the Company increased its contingent liabilities by $137 as it relates to ongoing legal matters. These unaudited condensed financial statements should be read together with the financial statements for the year ended December 31, 2004, and footnotes thereto.

In March 2005 and as described more fully in Note 5, the Company acquired all of the outstanding common stock of Clearant, Inc., a Delaware corporation, formerly a California corporation (Clearant), through a reverse triangular merger. For accounting purposes, the merger is treated as a recapitalization of Clearant with Clearant deemed the acquirer (i.e., a reverse acquisition). The historical financial statements prior to March 31, 2005 are those of Clearant.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* (SFAS 123R). The statement requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments granted to employees. The statement eliminates the alternative method of accounting for employee share-based payments previously available under Accounting Principles Board (APB) Opinion No. 25 *Accounting for Stock Issued to Employees* (APB 25) and SFAS 123. In April 2005, the Securities and Exchange Commission amended the compliance dates to allow companies to implement SFAS 123(R) at the beginning of fiscal 2006. The Company has not completed the process of evaluating the impact that will result from adopting SFAS 123(R), but believes the impact upon adoption will be an increase to compensation expense.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets* (SFAS 153) an amendment to APB Opinion No. 29, *Accounting for Nonmonetary Transactions* (APB 29). SFAS 153 eliminates certain differences in the guidance in APB 29 as compared to the guidance contained in standards issued by the International Accounting Standards Board. The amendment to APB 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for

F-7

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. Management does not expect adoption of SFAS 153 to have a material impact on the Company s financial statements or results of operations.

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which clarifies the meaning of the term *conditional asset retirement obligation* as used in SFAS 143, *Accounting for Asset Retirement Obligations* (SFAS 143) and clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year companies). Retrospective application of interim financial information is permitted but is not required. Management does not expect adoption of FIN 47 to have a material impact on the Company s financial statements.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections* (SFAS 154) an amendment to APB Opinion No. 20, *Accounting Changes* (APB 20), and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements* (SFAS 3) though SFAS 154 carries forward the guidance in APB 20 and SFAS 3 with respect to accounting for changes in estimates, changes in reporting entity, and the correction of errors. SFAS 154 establishes new standards on accounting for changes in accounting principles, whereby all such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005, with early adoption permitted for changes and corrections made in years beginning after May 2005.

NOTE 3 NET LOSS PER SHARE

The Company computes net loss per share in accordance with SFAS No. 128, *Earnings Per Share* (SFAS 128). Under the provisions of SFAS 128, basic loss per share is computed by dividing net loss, after deducting dividend requirements from the Series A Preferred Stock, by the weighted average number of common stock shares outstanding during the periods presented. Diluted earnings would customarily include, if dilutive, potential common stock shares issuable upon the exercise of stock options, warrants and convertible preferred stock and accrued preferred stock dividends. The dilutive effect of outstanding stock options and warrants is reflected in earnings per share in accordance with SFAS 128 by application of the treasury stock method. All convertible preferred stock and accrued dividends would be reflected on an as-if-converted basis. For the periods presented, the computation of diluted loss per share equaled basic loss per share as the inclusion of any dilutive instruments would have had an antidilutive effect on the earnings per share calculation in the periods presented.

The following potential common shares have been excluded from the computation of diluted net loss per share for the nine months ended September 30, 2005 and 2004, since their effect would have been antidilutive:

	Nine Months Ended September 30,	
	2005	2004
Convertible preferred stock (and related accrued dividends) and convertible bridge loans		18,210,000
Stock Options	2,686,000	4,999,000
Warrants	3,417,000	4,119,000

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 3 NET LOSS PER SHARE (Continued)

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Basic and diluted net loss per share:				
Numerator:				
Net loss attributable to common stock	$ (2,660)	$ (3,850)	$ (10,248)	$ (11,499)
Denominator:				
Weighted average common stock shares outstanding (in thousands)	35,923	7,367	26,599	7,366
Net loss per share, basic and diluted	$ (0.07)	$ (0.52)	$ (0.39)	$ (1.56)

NOTE 4 STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation arrangements in accordance with APB 25, and complies with the disclosure provisions of SFAS 123 and SFAS 148. Under APB 25, compensation expense is recognized over the vesting period based on the difference, if any, on the date of grant between the deemed fair value for accounting purposes of the Company s stock and the exercise price on the date of grant.

Effective March 31, 2005 and in conjunction with the merger (Note 5), the Company cancelled all stock options previously issued to employees and non-employees with exercise prices greater than $3.50 per share (the 2005 Option Cancellations). As a result of the 2005 Options Cancellations, the Company retained stock options to employees and non-employees at March 31, 2005 of approximately 1,918,588 million shares (the Existing Options), which are grandfathered under the Company s 2000 Stock Option Plan, as amended (the 2000 Plan). As of September 30, 2005, there are no future grants available under the 2000 Plan.

On June 30, 2005, the stockholders approved the Clearant, Inc. 2005 Stock Award Plan (the 2005 Plan). There are 5,081,412 shares of common stock authorized for issuance under the Plan. In addition, the Company assumed options to purchase 1,918,588 shares of common stock in connection with the reverse merger consummated on March 31, 2005. Accordingly, an aggregate of 7,000,000 shares of common stock are reserved for issuance upon exercise of options. The terms of the Plan provide for grants of stock options, stock appreciation rights, restricted stock, deferred stock, bonus stock, dividend equivalents, other stock-related awards and performance awards that may be settled in cash, stock or other property. Employees, officers, directors and consultants are eligible for awards under the plan. However, incentive stock options may only be granted to employees.

SFAS 123 requires disclosure of pro forma net loss based upon the fair value of the options issued to employees and consultants, had the Company elected to account for such options under the provisions of SFAS 123.

The Company calculates the fair value of each option granted on the date of the grant using the Black-Scholes option pricing model for employees as prescribed by SFAS 123 and the following assumptions:

Risk-free interest rate	3.0% 5.5%
Expected life in years	5
Dividend yield	0%
Expected volatility	70% 75%

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 4 STOCK OPTIONS AND STOCK-BASED COMPENSATION (Continued)

Had the Company determined compensation expense for its stock options based on the fair value at the grant date under SFAS 123, the Company s pro forma net loss for the three and nine months ended September 30, 2005 and September 30, 2004 would have been as follows**:**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Net loss attributable to common stock, as reported	$ (2,660)	$ (3,850)	$ (10,248)	$ (11,499)
Add: stock-based compensation expense included in reported net loss				
Deduct: stock-based compensation expense determined under the fair value method for all awards	(868)	(395)	(1,034)	(1,525)
Net loss attributable to common stock pro forma	$ (3,528)	$ (4,245)	$ (11,282)	$ (13,024)
Net loss per share:				
As reported, basic and diluted	$ (0.07)	$ (0.52)	$ (0.39)	$ (1.56)
Pro forma, basic and diluted	$ (0.10)	$ (0.58)	$ (0.42)	$ (1.77)

Because the Company s stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

On July 1, 2005, the Board of Directors approved awarding stock options for 1,011,665 shares to employees & directors. All awards were at $4.12, the fair market value at the date of grant based on the closing price of the Company s common stock on July 1, 2005. The Company valued the shares using the Black-Scholes option-pricing model and the following assumptions: risk-free interest rate 3.84%, expected life 5 years, dividend yield 0% and volatility 72%.

On July 29, 2005, the Company granted 42,500 stock options to employees under the 2005 Stock Option Plan. All awards were at $4.51, the fair market value at the date of grant based on the closing price of the Company s common stock on July 29, 2005. The Company valued the options using the Black-Scholes option pricing model and the following assumptions: risk-free interest rate 4.12%, expected life 5 years, dividend yield 0% and volatility 72%.

On August 30, 2005, the Company granted 200,000 stock options to an Officer of the Company under the 2005 Stock Option Plan. The award was at $3.86, the fair market value at the date of grant based on the closing price of the Company s common stock on August 30, 2005. The Company valued the options using the Black-Scholes option pricing model and the following assumptions: risk-free interest rate 4.03%, expected life 5 years, dividend yield 0% and volatility 72%.

NOTE 5 REVERSE MERGER TRANSACTION

In March 2005, a wholly-owned subsidiary of the Company merged with and into Clearant. The Company had approximately $17 in cash and no operations as of the date of the merger. Concurrent with the merger, the Company raised gross proceeds of approximately $11,080 through a private placement of shares of its Common Stock at $3.00 per share, including the conversion of approximately $2,350 of bridge loans in the form of promissory notes. The

Company completed the merger and placement effective March 31, 2005. Because the registrant had substantially no other operating assets or liabilities and Clearant was the sole operating business as of the merger date, the merger was accounted for as a reverse acquisition. Accordingly, Clearant s financial statements now reflect the Company s financial results and operations on a carry over basis.

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 5 REVERSE MERGER TRANSACTION (Continued)

Details and analysis of the capital transactions and adjustments recorded to the Company s balance sheet in conjunction with the merger are more fully described in the Company s March 31, 2005 Form 10-Q filed with the Securities and Exchange Commission on May 16, 2005.

NOTE 6 COMMON STOCK

Common Stock Transactions and Non-cash Financing Activities

During the nine months ended September 30, 2005, the Company settled certain debts of approximately $103 in exchange for 31,000 shares of common stock at a price per share of $2.25 (the Settlement Price). In connection with the debt settlement, the Company recorded a one-time gain of $39, which represented the difference between the deemed fair value of the Company s common stock and the Settlement Price at the settlement date.

During the nine months ended September 30, 2005 and prior to the March 31, 2005 reverse merger, Clearant exchanged certain warrants for 77,000 shares of the Company s common stock. The exchange resulted in a one-time expense of $157, which is included in general and administrative costs in the Company s Condensed Statements of Operations for the nine months ended September 30, 2005.

During the nine months ended September 30, 2005 and immediately prior to the March 31, 2005 reverse merger, Clearant s common stockholders exchanged 1.5 million shares (pre share split) of common stock to the then-holders of Series A, B and C preferred stock in order to consummate the transaction. The 1.5 million shares were allocated pro-rata amongst the then-preferred holders and valued at $2,100. The share exchange was treated as a beneficial impact of the transaction to preferred shareholders and included in net loss attributable to common stock in the Company s Condensed Statements of Operations for the nine months ended September 30, 2005.

During the nine months ended September 30, 2005, the Company issued 57,979 shares of common stock with a fair value of $235 as compensation for services rendered to the Company. A portion of the fair value, $203, is for services to be rendered over a twelve month contract. Accordingly, $117 is reflected in stock-based compensation in the nine months ended September 30, 2005.

Lock-up Period

For a period beginning on March 25, 2005 and ending on March 25, 2006, the existing holders of Clearant s common stock immediately prior to the merger (Note 5) cannot (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option, right or warrant to purchase, make any short sale or otherwise transfer or dispose of or agree to dispose of, directly or indirectly, any common stock of the Corporation or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the common stock in cash or otherwise, whether or not for consideration, and in each of the four consecutive three-month periods beginning on March 25, 2006 will not transfer, on a non-cumulative basis, more than 25% of the common stock held by any such person as of March 25, 2005. As of March 25, 2007, there shall be no further transfer restrictions except as provided by law.

NOTE 7 SUBSEQUENT EVENTS

Pursuant to the License Agreement (Agreement) with Tristar Bioventures International (Tristar), dated April 1, 2005, in consideration for the access to and use of the *Clearant Process* ® the Company was due a one-time, non-recoupable, non-refundable payment in the amount of $500 on October 31, 2005. As of the filing date of this document, payment has not been received by the Company. Pursuant to the Agreement, Tristar shall be deemed to be in material breach in the event that payment is not cured within sixty days from notice of such breach and the Agreement will be terminated. On November 1, 2005, the Company sent a notice of default to Tristar. To date in 2005, the Company has not recognized any revenue from Tristar, therefore no bad debt expense will be incurred related to this default.

Table of Contents

CLEARANT, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(in thousands, except for share and per share data)
(Unaudited)

NOTE 7 SUBSEQUENT EVENTS (Continued)

On November 9, 2005 the Company closed a private placement of 3,774,465 shares of its common stock and warrants to purchase 1,698,509 additional shares of common stock for an aggregate purchase price of approximately $12,000, or a unit price of $3.18. Each warrant is exercisable for one share of common stock at an exercise price of $4.96 per share. To date we have received approximately $11,709, which is net of legal costs of $294. In addition, the Company granted a warrant to purchase 164,189 shares of common stock at an exercise price of $4.96 per share to the placement agent.

Table of Contents

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and the other financial information included in this report.

Forward-Looking Statements

The forward-looking comments contained in this report involve risks and uncertainties. Our actual results may differ materially from those discussed here due to factors such as, among others, limited operating history, difficulty in developing, exploiting and protecting proprietary technologies, intense competition and substantial regulation in the healthcare industry. Additional factors that could cause or contribute to such differences can be found in the following discussion and in the Risks Factors set forth in Item 5 of our Quarterly Report for the quarter ended June 30, 2005.

Overview

We acquire, develop and market our pathogen inactivation technology, the *Clearant Process* ® , to producers of biological products such as:

- Tissue allograft implants
- Recombinant products
- Plasma therapeutics
- Blood and blood-related products

The Merger

We were incorporated in the state of Nevada on March 31, 2003. On March 31, 2005, we sold substantially all of our operating assets and liabilities to three majority stockholders, and changed our name from Bliss Essentials Corp. to Clearant, Inc. We entered into a reverse triangular merger with Clearant, Inc., which was incorporated in the state of California on April 30, 1999, and reincorporated in Delaware on March 31, 2005, and is now Clearant Licensing, Inc., our wholly-owned subsidiary through whom we conduct our business operations. Because Clearant was the sole operating company at the time of the merger, the transaction was accounted for as a reverse acquisition, with Clearant deemed the acquirer for accounting purposes. On June 30, 2005, we reincorporated from Nevada to Delaware.

Our Business

We develop and market a proprietary pathogen inactivation technology that reduces the risk of contamination to biological products by inactivating a broad range of pathogens. The *Clearant Process* ® is based on exposing a biological product to gamma-irradiation under specialized, proprietary or patented conditions that deliver a predetermined amount of radiation to inactivate a desired level of pathogens, thereby reducing the risk of contamination, while preserving the functionality and integrity of the treated product. The *Clearant Process* ® is designed to:

- Inactivate a broad range of known pathogens irrespective of size, origin or structure;
- Achieve sterility, in some cases with margins of safety greater than four to thirteen logs of pathogen reduction;
- Be used in both intermediate and final stages of production;
- Protect the mechanical and biological properties of the tissue being treated; and
- Be applied to a product after it has been sealed into its final package.

The *Clearant Process* ® is designed to be effective against a wider spectrum of pathogens than many competing sterilization technologies, including the inactivation of bacteria, fungi, spores and lipid-enveloped and non-enveloped viruses. We believe the *Clearant Process* ® will enable our customers, who offer a wide variety of biological products, to meet the medical need for safer biological products and to satisfy current and future product safety guidelines. We

1

believe the *Clearant Process* ® is a cost-effective technology applicable across multiple market segments, with minimal capital requirements to implement.

The *Clearant Process* ® does not require the use of toxic chemicals. The advantage of gamma irradiation over currently available pathogen reduction technologies is that it is inherently reliable, predictable, non-toxic, penetrating, and scalable for a wide variety of products. Traditional uses of gamma irradiation have been proven to be among the best methods for inactivating pathogens that contaminate medical devices and instruments. However, prior to the development of the *Clearant Process* ® , it was not possible to apply gamma radiation on biological products because the necessary high levels of gamma irradiation also damaged the active proteins present in the biological products, compromising its integrity and functionality.

Our initial area of focus is the application of the *Clearant Process* ® on devitalized human tissue implants used in surgical procedures. We are also focusing on the application of the *Clearant Process* ® on in-process intermediates used in the production of recombinant protein products (e.g., serum) and biotechnology recombinant protein products (including biotherapeutics, diagnostics and vaccines). We believe that the devitalized human tissue market represents a source of near-term product revenue, while the protein-based pharmaceuticals markets present an intermediate to longer-term opportunity.

We have signed six licensing agreements with devitalized human tissue banks, and one with a manufacturer of recombinant protein products, in return for milestone payments and royalties on end-product sales. To date in 2005, four licensees have launched devitalized human tissue products that were treated using the *Clearant Process* ® . *Clearant Process* ® -treated allografts produced by our licensees have been implanted by doctors in more than 4,000 patients since January 2004. Additionally, in September 2005, we launched a new sterilization service which allows tissue banks to send pre-treated tissue to our facility in Chicago to be irradiated under *Clearant Process* ® conditions by us. To date in 2005, we have signed two such sterilization service agreements. Finally, we continue to work with various other companies at different stages of development with the anticipation that these companies incorporate the *Clearant Process* ® into their manufacturing process.

Results of Operations

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004

Revenues

Revenues from licensing activities increased 130% to $62,000 in the quarter ended September 30, 2005, from $27,000 in the quarter ended September 30, 2004, as a result of increased sales of human tissue treated with the *Clearant Process* ® . We expect licensing revenue to continue to increase as market acceptance of the *Clearant Process* ® becomes greater. We also anticipate beginning to receive revenue from our sterilization service. Revenues from contract research and grants decreased 62% to $92,000 in the quarter ended September 30, 2005, from $242,000 in the same quarter last year. The decrease is primarily related to non-recurring milestones reached during the three months ended September 30, 2004. We expect contract research and grant revenue to continue to decrease as our customers move towards licensing activities and sterilization services.

Sales, General and Administrative Expenses

Sales, general and administrative expenses decreased to $2,294,000 for the quarter ended September 30, 2005, from $2,304,000 for the quarter ended September 30, 2004. The decrease was principally due to decreased expenses of approximately $19,000 associated with outside legal and accounting expenses as compared to the same period last year. We expect our sales, general and administrative expenses to increase gradually as we increase our efforts in the commercialization of the *Clearant Process* ® through an increase in the sales force and market coverage.

Research and Development Expenses

Research and development expenses decreased 64% to $465,000 for the quarter ended September 30, 2005, from $1,282,000 for the quarter ended September 30, 2004. This decrease was largely a result of reduced research and development personnel-related costs during the quarter compared to the same period in 2004. Throughout the latter part

Table of Contents

of 2004 and during the first quarter of 2005, we reduced our R&D personnel and related expenses as the principal research and development required to support the *Clearant Process* ® in the tissue market was substantially complete. We anticipate we will continue to incur research and development costs, primarily for non-tissue products, but at a reduced rate, as a significant amount of R&D for tissue has been completed.

Stock-based Compensation

We incurred $51,000 in stock-based compensation for the three months ended September 30, 2005, related to common stock and options granted to non-employees compared to $13,000 for non-employee stock options for the three months ended September 30, 2004. This increase was due to the issuance of common stock and options to outside consultants for services rendered during the period. From time to time, we may issue common stock to consultants for services rendered.

Net Interest Expense

Net interest expense decreased to $0 for the quarter ended September 30, 2005, compared to net interest expense of $98,000 for the quarter ended September 30, 2004. This decrease was primarily the result of the repayment or conversion of bridge loans to common stock in connection with the March 31, 2005 merger.

Preferred Stock Dividend and Financing Costs

Preferred stock dividend and financing costs decreased to $0 from $413,000 for the quarters ended September 30, 2005 and 2004, respectively. The decrease was principally due to the exchange of 1.5 million shares of common stock to preferred stockholders of Clearant in order to consummate the March 31, 2005 merger. As of September 30, 2005, there was no outstanding preferred stock.

Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004

Revenues

Revenues from licensing activities increased 105% to $154,000 in the nine months ended September 30, 2005, from $75,000 in the nine months ended September 30, 2004, as a result of increased sales of human tissue treated with the *Clearant Process* ® . We expect licensing revenue to continue to increase as market acceptance of the *Clearant Process* ® becomes greater. We also anticipate beginning to receive revenue from our sterilization service. Revenues from contract research and grants declined 51% to $298,000 in the nine months ended September 30, 2005, from $614,000 in the same nine months last year. This decline largely resulted from a non-recurring $250,000 milestone payment from a single customer in the nine months ended September 30, 2004. We expect contract research and grant revenue to continue to decrease as our customers move towards licensing activities and sterilization services.

Sales, General and Administrative Expenses

Sales, general and administrative expenses decreased 13% to $5,839,000 for the nine months ended September 30, 2005, from $6,699,000 for the nine months ended September 30, 2004. The decrease was principally due to decreased expenses of approximately $794,000 associated with outside legal and marketing expenses and $62,000 associated with salary related expenses as compared to the same period last year. We expect our sales, general and administrative expenses to increase gradually as we increase our efforts in the commercialization of the *Clearant Process* ® through an increase in the sales force and market coverage.

Research and Development Expenses

Research and development expenses decreased 57% to $1,727,000 for the nine months ended September 30, 2005, from $3,996,000 for the nine months ended September 30, 2004. This decrease was largely a result of reduced research and development personnel-related costs during the nine months compared to the same period in 2004. Throughout the latter part of 2004 and during the first quarter of 2005, we reduced our R&D personnel and related expenses as the principal research and development required to support the *Clearant Process* ® in the tissue market was substantially complete. We anticipate we will continue to incur research and development costs, primarily for non-tissue products, but at a reduced rate, as a significant amount of R&D for tissue has been completed.

Stock-based Compensation

We incurred $503,000 in stock-based compensation for the nine months ended September 30, 2005, related to common stock and options granted to non-employees compared to $79,000 for non-employee stock options for the nine months ended September 30, 2004. This increase was due to the issuance of common stock and options to outside consultants for services rendered during the period. From time to time, we may issue common stock to consultants for services rendered.

Net Interest Expense

Net interest expense increased to $1,786,000 for the nine months ended September 30, 2005, compared to net interest expense of $174,000 for the nine months ended September 30, 2004. This increase was primarily the result of increased interest expense associated with bridge loan borrowing from April 2004 through March 31, 2005.

Preferred Stock Dividend and Financing Costs

Preferred stock dividend and financing costs increased to $2,161,000 for the nine months ended September 30, 2005, compared to $1,215,000 for the nine months ended September 30, 2004, respectively. The increase was principally due to a $2,100,000 deemed preferred dividend as a result of our exchanging 1.5 million shares of common stock to preferred stockholders of Clearant in order to consummate the March 31, 2005 merger, partially offset by 2004 preferred dividends in the amount of $1,203,000. As of September 30, 2005, there was no outstanding preferred stock.

Liquidity and Capital Resources

Net cash used in operating activities was $8,848,000 for the nine months ended September 30, 2005, compared to $7,552,000 for the nine months ended September 30, 2004. During the nine months ended September 30, 2005, cash used by operations resulted in a $7,950,000 net loss and a $2,364,000 decrease in accounts payable and accrued liabilities, primarily employee related. Significant non-cash adjustments to operating activities for the nine months ended September 30, 2005, included depreciation and amortization expense of $380,000, non-cash charges of $503,000 for stock-based compensation, a non-cash gain on extinguishment of debt of $1,290,000, and non cash interest expense of $1,786,000.

Our net cash used in investing activities was $164,000 for the nine months ended September 30, 2005 compared to net cash provided by investing activities of $2,984,000 for the nine months ended September 30, 2004. Our investing activities consist primarily of intellectual property expenditures and investment purchases and proceeds from marketable securities. Compared to the first nine months of 2004, there were no marketable securities purchases or disposals during the nine months ended September 30, 2005.

We have financed our operations since inception primarily through the sale of shares of our stock and convertible notes. Our net cash provided by financing activities was $10,931,000 for the nine months ended September 30, 2005, compared to net cash provided by financing activities of $5,993,000 for the nine months ended September 30, 2004. Cash provided by financing activities for the nine months ended September 30, 2005 consisted of $11,266,000 in net proceeds from issuance of convertible notes and sales of common stock, primarily in connection with the merger, leaving a balance of approximately $2,083,000 in cash and cash equivalents at September 30, 2005.

We have been unprofitable since our inception and we expect to incur additional operating losses for at least the next twelve months as we incur expenditures on sale and marketing, commercial operations, research and development. Our activities to date are not as broad in depth or scope as the activities we may undertake in the future, and our historical operations and financial information are not necessarily indicative of our future operating results or financial condition or ability to operate profitably as a commercial enterprise.

Our future capital requirements will depend upon many factors, including progress with marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims and other proprietary rights, the necessity of, and time and costs involved in obtaining, regulatory approvals, competing technological and market developments, and our ability to establish collaborative arrangements, effective commercialization, marketing activities and other arrangements. We expect to continue to incur negative cash flows and net losses for at least the next twelve months.

In November 2005, the Company closed a private placement of approximately $12 million in gross proceeds through the sale of common stock and warrants to purchase shares of common stock. Based upon our current plans, we believe that our existing capital resources will be sufficient to meet our operating expenses and capital requirements for at least the next twelve months. However, changes in our business strategy, technology development or marketing plans or other events affecting our operating plans and expenses may result in the expenditure of existing cash before that time. If this occurs, our ability to meet our cash obligations as they become due and payable will depend on our ability to sell securities, borrow funds or some combination thereof. We may not be successful in raising necessary funds on acceptable terms, or at all.

We may seek to raise additional funding through public or private financing or through collaborative arrangements with strategic partners. We may also seek to raise additional capital through public or private placement of shares of equity securities, in order to increase the amount of our cash reserves on hand.

Contractual Obligations and Commercial Commitments

We lease facilities and equipment under noncancelable operating leases with various expirations through 2007. The future minimum lease payments under these leases and other contractual obligations as of September 30, 2005 are as follows ($ in 000 s):

Contractual Obligations	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Operating lease obligations	$ 655	$ 560	$ 95		
	$ 655	$ 560	$ 95		

Off-Balance Sheet Arrangements

Except for operating lease commitments disclosed above, as of September 30, 2005, we had no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Generally accepted accounting principles require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. We base our estimates on experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that may not be readily apparent from other sources. Our actual results may differ from those estimates.

We consider our critical accounting policies to be those that involve significant uncertainties, require judgments or estimates that are more difficult for management to determine or that may produce materially different results when using different assumptions. We consider the following accounting policies to be critical:

Revenue Recognition and Deferred Revenue

We recognize revenue in accordance with the provisions of Staff Accounting Bulletin No. 104, "*Revenue Recognition* (SAB 104). Our revenue sources are licensing fees, performance milestones and contract research activities, with additional revenues generated from government grants.

We license the Clearant Process ® to third parties who intend to incorporate our technology into their product and manufacturing processes. Customers may require contract research or commercial scale-up activities to support and validate the commercial applicability and eventual licensing of the Clearant Process ® . We recognize licensing revenue

5

Table of Contents

when a customer sells products incorporating the Clearant Process ® . Revenue related to a performance milestone is recognized upon customer acceptance of the achievement of that milestone, as defined in the respective agreements and ability to pay. Revenue related to contract research activities is recognized on a percentage-of-completion basis, provided the customer has the ability to pay. In the event cash is received in advance of services performed, we will defer the related revenue recognition until the underlying performance milestone is achieved or the contract research activities commence. In the event advance cash payments are not attributable to any performance milestone or contract research activity, we will recognize the underlying amounts into revenue on a straight-line basis over the term of the underlying agreement or up to a maximum of fifteen years.

Identifiable Intangibles

Certain costs associated with obtaining and licensing patents and trademarks are capitalized as incurred and are amortized on a straight-line basis over the shorter of their estimated useful lives or their legal lives of 17 to 20 years. Amortization of such costs begins once the patent or trademark has been issued. We evaluate the recoverability of our patent costs and trademarks quarterly based on estimated undiscounted future cash flows.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-Based Payment* (SFAS 123R). The statement requires all entities to recognize compensation expense in an amount equal to the fair value of share-based payments granted to employees. The statement eliminates the alternative method of accounting for employee share-based payments previously available under Accounting Principles Board (APB) Opinion No. 25 (APB 25) and SFAS 123R. The statement is effective for the Company beginning in the quarter ended September 30, 2005. In April 2005, the Securities and Exchange Commission amended the compliance dates to allow companies to implement SFAS 123R at the beginning of fiscal 2006. We are currently evaluating the provisions of SFAS 123R and its effect on our financial statements. We expect the effect of adopting this statement will be to increase the amounts reported as stock-based compensation expense in the future.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets (SFAS 153), an amendment to APB Opinion No. 29, Accounting for Nonmonetary Transactions (APB 29). SFAS 153 eliminates certain differences in the guidance in APB 29 as compared to the guidance contained in standards issued by the International Accounting Standards Board. The amendment to APB 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. We do not expect adoption of SFAS 153 to have a material impact on our financial statements.

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which clarifies the meaning of the term *conditional asset retirement obligation* as used in SFAS 143, *Accounting for Asset Retirement Obligations* (SFAS 143) and clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. This interpretation is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005 for calendar-year companies). Retrospective application of interim financial information is permitted but is not required. We do not expect adoption of FIN 47 to have a material impact on our financial statements.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections* (SFAS 154) an amendment to APB Opinion No. 20, *Accounting Changes* (APB 20), and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements* (SFAS 3) though SFAS 154 carries forward the guidance in APB 20 and SFAS 3 with respect to accounting for changes in estimates, changes in reporting entity, and the correction of errors. SFAS 154 establishes new standards on accounting for changes in accounting principles, whereby all such changes must be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005, with early adoption permitted for changes and corrections made in years beginning after May 2005. We do not currently anticipate making accounting changes other than those mandated by the adoption of new accounting pronouncements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Historically, we have invested our cash in short term commercial paper, certificates of deposit, money market accounts and marketable securities. We consider any liquid investment with an original maturity of three months or less when purchased to be cash equivalents. We classify investments with maturity dates greater than three months when purchased as marketable securities, which have readily determined fair values as available-for-sale securities. We adhere to an investment policy which requires that all investments be investment grade quality and no more than ten percent of our portfolio may be invested in any one security or with one institution.

At September 30, 2005, we had no investments that would create market risk. It is our intention to invest in highly liquid, high grade commercial paper, variable rate securities and certificates of deposit. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities with shorter maturities may produce less income if interest rates fall. The market risk associated with our investments in debt securities is substantially mitigated by the frequent turnover of the portfolio.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our system of disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation our Chief Executive Officer and our Chief Financial Officer have determined that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in this report.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, our internal control over financial reporting.

Since our public float at the end of our third quarter of fiscal year 2005 is greater than $75 million, we will be required to comply with section 404 of the Sarbanes-Oxley Act (section 404) by the end of fiscal year 2005. In the second quarter of fiscal 2005, we began implementation of our project to document and test our internal control procedures in order to satisfy the requirements of section 404. We have engaged a third party consulting firm to assist us in this effort. We are currently in the documentation phase of the project. We have not yet identified any deficiencies in internal control that would constitute a material weakness and there have not yet been significant changes in our internal control over financial reporting as a result of our documentation efforts. However, as we complete the documentation and testing of internal controls there may be changes to our internal control structure in order to comply with section 404.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, we are not currently involved in any legal proceeding that we believe would have a material adverse effect on our business, financial condition or operating results.

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

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Securities Holders

None.

ITEM 5. Other Information

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, plans and objectives of management, markets for stock of Clearant and other matters. Statements in this report that are not historical facts are forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act. Such forward-looking statements, including, without limitation, those relating to the future business prospects, revenues and income of Clearant, wherever they occur, are necessarily estimates reflecting the best judgment of the senior management of Clearant on the date on which they were made, or if no date is stated, as of the date of this report. These forward-looking statements are subject to risks, uncertainties and assumptions, including those described in the Risk Factors described below, that may affect the operations, performance, development and results of our business. Because the factors discussed in this report could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any such forward-looking statements. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should understand that the following important factors, in addition to those discussed above and in the Risk Factors could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements:

- general economic conditions,
- the effectiveness of our planned advertising, marketing and promotional campaigns,
- physician and patient acceptance of our products and services, including newly introduced products,
- competition among addiction treatment centers,
- anticipated trends and conditions in the industry in which we operate, including regulatory changes,
- development of new treatment modalities,

Table of Contents

- our future capital needs and our ability to obtain financing, and
- other risks and uncertainties as may be detailed from time to time in our public announcements and filings with the SEC.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason. All subsequent forward-looking statements attributable to the Company or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to herein. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report may not occur.

ITEM 6. Exhibits

(a) Exhibits

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	CLEARANT, INC.
Date: November 14, 2005	By: /s/ ALAIN DELONGCHAMP Alain Delongchamp Chief Executive Officer
Date: November 14, 2005	By: /s/ JON GARFIELD Jon Garfield Chief Financial Officer

10