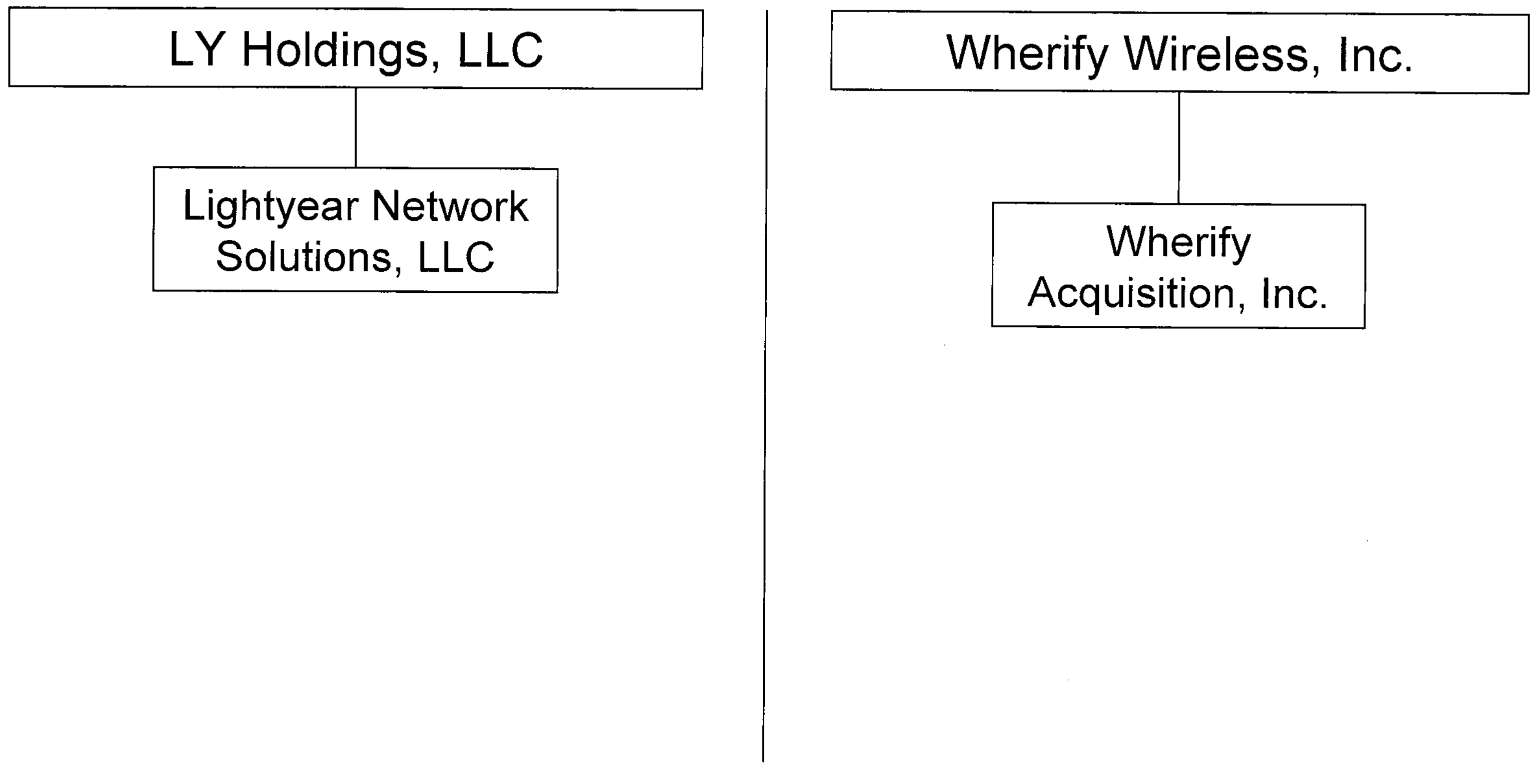
Pre-Transaction Illustrative Organization Chart



Post-Transaction Illustrative Organization Chart

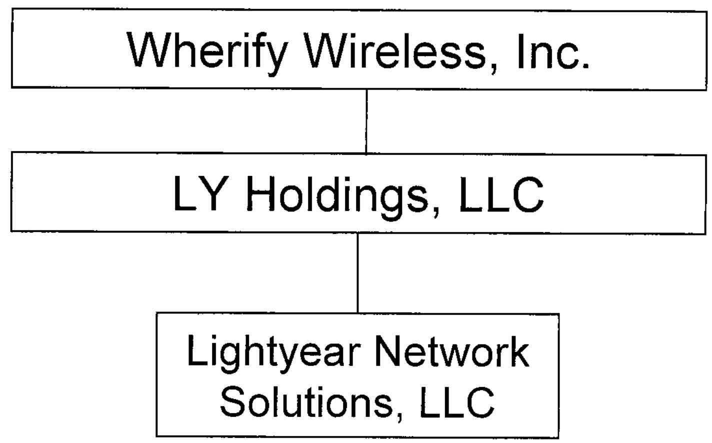


EXHIBIT B

Audited Financial Statements of Wherify Wireless, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Wherify Wireless, Inc.
San Mateo, California

We have audited the accompanying consolidated balance sheet of Wherify Wireless, Inc. as of June 30, 2007 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the two years then ended. These financial statements are the responsibility of Wherify's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wherify as of June 30, 2007 and the results of its operations and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Wherify will continue as a going concern. As discussed in Note 2 to the financial statements, Wherify has suffered recurring losses from operations and has a working capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Malone & Bailey, PC

Malone & Bailey, PC
www.malone-bailey.com
Houston, Texas

October 31, 2007

WHERIFY WIRELESS, INC.
CONSOLIDATED BALANCE SHEET
As of June 30, 2007

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 2,056,580
Restricted cash	9,071
Accounts receivable, net of allowance for bad debt	109,864
Inventory	2,260,991
Prepaid expenses	93,476
Security deposit	336,190
Total current assets	4,866,172
Intangible assets, net of accumulated amortization	15,809
Property and equipment, net of accumulated amortization of $1,439,831	271,550
Other non-current assets	973,024
Total Assets	$ 6,126,555
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities:	
Accounts payable	$ 7,063,554
Accounts payable - related party	3,105,750
Accrued liabilities	3,528,072
Deferred revenues	76,852
Notes payable - related parties	2,000,000
Convertible notes	2,872,665
Fair value of derivatives	3,525,896
Total current liabilities	22,172,789
Commitments and contingencies	-
Stockholders Deficit:	
Preferred stock, $0.01 par value 10,000,000 shares authorized; 7,500 shares issued and outstanding	75
Common stock, $0.01 par value 200,000,000 shares authorized; 75,225,277 shares outstanding	752,253
Additional paid-in capital	136,859,523
Accumulated deficit	(153,658,085)
Total stockholders' deficit	(16,046,234)

Total liabilities and stockholders' deficit	$ 6,126,555

See accompanying notes to consolidated financial statements.

WHERIFY WIRELESS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended June 30, 2007 and 2006

	2007	2006
Revenues	$ 884,710	$ 154,936
Cost of revenues	**390,337**	**18,696**
Gross profit	**494,373**	**136,240**
Operating expenses:		
Goodwill impairment	-	67,530,022
Intangible impairment	-	1,470,492
Engineering and development	127,480	1,546,033
General and administrative	10,824,734	8,620,040
Rent expense	980,101	1,410,294
Amortization and depreciation	2,593,962	888,548
Loss from disposal of fixed assets	21,948	-
Total operating expenses	**14,548,225**	**81,465,429**
Operating Loss	**(14,053,852)**	**(81,329,189)**
Other income (expense):		
Derivative gain (loss)	(833,661)	745,823
Interest and other expense	(2,255,977)	(744,735)
Interest and other income	24,151	69,345
Net loss from continuing operations	**(17,119,339)**	**(81,258,756)**
Loss from operations of discontinued segment	**-**	**(85,860)**
Net loss	**(17,119,339)**	**(81,344,616)**
Less: deemed dividend - beneficial conversion feature	(4,800,000)	-
Net loss attributable to common stock shareholders	$ (21,919,339)	$ (81,344,616)
Basic and diluted net loss per share from continuing operations	$ (0.25)	$ (1.81)
Basic and diluted net loss per share from discontinuing operations	-	(0.00)
Basic and diluted net loss per share attributable to common shareholders	(0.32)	(1.81)
Weighted average number of shares outstanding - basic and diluted	68,057,059	44,927,748

See accompanying notes to consolidated financial statements.

WHERIFY WIRELESS, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
Years Ended June 30, 2007 and 2006

	Preferred Stock		Commo n Sto ck		Additional	Deferred		
	Shares	Par	Shares	Par	Paid-in Capital	Stock-based Comp.	Retained Deficit	To tal
Balances - June 30, 2005	**27,270,09 8**	**48,454,432**	**14,697,913**	**146,979**	**1,877,174**	**(713,592)**	**(55,194,130)**	**(5,429,137)**
Conversion of preferred in connection with Merger	(27,270,098)	(48,454,432)	27,270,098	272,701	48,181,731			-
Issuance of shares in connection with Merger			10,396,883	103,968	69,254,055			69,358,023
Shares issued for exercise of options / warrants			416,961	4,170	404,262			408,432
Shares issued for conversion of debts			50,000	500	224,500			225,000
Shares issued for services			478,687	4,787	846,072			850,859
Shares issued for cash			1,990,971	19,910	3,762,529			3,782,439
Amortization of deferred compensation					(613,088)	713,592		100,504
SFAS123 (R) stock-based compensation expense					654,199			654,199
Net Loss						-	(81,344,616)	(81,344,616)
Balances - June 3 0 , 20 0 6	**-**	**-**	**55,301,513**	**553 ,015**	**124,591,434**	**-**	**(136,538,746)**	**(11,394,297)**
Shares issued for cash - common stock			16,627,420	166,274	3,878,348			4,044,622
Shares issued for cash - preferred stock	7,500	75			5,219,925			5,220,000
Shares issued for services			3,296,344	32,964	657,052			690,016
Option expense					444,627			444,627

Warrant expense					868,137			868,137
Benefical conversion feature					1,200,000			1,200,000
Net Loss							(17,119,339)	(17,119,339)
Balances - June 3 0 , 20 0 7	**7,50 0**	**75**	**75,225,277**	**752 ,253**	**136,859,523**	**-**	**(153,658,085)**	**(16,046,234)**

See accompanying notes to consolidated financial statements

WHERIFY WIRELESS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 20, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities:		
Net loss	$ (17,119,339)	$ (81,344,616)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	8,217	-
Loss on disposition of assets	21,948	-
Depreciation and amortization	2,593,962	1,271,596
Impairment of goodwill and intangible assets	-	69,000,514
Shares issued for services	690,016	1,605,562
Loss (gain) from derivatives	833,661	(745,823)
Option and warrant expenses	571,763	450,769
Changes in operating assets and liabilities:		
Accounts receivable	(107,948)	9,810
Inventory	(2,179,850)	(73,548)
Prepaid expenses and other current assets	(27,286)	9,710
Other assets	(40,000)	(270,169)
Accounts payable	2,142,188	(537,652)
Accrued liabilities	2,534,520	(1,543,675)
Deferred revenues	76,852	-
Net Cash Used in Operating Activities	**(10,001,296)**	**(12,167,522)**
Cash Flows from Investing Activities:		
Proceeds from sales of certificates of deposit	1,268,943	1,171,287
Purchases of property, plant and equipment	(21,412)	(338,003)
Proceeds from disposition of property, plant and equipment	8,000	-
Net Cash Provided by Investing Activities	**1,255,531**	**833,284**
Cash Flows from Financing Activities:		
Proceeds from sale of preferred stock, net of offering costs	5,220,000	-
Proceeds from sale of common stock, net of offering costs	4,044,622	3,782,439
Proceeds from related party notes	175,000	2,000,000
Payments on related party notes	(175,000)	-
Proceeds from convertible debenture, net of offering costs	1,013,000	4,585,000
Proceeds from exercise of warrants and options	-	408,432
Payment on notes payable	-	(125,000)
Net Cash Provided by Financing Activities	**10,277,622**	**10,650,871**
Change in Cash and Cash Equivalents	**1,531,858**	**(683,367)**
Cash and Cash Equivalents - Beginning Period	**524,722**	**1,208,089**
Cash and Cash Equivalents - End of Period	$ 2,056,580	$ 524,722
Supplemental Disclosures:		
Interest expense paid	$ 14,268	$ 112,847

Income taxes paid	-	-
Non-cash Investing and Financing Activities:		
Issuance of common stock for conversion of debt	$ -	$ 225,000
Shares issued related to the Merger	-	69,358,023
Warrants issued to placement agent as offering costs	741,001	-
Discount on preferred stock financing - beneficial conversion feature	4,800,000	-
Disposition of fixed assets	78,462	-

See accompanying notes to consolidated financial statements.

WHERIFY WIRELESS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Nature of Business

Wherify Wireless, Inc is a pioneering developer of patented wireless location products and services for family and communications, and law enforcement and security technology solutions. Our portfolio of intellectual property includes our proprietary integration of the US Government's Global Positioning System (GPS) and wireless communications technologies; our patented back-end location information and lets families with pre-teens, seniors, or those with special medical needs, stay connected and in contact with each other. Our name, Wherify Wireless, reflects our mission and objective: verify the location of loved ones or possessions of value through wireless technology.

Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting under accounting principles generally accepted in the United States. All significant inter-company balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the consolidated financial statements of the prior year have been reclassified to conform to the presentation of the current year for comparative purposes.

Use of Estimates

In accordance with accounting principles generally accepted in the United States of America, management utilizes certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject Wherify to concentration of credit risk consist primarily of trade receivables. In the normal course of business, Wherify provides credit terms to its customers. Accordingly, Wherify performs ongoing credit evaluations of its customers and maintains allowances for possible losses, which, when realized, have been within the range of management's expectations. Wherify maintains cash in bank deposits accounts, which, at times, may exceed federally insured limits. Wherify has not experienced any losses in such accounts and Wherify does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Wherify considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2007, Wherify did not hold any cash equivalents.

Allowance for Doubtful Accounts

Wherify estimates losses for uncollectible trade receivables based on the aging of the accounts receivable and the evaluation of the likelihood of success in collecting the receivable. As of June 30, 2007, Wherify has determined the allowance for doubtful accounts to be $8,217.

Inventories

Inventories are valued at the lower of cost (determined on a first-in, first-out method) or market. Wherify records provisions to write down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between cost of the inventory and its estimated market value based on assumptions about future market demand and market conditions. If future demand or market conditions are less favorable than currently expected additional inventory provisions may be required.

Office Equipment

Office equipment is stated at cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful lives of the respective assets, 3 years for office and computer equipment, 3 to 5 years for test equipment, 7 years for furniture and fixtures, and shorter of the economic lives or the lease terms for leasehold improvements. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and resulting gains and losses are included in other income or loss. Maintenance and repairs are charged to expense.

Long-Lived Intangible Assets

Wherify accounts for long-lived assets under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which requires Wherify to review for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. When such an event occurs, management determines whether there has been impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value, which is determined based on discounted cash flows or appraised value, depending on the nature of the asset.

Long-lived intangible assets consist of acquired customer lists and acquired software and software intellectual property, and development of new software products and enhancements to existing software products. Until technological feasibility is established, costs associated with software development, including costs associated with the acquisition of intellectual property relating to software development is expensed as incurred. After technological feasibility is established computer software costs that are then incurred are capitalized in accordance with the provisions of SFAS No. 86 "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". Amortization of these capitalized costs is provided using the greater of the ratio of revenues generated in the period over total future revenues of the product, or the straight-line method over the estimated market life of the related products, generally three years, commencing when the product becomes generally available to customers. For the *Software Revenue Recognition*. Revenue is recognized when persuasive evidence of a fiscal year ended June 30, 2007, technical feasibility and consumer availability had not yet been established for Wherify's product.

Revenue Recognition

Wherify adopted revenue recognition policies to comply with the guidance of Staff Accounting Bulletin No. 104, *Revenue Recognition*, SAB Topic 13, *Revenue Recognition,* FASB's Emerging Issues Task Force Issue -00-21, *Revenue Arrangements With Multiple Deliverables*, and AICPA Statement of Position 97-2, arrangement exists, the delivery and acceptance of the equipment has occurred or services have been rendered, the price is fixed or determinable, and the collectibility of payment is reasonably assured. The application of this guidance requires management to exercise judgment in evaluating these factors in light of the terms and conditions of its customer contracts and other existing facts and circumstances to determine appropriate revenue recognition. Application of 97-2 requires determining whether a software arrangement includes multiple elements, and if so, whether vendor -specific objective evidence (VSOE) of fair value exists for those elements. Change to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, and changes in a product's estimated life cycle, could materially impact the amount of earned and unearned revenue, Judgment is also required to assess whether future releases of certain software represent new products or upgrades and enhancements to existing products. Applications of EITF 00-21 requires determining whether a revenue arrangements includes multiple revenue-generating activities, such as product sale and services, and if so whether allocation of the arrangement's consideration is required to more than one unit of accounting.

Wherify has two types of revenue: hardware revenue and subscription revenue and consists of shipped customer orders and completed services. Hardware revenue is recognized at the later of shipment date or upon satisfying contractual requirements or obligations under the sales contract, whichever is later. Subscription revenue is recognized at completion of performance. Prior to September 2006, the Company recognized revenues primarily from the sale of FACES software and subscription. Starting in September 2006 recognized revenues are primarily from the sale of wireless location devices and services. Revenues are also offset with a reserve for any price refunds and consumer rebates consistent with the EITF Issue 01-09. *Accounting for Consideration Given by a Vendor to a Customer*, as appropriate.

Hardware sales currently consist principally or revenues from the sale of GPS-enabled wireless location devices, primarily Wherify's handsets plus accessories to new subscribers and to agents and other third-party distributors. The revenue and related expenses associated with the sale of wireless handsets and accessories through our indirect sales channels are recognized when the products from the sales channels are recognized when the products are delivered and accepted by the agent or third party distributor, as this is considered to be a separate earnings process from the sale of wireless services and the probability of collection is likely. Shipping and handling costs for wireless handsets sold to agents and to other third-party distributors are classified a s costs of equipment sales.

Subscription revenues are earned by providing to Wherify's wireless GPS-enable location services network (activation revenue) and for usage of its wireless telecommunications system enhanced GPS-enabled locates (airtime revenue). Activation revenue from postpaid subscribers is billed either in advance or arrears and recognized ratably over the service period. Airtime revenue, including locates, call time, roaming revenue and long-distance revenue, is billed in arrears based on minutes of use and is recognized when the service is rendered. Prepaid airtime sold to subscribers and revenue collected from pay-in advance subscribers is recorded as deferred revenue prior to the commencement of services, and revenue is recognized when airtime is used or expires. Activation and airtime services provided are billed throughout the month according to the bill cycle in which a particular subscriber is placed. As a result of bill cycle cut-off times, Wherify is required to make estimates for service revenues earned but not yet billed at the end of each month, and or advanced billings. Estimates for activation revenues are based upon the most current bill cycle revenues. Estimates for airtime revenues are based upon historical minutes of use.

Wherify launched its North American wireless location services in October 2006. Wherify's North American subscribers' rate plan include a feature whereby a subscriber's monthly usage is automatically charged at the most advantageous rate plan then in effect for the minutes used. For prepaid plans, Wherify defers revenue based on an estimate of the portion of unused minutes expected to be utilized prior to expiration. As Wherify lacks historical subscriber usage patterns for its specialized services, Wherify must apply judgment to estimate the number of unused minutes to be utilized, as well as those which are likely to expire or be forfeited. No deferral of revenue is recorded for the minutes expected to expire or to be forfeited, as no future performance is expected to be required by Wherify, nor is there any obligation to refund or redeem for the value expired minutes. The balance of the deferred phone sales and activation fees as of June 30, 2007 and 2006 was $169,000 and $76,852 respectively, and has been included in deferred revenue in the consolidated balance sheets. When available, revenues for enhanced services and optional features would be recognized as earned. Service revenues also include billings to our subscribers for Universal Service fund (USF) and other regulatory fees.

Wherify has determined that the sale of wireless services through its direct sales channels with an accompanying handset constitutes a revenue arrangement with multiple deliverables in accordance with EITF No.00-21, *Accounting for Revenue Arrangements With Multiple Deliverables*. Wherify accounts for these arrangements as separate units of accounting, including the wireless service and handset. Arrangement consideration received for the handset is recognized as equipment sales when the handset is delivered and accepted by the subscriber. Arrangement consideration received for the wireless service is recognized a service revenues when earned. As the non-refundable, up-front activation fee charged to the subscriber does not meet the criteria as a separate unit of accounting, Wherify allocates the additional arrangement consideration received from the activation fee to the handset (then delivered item) to the extent that the aggregate handset and activation fee proceeds do not exceed the fair value of the handset. Any activation fees not allocated to the handset would be deferred upon activation and recognized as service revenue on a straight-line basis over the expected customer relationship period. Wherify determined that the sale of wireless services through direct channels (agents) does not constitute a revenue arrangement with multiple deliverables. For indirect channel sales, Wherify continues to defer non-refundable, up-front activation fees and costs to the extent of the related revenues in accordance with SAB No. 104, *Revenue Recognition*. These deferred fees and costs are amortized on a straight-line basis over the estimated customer relationship period, the contract period.

Income Taxes

Wherify uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Wherify records a valuation allowance to reduce the deferred tax assets to the amount that is more likely than not to be realized.

Loss Per Common Share

Basic net loss per common share is computed using the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For fiscal 2007 and 2006, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Stock Based Compensation

Prior to January 1, 2006, Wherify accounted for stock based compensation under Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation. As permitted under this standard, compensation cost was recognized using the intrinsic value method described in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Effective January 1, 2006, Wherify has adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment and applied the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107 using the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. As a result of the adoption of FAS 123R, stock-based compensation expense recognized during the six months ended June 30, 2006 includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant date fair vale estimated in accordance with the provisions of FAS 123R.. See Note 15 for Wherify's option activities during the years ended June 30, 2007 and 2006.

Derivative Financial Instruments

Wherify does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. Wherify evaluates all of it financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For option-based derivative financial instruments, Wherify uses the Black-Scholes Option-pricing Model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Recently Issued Accounting Pronouncements

Wherify does not expect the adoption of any recently issued accounting pronouncements to have a significant impact on Wherify's results of operations, financial position or cash flows.

Note 2 - Going Concern

Wherify’s financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business for the foreseeable future. Since inception, Wherify has accumulated losses aggregating to $153,658,085 and has insufficient working capital to meet operating needs for the next twelve months as of June 30, 2007, all of which raise substantial doubt about Wherify’s ability to continue as a going concern.

Management’s plans for Wherify’s continued existence include selling additional stock or borrowing additional funds to pay overhead expenses while proceeding with its current business plan to launch and market its new GPS enabled wireless location products.

Wherify’s future success is dependent upon its ability to achieve profitable operations, generate cash from operating activities and obtain additional financing. There is no assurance that Wherify will be able to generate sufficient cash from operations, sell additional shares of common stock or borrow additional funds.

Wherify’s inability to obtain additional cash could have a material adverse effect on its financial position, results of operations and its ability to continue in existence. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 - Business Combinations

On July 21, 2005, Wherify Acquisition, Inc. merged with Wherify Wireless California, Inc. (“Wherify California”). Pursuant to the terms of the Agreement and Plan of Merger, Wherify issued 41,893,797 shares of common stock in exchange for all of the outstanding common and preferred shares of Wherify California.

For accounting purposes, the merger has been treated as reverse acquisition of Wherify by Wherify California. Accordingly, the financial results presented for all periods prior to the merger date are those of Wherify California. Wherify California equity structure has been restated to adopt the equity structure of Wherify. As such, historic share amounts have been revised to reflect the impact of the merger share exchange ratio (4.8021 shares of Wherify common stock for each share of Wherify California common stock). As of the merger date, the financial statements include the combined operating results, assets and liabilities of Wherify and Wherify California. The former business operations of Wherify, consisting primarily of the sale of FACES software and related services to law enforcement agencies and security industry, is not expected to constitute a significant part of the ongoing business of the combined company.

The aggregate purchase price of the business combination was $70,213,189, which was calculated by multiplying the total outstanding shares of Wherify of 12,339,750 shares (including shares issuable pursuant to outstanding warrant and option contracts) by the closing price on the date of the merger of $5.69.

The following table summarizes the estimated fair values of the assets of Wherify California acquired and the liabilities that it assumed from Wherify on the date of the acquisition.

Current assets	$ 1,131,654
Fixed assets	1,968
Goodwill	67,530,022
Intangible assets	2,193,000
Total assets acquired	70,856,644
Accounts payable	(383,266)
Accrued expense	(60,189)
Convertible debt	(200,000)
Total liabilities assumed	(643,455)
Net assets acquired	$ 70,213,189

The intangible assets of $2,193,000 relate primarily to customer lists, which will be amortized on a straight-line basis over their estimated useful life of 3 years. None of the amount allocated to goodwill is expected to be deductible for tax purposes.

See Note 5 and Note 6 for the impairment of Goodwill and Intangible, respectively.

Note 4 - Inventory

At June 30, 2007, inventory consists of:

Raw material	$ 160,424
Work in process	1,200,000
Finished goods	900,567
Total	$ 2,260,991

Note 5 - Goodwill

Wherify periodically reviews its goodwill, as acquired as a result of the merger with Wherify Acquisition, Inc. With Wherify California in July 2005 for impairment and in accordance with the SFAS No. 142 “Goodwill and Other Intangible Assets” annually tests its goodwill for impairment. If the estimated fair value of the reporting unit is deemed to be less than the carrying value of the reporting unit’s met assets, the difference is recorded in the Statement of Operations as an expense. For purposes of evaluating Wherify’s Goodwill, the operating unit is defined as Wherify’s Government Services division.

With the assistance of a third party, during the first quarter of fiscal 2006, Wherify concluded that the implicit fair market value of the goodwill was $3,222,000 as of September 2005. Therefore, an impairment of $64,308,022 was recorded during the quarter ended September 2005. When estimating the fair market value, Wherify used an income approach that was based on pro-forma financial projections for fiscal years 2006 through 2007, discounted at a rate of 29.2%, the calculations of the projections and the discount rate includes numerous assumptions made by management. If actual results of operations are worse than projected of Wherify's market outlook changes, Wherify could have additional impairments of goodwill and identified intangible assets in future periods, which, in turn, could have a material adverse effect on Wherify's results of operations. As of June 30, 2006, Wherify determined that the carrying value of goodwill has become fully impaired. As a result of this assessment, management has written off the full carrying value of goodwill based on numerous factors, including the lack of pro-forma projected sale to date and the uncertainty of future performance over the remaining period of the updated pro forma financial projections for the fiscal year 2007, discounted at a rate of 54.6 % after taking into consideration, among other factors, that volatility of Wherify's common stock and Wherify's recent market capitalization.

Note 6 - Long- Lived Intangibles

Wherify's net intangibles balance at June 30, 2007 represented certain items, primarily software that was acquired as a part of the merger of Wherify Acquisition, Inc. with Wherify California as of July 21, 2005 and these intangible assets were deemed to have definitive lives and were amortized suing the straight-line method over three years, their estimated useful lives resulting in the amortization of $15,000 during the fiscal year 2007.

The following summarizes intangible assets at June 30, 2007:

Balances at June 30, 2006	$	30,809
Amortization for the year		(15,000)
Balances at June 30, 2007	$	15,809

Note 7 - Other Non-Current Assets

Other non-current assets represents capitalized financing costs incurred related to several of our debt financings that have been completed as of June 30, 2007. Financing costs are primarily due to legal, financial and auditor services incurred in negotiating the agreements and the work involved in filing the registration statements with the SEC. The financing cost is amortized over the life of the notes using a method that approximates the effective interest rate method.

Note 8 - Accounts Payable - Related Party

As of June 30, 2007, Wherify carries a liability relating to unpaid rent to its prior landlord, who is a related party, totaling approximately $3.1 million. Wherify worked out an arrangement with its prior landlord pursuant to which Wherify has begun paying back-rent as well as paying certain back-due expenses covered by the prior landlord. Under the agreement, upon achieving adequate financing, Wherify is required to settle its debt with the prior landlord.

Note 9 - Accrued Liabilities

Accrued liabilities consist of the following at June 30, 2007:

Legal fees	$	137,080
Interest on loans		1,035,916
Suppliers invoices		1,883,106
Payroll, accrued vacation and payroll related expense		297,883
Other accrued expenses		174,087
Total	$	3,528,072

Note 10 - Notes Payable - Related Parties

During February 2006, Wherify borrowed $1,000,000 from a related party to finance ongoing operating costs. The unsecured loan carries an interest rate of 7.5% per annum and is payable upon demand any time after August 22, 2006. On June 16, 2006, Wherify borrowed an additional $1,000,000 from this related party and issued a promissory note pursuant to which Wherify agreed to pay interest on the outstanding principal amount at a rate of 15% per annum and to repay the outstanding principal and all accrued and unpaid interest on demand.

Note 11 - Notes Payable

Wherify has financed its operations through private offerings of its common stock, issuance of debt and private borrowings.

On February 22, 2006, Wherify borrowed $1.0 million from Stephen J. Luczo and issued to Mr. Luczo a promissory note that is repayable on demand at any time after August 22, 2006.

Between March 10, 2006 and March 14, 2006, Wherify borrowed $4.6 million (after deduction of fees) from the issuance of convertible debentures to Cornell Capital Partners, and on November 1, 2006, Wherify entered into an agreement that will allow for the complete buy-out of this debenture obligation to Cornell and the cancellation of all but 5 million warrants under these agreements if the buy-out terms are completed by January 31, 2007, as amended. On February 2, 2007, Wherify announced a revision to the Cornell agreement wherein certain amendments extending and modifying the terms of the convertible debentures, including the cancellation of all but 7 million warrants.

On March 10, 2006, Wherify entered into a Standby Equity Distribution Agreement with Cornell Capital Partners pursuant to which we may periodically issue and sell to Cornell Capital Partners shares of common stock for up to a total purchase price of $40 million during the period commencing on the effectiveness of the registration statement registering such shares and terminating 24 months thereafter. In late 2006, the registration statement became effective and approximately 16.6 million shares had been sold raising approximately $4.2 million.

On June 16, 2006, Wherify borrowed an additional $1.0 million from Stephen J. Luczo, originally due on September 16, 2006, and which repayment date has been extended by both parties.

On February 22, 2007, Wherify borrowed $1,200,000 under a 10% senior convertible promissory note This note is due on February 15, 2008, or earlier in the event by Wherify of a merger, business combination, or sale of substantially all its assets. This Note is convertible into common stock at $0.10 per share, or into certain preferred stock in connection with the option described below. Wherify also issued 3,000,000 five year warrants to the note holder and another 3,000,000 five-year warrants to the placement agent at an exercise price of $0.10 per share. After the placement agent commission of $120,000 and other placement expenses, Wherify received net cash proceeds of approximately $1,000,000. As of June 30, 2007, $45,309 of these financing costs is being amortized over the expected term of the note using the effective interest method.

Wherify determined that the conversion feature of the note and the warrants issued were not derivative instruments pursuant to SFAS No. 133, Accounting for Derivatives, as amended. Under the provisions of EITF Issue 98-5, Wherify estimated that fair value of the beneficial conversion feature and warrants at the issuances of the notes using Black-Scholes option pricing model to exceed the principal vale of the note. The resulting discount of $1,200,000 is being amortized over the life of the notes using the effective interest method. The amortized amount in the twelve period is $58,590.

Wherify issued to the note holder an option to purchase up to $7,500,000 stated value of Series A Convertible Preferred Stock., exercisable at a 20% discount price to the face amount of the Preferred Stock by either full or partial exercise. The note holder exercised this option and Wherify received $6 million gross proceeds form this transaction. See Note 14 Preferred Stock for details.

Note 12 - Convertible Debentures and Derivative Liability

In March 2006, Wherify borrowed $5,000,000 under secured convertible debentures and warrants. The secured convertible debentures face value is $5,000,000 and are convertible into 3,571,428 shares of Wherify's common stock, based upon initial conversion of $1.40 per share, which is subject to anti-dilution adjustments. The warrants are exercisable for 1,250,000 shares of Wherify's common stock over three-year period with an initial exercise price of $2.00 per share and another 1,250,000 shares at $2.25 per share. The exercise prices of the warrants are subject to anti-dilution adjustments. Wherify agreed to register the resale of the shares of common stock registration rights agreement contains a liquidated damages provision that has been determined to be uneconomic. On August 8, 2006, Wherify priced its direct offering of common stock at $0.25 per share. As a result, the conversion price of the above outstanding, convertible debentures and the exercise price of the above warrants issued in March 2006 have been adjusted. Based on the offering price of the $0.25 per share, the debentures would be convertible into up to 20 million shares and the warrants would purchase up to 21. 2 million shares at an exercise price of $0.25 per share.

Wherify has determined that the conversion feature of the secured convertible debentures and the warrants issued with the secured convertible debentures are embedded instruments pursuant to SFAS No. 133. Accounting for Derivative Instruments and Hedging Activities, as amended. Under the provision of the EITF Issue No. 00-19, Accounting for Derivative Financial Instruments indexed to, and Potentially Settled in, a Company's Own Stock, the accounting treatment of these derivative financial instruments requires that Wherify record the derivatives at their fair values as of the inception date of the note agreements and at fair value as of each subsequent balance sheet date as a liability. Any change in fair value recorded is recorded as a non-operating, non-option pricing model. This model requires the use of estimates such as the expected holding period, the expected future volatility of Wherify's common stock and the risk-free interest of return over the holding period. These estimates directly affect the reported amounts of the derivative instrument liabilities. At June 30, 2007, Wherify estimated the fair value of the conversion feature and warrant liability was $3.5 million. The following table summarizes the accounting for the convertible notes as of June 30, 2007.

Convertible debentures due in 2009, 7% per annum	$	4,875,000
Discount on convertible debentures		(2,084,667)
Current maturities on convertible debentures	$	2,790,333

Maturities of the convertible debentures and fair value of derivatives as of June 30, 2007, are as follows:

Fiscal year ended June 30, 2008	$	3,000,000
Fiscal year ended June 30, 2009		1,875,000
Thereafter		-
Total principal payments		4,875,000
Discount on derivatives at current fair value		(1,349,104)
Fair Value of Derivatives	$	3,525,896

The discount on derivatives primarily represents as non-cash fair market value adjustments resulting from the requirements of SFAS No. 133" Accounting for Derivative Instruments and Hedging Activities" wherein management determined that the embedded conversion features in the convertible debentures and the associated warrants meet the derivative requirements for treatment as liability instruments within the meaning of EITF 00-19, as a result are accounted for as derivatives at air value, with changes in fair value recorded in earnings.

Note 13 - Commitment and Contingencies

Operating Lease Obligations

Wherify leases office space under a one year operating sub-lease which began in April 18, 2007, from Sling Media, a Delaware corporation as Sublessor. Wherify was required to pay a $1,000 as processing fee with advance payment for first and last and one additional month of the lease totaling $41,370, deposited with the Sling Media, Inc. Basic rent expense charged to operations for fiscal 2007 and 2006 was $997,529 and $1,410,294 respectively. Additionally, Wherify leases certain data center services facilities commencing March 15, 2005 for a recurring monthly charge of $1,280 for a term of two years.

A future minimum lease payment under the non-cancelable operating lease from July 1, 2007 to April 17, 2008 is $131,924.

Legal Proceedings

Valpak Direct Marketing Systems, Inc. v. Wherify Wireless, Inc.

On August 3, 2007, Valpak Direct Marketing Systems, Inc, a Delaware Corporation, entered a judgment for $127,578 against Wherify Wireless, Inc. a Delaware corporation, in the United States, Superior Court of San Mateo County. This judgment was entered based upon sister-state judgment previously entered in the State of Florida Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida on May 29, 2007.

On July 24, 2007, in the Circuit Court of the Sixth Judicial Circuit in and for Pinellas County, Florida, Civil Division, a final judgment was rendered on July 24, 2007 that plaintiff - Valpak Direct Marketing Systems, Inc., 8605 Largo Lakes Dr. Largo, Florida 33773, shall recover from defendant - Wherify Wireless, Inc. the sum of $116,840 on principal plus $10,199 in prejudgment interest, for a total sum of $127,039 that shall bear interest at the rate of 7% per year. Valpak Direct Marketing Systems declined settlement discussions after July 24, 2007. On September 13, 2007 a writ of execution was issued in the Superior Court of California, San Mateo County for judgment settlement. On September 17, 2007 Valpak Direct Marketing Systems levied the Bank of America lockbox account of Wherify Wireless and received $58,406.

Golin/Harris International, Inc. v. Wherify Wireless, Inc.

On August 20,2007, Golin/Harris International, a Virginia Corporation, filed suit against Wherify Wireless, Inc. a Delaware corporation, in the United States District Court, Los Angeles Superior Court - Central District of California. The complaint sought approximately $193,435 together with court awarded interest thereon for failure by Wherify Wireless, Inc. to pay services rendered by plaintiff. There is a case management conference for November 20, 2007 in this matter. Settlement discussions continue.

CDW Corporation, Inc. v. Wherify Wireless, Inc.

On June 20, 2007, CDW Corporation , Inc, an Illinois Corporation, filed suit against Wherify Wireless, Inc., a Delaware Corporation, in the United States Circuit Court of Cook County Illinois, Municipal Department, First District of Illinois. The complaint sought approximately $26,413 plus interest and costs in accordance with the Illinois Statute for computer hardware sold to Wherify Wireless, Inc. On September 28, 2007 Wherify Wireless and CDW Corporation entered into a negotiated settlement out of court wherein Wherify will pay the settlement amount in monthly installments through September 2008.

Robert Half International v. Wherify Wireless, Inc.

On May 18, 2007, Robert Half International filed suit against Wherify Wireless, Inc. a Delaware Corporation, in the United States Superior Court, State of California, San Mateo County. The Complaint was for money due for services delivered in the amount of $21,250, plus cost of $352. On October 12, 2007, Robert Half International and Wherify reached a settlement and mutual release wherein Wherify will pay Robert Half International the settlement amount in monthly installments through August 15, 2008.

Hirose Electric USA, Inc. v. Wherify Wireless, Inc.

On May 14, 2007, Hirose Electric USA, Inc. a Corporation filed suit against Wherify Wireless, Inc. a Delaware Corporation, in the United States Superior Court, State of California, San Mateo County. The Complaint was for money due for goods sold and delivered in the amount of $62,800, plus interest on said amount at the rate of ten percent (10%) per annum from June 1, 2006; and attorney’s fees in the sum of $1,000 pursuant to the provisions of Section 1717.5. of the Civil Code. The Company is reviewing its option in this matter.

Fixture Hardware Company v. Wherify Wireless, Inc.

On June 19, 2007, Fixture Hardware Company, an Illinois Corporation, filed suit against Wherify Wireless, Inc. a Delaware Corporation, in the United States District Court, Northern District of Illinois, for non-payment by Wherify Wireless Inc. in the amount of $239,188.

On August 8, 2007, at the prove-up hearing, the Court's judgment was entered in favor of the Plaintiff, Fixture Hardware Company in the amount of $239,188. On October 12, 2007, Fixture Hardware Co. and Wherify reached a settlement and mutual release wherein Wherify will pay Furniture Hardware Co. the settlement amount in monthly installments through September, 2008.

Lariviere, et al. v. I.Q. Biometrix, Inc., a Delaware Corporation, et al.

On August 5, 2005, plaintiffs Sylvie Lariviere, Robert Rios, Toni Lange, Fernand Beland, Frederic Serre and Roland Vroye, filed their first amended complaint against I.Q. Biometrix, Inc., a Delaware corporation, in Fresno County Superior Court, State of California. Plaintiffs' complaint alleges causes of action for breach of contract and fraud for a failure to issue stock options pursuant to an alleged oral and/or written agreement. The complaint seeks to recover damages, including punitive damages, and/or an award of stock options. On October 25, 2005, Wherify demurred on behalf of itself, Greg Micek and William Scigliano and on January 4, 2005, the demurrer was sustained on several grounds, an amended complaint was filed, and the parties subsequently began discovery. A stipulated settlement agreement was entered into on November 5, 2007, where the parties have agreed to dismiss the lawsuit and each party pay their respective legal cost in the matter.

Westport Office Park, LLC v. Wherify Wireless, Inc, a California Corporation

On January 5, 2007, Westport Office Park, LLC ("Westport"), filed an Entry of Stipulation and Agreement allowing entry of a stipulated judgment ("Judgment") against Wherify Wireless, Inc, a California Corporation ("Wherify California"), in the Superior Court of California for San Mateo County. The judgment extinguished Wherify California's right to possession of certain leased premises that Wherify California occupied as its principal offices in favor of Westport, and awarded Westport approximately $1.1 million for then-outstanding amounts due and owing under the terms of the lease and certain other owed amounts. On January 17, 2007, Wherify California vacated the leased premises.

On March 20, 2007, Westport obtained a writ of execution to enforce the judgment against the assets of Wherify California in the amount of $1,405,485.75. On March 30, 2007, Westport recorded a judgment lien with the United States Patent and Trademark Office on two patents held in name of Wherify California. The specific patents are U.S. Patent Application 11/126,827 and U.S. Design Patent D526985. One appropriate means to remove a judgment lien is to pay the amount due the creditor. The Company has not, however, determined whether the lien was properly recorded and is still exploring legal options.

In addition, Westport recently undertook efforts to enforce its judgment against the assets of Wherify Delaware. Wherify Delaware is vigorously resisting these efforts. Specifically, Westport served a writ of execution on account funds that Wherify Delaware maintained at Wells Fargo Bank. On application by Wherify Delaware, the Superior Court recently ruled that the Westport judgment is limited to Wherify California only. In response to this ruling, Wherify Delaware filed a third party claim, which is scheduled for hearing on November 26, 2007, to obtain the return of the Wells Fargo accounts funds.

Baystar Capital II, L.P. v Wherify Wireless, Inc. et al

On March 2, 2007 Baystar Capital II , L.P. ("Baystar") filed suit against Wherify Wireless, Inc. in Marin County Superior Court, State of California. Plaintiff alleges various causes of action relating to an alleged breach of a stock purchase agreement entered between the parties in early 2005. Plaintiff essentially sought damages arising from an alleged failure to provide stock certificates by an agreed upon date. The parties entered into a final and binding agreement on or about May 4, 2007.

Note 14 - Equity

Common Stock

Approximately 75.2 million shares of common stock were issued and outstanding as of June 30, 2007. At June 30, 2007, 10,273,973 shares of common stock were pledged to Cornell Capital Partners, LP to cover the unpaid principal owed to them in the amount of $4.9 million.

During the six months ended December 31, 2006, Wherify sold 16.6 million common shares for approximately $4.2 million. before $112,000 in direct offering costs.

During the year end June 30, 2007, Wherify issued approximately 3.3 million common shares to its consultants, board of directors and a formal employee for their services. These shares were recorded at their fair value of $690,000.

Preferred Stock

The preferred stock constitutes what is commonly referred to as "blank check" preferred stock. "Blank check" preferred stock allows the board of directors, from time to time, to divide the preferred stock into series, to designate each series, to issue shares of any series, and to fix and determine separately for each series any one or more of the following relative rights and preferences: i) the rate of dividends; (ii) the price at and the terms and conditions on which shares may be redeemed; (iii) the amount payable upon shares in the event of involuntary liquidation; (iv) the amount payable upon shares in the event of voluntary liquidation; (v) sinking fund provisions for the redemption or purchase of shares; (vi) the terms and conditions pursuant to which shares may be converted if the shares of any series are issued with the privilege of conversion; and (vii) voting rights. Holders of preferred stock are entitled to receive dividends when and as declared by the board of directors out of any funds legally available therefore, may be cumulative and may have a preference over common stock as to the payment of such dividends. The provisions of a particular series, as designated by the board of directors, may include restrictions on the ability of the Company to purchase shares of common stock or to redeem a particular series of preferred stock. Depending upon the voting rights granted to any series of preferred stock, issuance thereof could result in a reduction in the power of the holders of common stock. In the event of any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of each series of the then outstanding preferred stock may be entitled to receive, prior to the distribution of any assets or funds to the holders of the common stock, a liquidation preference established by the board of directors, together with all accumulated and unpaid dividends. Depending upon the consideration paid for preferred stock, the liquidation preference of preferred stock and other matters, the issuance of preferred stock could result in a reduction in the assets available for distribution to the holders of the common stock in the event of liquidation of Wherify. Holders of preferred stock will not have preemptive rights to acquire any additional securities issued by Wherify. Once a series has been designated and shares of the series are outstanding, the rights of holders of that series may not be modified adversely except by a vote of at least a majority of the outstanding shares constituting such series.

The Certificate of Designation of Series A Convertible Preferred Stock creating the Preferred Stock was filed in Delaware on April 11, 2007 concurrently with the issuance of an option to purchase up to $7,500,000 stated value of Series A Convertible Preferred Stock. The option is exercisable at a 20% discount price to the $1,000 face amount of the Preferred Stock by either full or partial exercise.

During the forth quarter of 2007, the Company sold 7,500 shares of its Series A Convertible Preferred Stock for $6 million. Wherify incurred $780,000 of offering costs related to the sale of these preferred shares. These preferred shares are convertible into 60 million shares of Wherify's common stock at $0125 per share. Because of the conversion price was less than the market price on the date of sale, a beneficial conversion feature was created under the guidance of EITF 98-5 and EITF 00-27. Wherify recorded $4.8 million discount as deemed dividend to the preferred stock on the date of issuance. Wherify has determined that the conversion feature of the preferred stock is not a derivative instrument pursuant to SFAS No. 133, Accounting for Derivatives, as amended.

Note 15 - Warrants and Options

Common Stock Purchase Warrants

As of June 30, 2006, Wherify had warrants outstanding exercisable for approximately 3.5 million shares of Wherify common stock. Following are the warrant activities for the year ended June 30, 2007:

- 750,000 warrants were granted to Wherify's board of directors for their services. These warrants have a term of five years and an exercise price of $0.20. Fair value of $112,000 was calculated using the Black-Scholes Model. Variables used in the Black-Scholes option-pricing model include (1) discount rate of 4.56%, (2) warrant life is the contractual term of the warrants (5 years), (3) expected volatility of 162.90%, and (4) zero expected dividends.

- 9,000,000 warrants were granted to a placement agent as the offering costs related to Wherify's debt and equity financing. These warrants have a term of five years and an exercise price rang from \$0.10 to \$0.26. Fair value of \$2,047,750 was calculated using the Black-Scholes Model. Variables used in the Black-Scholes option-pricing model include (1) discount rate range from 4.56% to 4.92%, (2) warrant life is the contractual term of the warrants (5 years), (3) expected volatility range from 149.45% to 162.90%, and (4) zero expected dividends.

- 3,000,000 warrants were granted to the investors related to Wherify's debt financing. These warrants have a term of five years and an exercise price of \$0.26. Fair value of \$740,928 was calculated using the Black-Scholes Model. Variables used in the Black-Scholes option-pricing model include (1) discount rate of 4.92%, (2) warrant life is the contractual term of the warrants (5 years), (3) expected volatility of 149.12%, and (4) zero expected dividends.

- 2,500,000 warrants granted to Cornell in the prior year were re-priced in February 2007. Cornell received additional 18,750,000 warrants as the result of this transaction. In April 2007, Cornell agreed to cancel 14,250,000 of its warrants and as of June 30, 2007, 7,000,000 warrants were remaining outstanding. These warrants have a term of three years and an exercise price of \$0.25. Fair value of \$905,198 was calculated using the Black-Scholes Model. Variables used in the Black-Scholes option-pricing model include (1) discount rate of 4.91%, (2) warrant life is the contractual term of the warrants (4 years), (3) expected volatility of 162.38%, and (4) zero expected dividends.

As of June 30, 2007, Wherify had warrants outstanding exercisable for approximately 20.7 million shares of Wherify common stock.

The following table summarizes stock warrant activities for the years ended June 30, 2007 and 2006:

	Warrants	Weighted Average Exercise Price
Outstanding at June 30, 2005	1,370,437	1.94
Year ended June 30, 2006:		
Granted	2,500,000	2.13
Exercised	(353,780)	3.48
Forfeited and Cancelled	(20,000)	5.00
Outstanding at June 30, 2006	3,496,657	1.90
Year ended June 30, 2007:		
Granted	31,500,000	0.20
Exercised	-	
Forfeited and Cancelled	(14,250,000)	0.25
Outstanding at June 30, 2007	20,746,657	0.45

Common Stock Purchase Options

1999 Stock Option Plan:

During fiscal 2007 and 2006, Wherify did not issue any new options under this plan and 645,622 options and 250,513 options granted in the previous year under this plan were expired and forfeited, respectively.

During fiscal 2006, 277,625 options under this plan were exercised by the option holders.

As of June 30, 2007, there were 2,803,971 options outstanding.

2001 Stock Option Plan:

There were no activities under this plan during the fiscal 2007 and 2006. As of June 30, 2007, there were 325,000 options outstanding and no remaining stock options available for grant.

2004 Stock Option Plan:

During fiscal 2006, Wherify did not issue any new options under this plan and 110,000 options granted in the previous year under this plan were expired and forfeited.

During fiscal 2007, Wherify issued 4,150,000 options to purchase its common stock to its employees under this plan. These options are for a term of ten years, have exercise price range from $0.16 to $1.70 and vest over three years. Fair value of $663,135 was calculated using the Black-Scholes Model. Variables used in the Black-Scholes option-pricing model during the year include (1) discount rate of 4.89% to 4.94%, (2) option life is the expected term of the options, (3) expected volatility of 126.87% to 298.89%, and (4) zero expected dividends.

1,085,520 options granted in the previous year under this plan were expired and forfeited during fiscal 2007.

As of June 30, 2007, there were 5,511,047 options outstanding.

During the years ended June 30, 2007 and 2006, Wherify recognized option expense of approximately $445,000 and $490,000, respectively, related to the outstanding stock options according to the provisions of FAS 123R, using the modified-prospective transition method.

The following table summarizes stock option activities for the years ended June 30, 2007 and 2006:

	1999 Plan Options	Weighted Average Exercise Price	2001 Plan Options	Weighted Average Exercise Price	2004 Plan Options	Weighted Average Exercise Price
Outstanding at June 30, 2005	3,977,731	$ 0.37	-	$ -	-	$ -
Year ended June 30, 2006:						
Granted	-	-	325,000	3.22	2,556,567	1.48
Exercised	(277,625)	0.37	-	-	-	-
Forfeited and Cancelled	(250,513)	0.37	-	-	(110,000)	1.65
Outstanding at June 30, 2006	3,449,593	0.43	325,000	3.22	2,446,567	0.78
Year ended June 30, 2007:						
Granted	-	-	-	-	4,150,000	0.16
Exercised	-	-	-	-	-	
Forfeited and Cancelled	(645,622)	0.55	-	-	(1,085,520)	0.94
Outstanding at June 30, 2007	2,803,971	0.41	325,000	3.22	5,511,047	0.29

Options outstanding and exercisable as of June 30, 2007:

Outstanding **Exercise Price**	**Number of Shares**	**Exercisable Remaining Life**	**Number of Shares**
$0.16 - $0.18	4,040,000	9.92	86,387
$0.26 - $0.62	3,735,174	6.6	2,681,716
$1.21 - $1.70	589,844	7.6	376,788
$2.00 - $6.00	275,000	0.5	275,000
	8,640,018	8.04	**3,419,891**

Note 16 - Income Taxes

Wherify uses the liability method, where deferred tax assets and liabilities are determined based on the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. During fiscal 2007 and 2006, Wherify incurred net losses and, therefore, has no tax liability. The net deferred tax asset generated by the loss carry-forward has been fully reserved. The cumulative net operating loss carry-forward is approximately $82 million at June 30, 2007, and will expire in the years from 2014 through 2027.

At June 30, 2007, deferred tax assets consisted of the following:

Deferred tax assets	$ 28,500,000
Less: valuation allowance	(28,500,000)
Net deferred tax assets	$ -

Note 17 - Subsequent Events

In August 2007, Wherify sold 1,129 shares of Series B Convertible Preferred Stock and 2,469,688 warrants for $856,000. The preferred stock can be converted into 7,056,250 shares of common stock and the warrants have exercise prices ranging from $0.16 to $0.20.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-KSB to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Mateo, California on November 14, 2007.

WHERIFY WIRELESS, INC.

By: /s/ Vincent Sheeran

Vincent Sheeran,
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Vincent Sheeran as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him in any and all capacities, to sign any and all amendments to this report on Form 10-KSB, and to file the same, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Vincent Sheeran Vincent Sheeran	Chief Executive Officer (Principal Executive Officer) and Director	November 14, 2007
/s/ Timothy Neher Timothy Neher	Director	November 14, 2007
/s/ Douglas Hajjar Douglas Hajjar	Director	November 14, 2007
/s/ Wade Fenn	Director	November 14, 2007

Wade Fenn

/s/ Daniel McKelvey	Director	November 14, 2007
Daniel McKelvey		
/s/ Edna Carter	Chief Accounting Officer Controller	November 14, 2007
Edna Carter		

Verifications

STATE OF KENTUCKY §
§
CITY OF LOUISVILLE §

VERIFICATION

I, John Greive, state that I am Vice President of Regulatory Affairs and General Counsel; that I am authorized to make this Verification on behalf of Lightyear Network Solutions, LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

John Greive
Vice President of Regulatory Affairs
& General Counsel
Lightyear Network Solutions, LLC

Sworn and subscribed before me this 19th day of August, 2008.

Linda Hunt
Notary Public

My commission expires 7-6-2009

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STATE OF KENTUCKY §
§
CITY OF LOUISVILLE §

VERIFICATION

I, Vincent D. Sheeran, hereby declare that I am the Chief Executive Officer of Wherify Wireless, Inc.; that I am authorized to make this Verification on behalf of Wherify Wireless, Inc.; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the forgoing is true and correct. Executed this 21st day of August, 2008.

Vincent D. Sheeran
Chief Executive Officer
Wherify Wireless, Inc.

Sworn and subscribed before me this 21st day of August, 2008.

Notary Public

My commission expires 7-6-2009

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