International Fight League, Inc.
Form 10-K
April 15, 2008

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

**Form 10-K**

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES**
**For the fiscal year ended December 31, 2007**

**or**

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

**Commission File Number: 000-21134**

**International Fight League, Inc.**
*(Exact name of Registrant as specified in its charter)*

| | |
|---|---|
| **Delaware** | **04-2893483** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(I.R.S. Employer Identification Number)* |
| **424 West 33rd Street, Suite 650** **New York, New York** | **10001** |
| *(Address of Principal Executive Offices)* | *(ZIP Code)* |

**(Registrant s telephone number, including area code)**
**212.356.4000**

**Securities registered pursuant to Section 12(b) of the Act:**
**None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Title of class**
**Common Stock, par value $0.01 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company 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 June 29, 2007, the aggregate market value of the registrant s voting stock held by non-affiliates of the registrant, was approximately $21,921,251 (based on the last sale price of such stock on such date as reported by the OTC Bulletin Board and assuming, for the purpose of this calculation only, that all of the registrant s directors, executive officers and 5% or greater stockholders were affiliates).

The number of shares outstanding of the registrant s Common Stock, par value $0.01 per share as of April 9, 2008, was 79,058,509.

**DOCUMENTS INCORPORATED BY REFERENCE**

**None.**

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## Part I

### Item 1 *Business*

### Overview

We are a sports entertainment company that uses our professional mixed martial arts ( MMA ) sports league, known as the International Fight League or the IFL, as a platform to generate revenues from spectator attendance at live events, broadcast of television programming, sponsorships and licensing. Our business was founded in 2005 to organize, host and promote live and televised MMA sporting events and to capitalize on the growing popularity of MMA in the United States and around the world. In 2006 and 2007 our league centered around our teams, which included some of the world s most highly regarded MMA athletes and coaches. In 2006 and 2007, our sporting events typically showcased four teams, in two-team match-ups, with athletes competing in one-on-one matches across five weight divisions. Our 2007 season consisted of nine regular season events, followed by a two round playoff for the league champion and then a two round Grand Prix tournament, in which our top athletes competed for title belts in various weight classes. At the conclusion of this Grand Prix tournament, we had belt holders for six different weight divisions.

We have changed our format for 2008. Rather than retain the team format, we have migrated to a camp format, with championship fights. Our previous teams were identified with a city or geographic region, along with a team name and logo. However, many of the teams never fought in their geographic region and were not recognized by MMA fans. By switching to the camps, we believe we can capitalize on some of the legends of MMA who are our coaches, by having their own gyms or camps compete against each other. We believe that MMA fans are familiar with these camps and this format will result in more natural match-ups that will enhance the attraction of spectators and viewers. We are also keeping our camp format open, meaning camps which are not regular members of the league can compete at an event to challenge one of the league s camps or another challenging camp. Furthermore, under our previous league structure, every team match required an athlete from each team to compete in each of the five weight divisions. Beginning in 2008, we will work with the camps to determine the best athletes and best match-ups, and we will not require a fight in every weight class if some of the weight classes do not present good match-ups or a camp does not have a talented athlete in a particular weight division. Overall, we believe this new league format will provide us with more flexibility to determine the best match-ups that will result in the best, most competitive fights. In addition, now that we have belt holders, we plan to have two or three title fights at each event. This open format may also provide opportunities for us to co-promote MMA events with other promoters or organizations. Overall, we believe these changes will provide for much more entertaining and exciting events, which we believe should ultimately increase attendance at the live events and increase our television viewership. This should, in turn, increase our potential for sponsorship and licensing revenue

MMA is a sport that is growing in popularity around the world. In MMA matches, athletes combine a variety of fighting styles, such as boxing, judo, jiu-jitsu, karate, kickboxing, muy thai, tae kwon do and/or wrestling, in each fight. Typically, MMA sporting events are promoted either as championship matches or as vehicles for well-known individual athletes. Professional MMA competition conduct is regulated primarily by rules implemented by state athletic commissions and is currently permitted in about 37 jurisdictions. To foster athlete safety and a broader acceptance of the sport, we have established our own rules of conduct, including bans on certain dangerous moves, such as elbow strikes to an opponent s head, placing more emphasis on the sport and competition.

Our mission is to create wide spread interest in our league so that we can develop a strong following from not only MMA fans but also fans of sports and action programming and events, as well as the public in general. We are particularly targeting the male audience, ages 18 to 34. We believe as our popularity grows, including the viewership of our television programming, we can generate increased revenue from ticket sales at live events, television rights fees, sponsorship and promotion fees from companies and advertisers targeting our primary market, sales of DVDs or other video formats of our events, and licensing of our brand name and other intellectual property on apparel and merchandise. Our uniqueness is derived from our camp-based league structure. The league format enables us to announce events several months in advance, enabling fans, sponsors and athletes to plan for events, which is a new concept for MMA.

We earn revenue from live event ticket sales, sponsorships and promotions and licensing of our intellectual property. In addition, our live events create a body of television programming content that we can distribute for television viewing in the U.S. and internationally and can be compiled and edited for sales of DVDs or other videos. We have held over 20 live events, the first of which took place during the second quarter of 2006, the first period in which we recognized revenues. During the year ended December 31, 2007, we recognized a net loss of approximately $21.3 million.

We believe that the camp-based approach to MMA gives us an advantage because we are not dependent on a single athlete s success and have the ability to build the popularity of individual athletes as well as the camps and the league in general.

Our operations are centered on the following three business components:

- Live and televised entertainment, which consists of live events in arenas and free distribution of IFL content on basic cable television.

- Sponsorships and promotions, which consists of sponsorships for live events and televised productions and related promotion opportunities.

- Branded merchandise, which consists of licensing and marketing of our intellectual property.

**Liquidity**

Since the inception of our business in 2005, we have incurred significant losses and only began generating revenue during the second quarter of 2006. Through December 31, 2007, we have generated net losses of $31 million.

Our ability to become profitable depends on our ability to generate and sustain substantially higher revenue while maintaining reasonable expense levels. Although we are reducing our expenses, these efforts may not be sufficient and may adversely impact our brand or fan, sponsor and merchandising interest. We expect that our revenues from operations will be insufficient to meet our projected expenses beyond the third quarter of 2008, unless we are able to increase our revenues and our profitability. We are exploring various alternatives to increase our profitability, such as a strategic alliance or relationship with a significant sports, entertainment or media organization or another significant entity interested in promoting MMA and/or exploiting our digital rights. Unless we can successfully increase our revenues (in excess of the costs we incur to generate these revenues) or our profitability, we will need raise additional capital through equity or debt financings by the end of the second quarter or in the early part of the third quarter of 2008. Such capital may not be available, or, if it is available, may not be available on terms that are acceptable to us. If we are unable to raise sufficient additional capital on acceptable terms or achieve profitability in the near-term, we will likely have a cash shortage which would disrupt our operations, have a material adverse effect on our financial condition or business prospects and could result in us being unable to continue our operations.

**Corporate History**

From our incorporation in 1985 through 1999, we operated under the name Procept, Inc., as a biotechnology company engaged in the development and commercialization of novel drugs with a product portfolio focused on infectious diseases and oncology. During 1999, our principal efforts were devoted to drug development and human clinical trials focusing on two biotechnology compounds, PRO 2000 Gel and O6-Benzylguanine. During fiscal 2000, we closed our research facilities and out-licensed PRO 2000 Gel and O6-Benzylguanine, which had been under development by us for several years. In September 2004, we transferred all of our rights, title and interest in PRO 2000 Gel pursuant to an option duly exercised by our sublicensee, and in March 2005, we assigned all of our rights, interests and obligations in O6-BG Benzylguanine.

In January 2000, we acquired Heaven s Door Corporation, a company that provided products and services over the Internet. Effective with the acquisition of Heaven s Door, our name was changed from Procept, Inc.

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to HeavenlyDoor.com, Inc. At the same time, Procept, Inc. became the new name of the Company s subsidiary, Pacific Pharmaceuticals, Inc., a company engaged in the development of cancer therapies, which we acquired in March 1999. After a sustained period of deterioration in the Internet and technology sectors and related capital markets, we decided, in the fourth quarter of 2000, to discontinue the pursuit of our Internet strategy. Shortly thereafter, we entered into an agreement to sell all of our Web-based assets and Internet operations and ceased our Internet activities. In connection with this agreement, we changed our name, on December 31, 2000, from HeavenlyDoor.com, Inc. to Paligent Inc. ( Paligent ).

From 2001 until the Merger (as described below), we had been engaged in seeking business opportunities to maximize value for our stockholders.

On November 29, 2006, we acquired International Fight League, Inc., which at the time was a privately held Delaware corporation ( Old IFL ), by a merger (the Merger ) among us, Old IFL and our wholly owned subsidiary we formed for purposes of the Merger ( Merger Sub ). Old IFL was organized as a New Jersey limited liability company in 2005 and reincorporated as a Delaware corporation in January 2006. Pursuant to the Merger, Old IFL merged with our Merger Sub, with Old IFL being the surviving corporation and becoming our wholly owned subsidiary. Immediately following the Merger, we changed our name to International Fight League, Inc., and Old IFL changed its name from International Fight League, Inc. to IFL Corp. and continued to operate the business of organizing and promoting a mixed martial arts sports league. We operate as a holding company for IFL Corp. and the MMA business.

Immediately prior to the Merger, we completed a 1-for-20 reverse stock split of our common stock (the Reverse Stock Split ). Except as otherwise specified herein, all references herein to share amounts of our common stock reflect the reverse stock split. Upon the closing of the Merger, all of the pre-Merger Paligent and Old IFL directors became our directors. As part of the Merger, we also adopted the International Fight League, Inc. 2006 Equity Incentive Plan (the 2006 Equity Incentive Plan ) under which all of the options to purchase shares of common stock of Old IFL outstanding prior to the Merger were converted into options to purchase shares of common stock of IFL.

As a result of the Merger, the former stockholders of Old IFL became holders of our common stock, and holders of Old IFL options became holders of options to acquire shares of our common stock. We issued 30,872,101 shares of our common stock to the former stockholders of Old IFL in exchange for all of the issued and outstanding shares of Old IFL. We also exchanged, as part of the Merger, options to purchase 1,865,000 shares of Old IFL common stock for options to purchase 1,925,376 shares of our common stock under our 2006 Equity Incentive Plan having substantially the same terms and conditions as the Old IFL options.

Following the reverse stock split and the Merger, there were 32,496,948 shares of Old IFL common stock outstanding, of which the pre-Merger stockholders of Paligent owned approximately 5% and the pre-Merger stockholders of Old IFL owned approximately 95%. As a result, Old IFL has been treated as the acquiring company for accounting purposes. The Merger has been accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with generally accepted accounting principles in the United States of America. Reported results of operations of the combined group issued after completion of the transaction will reflect Old IFL s operations.

Immediately after the Merger, we issued an additional 1,627,500 shares of common stock to Richard J. Kurtz, Paligent s principal stockholder before the Merger, in exchange for $651,000 of indebtedness we owed him.

Unless otherwise indicated or the context otherwise requires, the terms Company, IFL, we, us, and our refer to International Fight League, Inc. (formerly known as Paligent Inc.) and its subsidiaries, including IFL Corp., after giving effect to the Merger. Unless otherwise indicated or the context otherwise requires, the term our business refers to the mixed martial arts business of Old IFL as continued by IFL Corp. after the Merger.

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### Recent Management Changes

During 2007, we underwent significant changes in our management and Board of Directors. At the time of the Merger, Richard Kurtz and Michael Molnar were our outside directors. Mr. Kurtz resigned from the Board in April 2007 and Michael Molnar decided not to stand for re-election at our annual stockholders meeting in June 2007. In May 2007, Jeffrey M. Jagid joined our Board, followed by Kevin Waldman in June 2007.

At the time of the Merger, our Board also consisted of Gareb Shamus, who served as our Chairman and Chief Executive Officer, Salvatore A. Bucci, who also served as our Executive Vice President, Chief Financial Officer and Treasurer, and Kurt Otto, our Commissioner. Mr. Bucci did not stand for re-election as a director at the June 2007 annual stockholders meeting and resigned from the Company on September 30, 2007. Mr. Shamus resigned as Chairman and Chief Executive Officer in November 2007 and resigned from the Board in December 2007.

In January 2007, Joel Ehrlich joined us as the President of Sales and Chief Marketing Officer and in June 2007, resigned from the Company. In March 2007, Michael C. Keefe joined us as the President, Legal and Business Affairs, and subsequently became our Executive Vice President, General Counsel, Corporate Secretary and Acting Chief Financial Officer. In September 2007, Jay Larkin joined us as the President and Chief Operating Officer, and became our President and Interim Chief Executive Officer in November 2007 upon Mr. Shamus resignation. For more information about or changes in our Board of Directors and management, see Part III, Item 10 Directors, Executive Officers and Corporate Governance of this Annual Report on Form 10-K.

### Market Opportunity

#### *Mixed Martial Arts*

MMA is a sport that is growing in popularity around the world. MMA athletes combine a variety of fighting styles, such as boxing, judo, jiu-jitsu, karate, kickboxing, muy thai, tae kwon do and/or wrestling in each match. Typically, MMA sporting events are promoted either as championship matches or as vehicles for well-known individual athletes. MMA is currently permitted in approximately 37 jurisdictions with competition conduct regulated primarily by rules implemented by state athletic commissions, similar to professional boxing. Athletes win individual matches by knockout, technical knockout (referee or doctor stoppage), submission, or judges decision. Scoring for a judges decision is conducted by a panel of three judges provided by the relevant state athletic commission, using a ten-point system similar to the scoring system used in boxing. Referees attending matches are also provided by the relevant state athletic commission and are qualified to referee at a MMA competition. During fights, which typically consist of three four-minute rounds (with title belt fights often being five four-minute rounds), referees strictly enforce the rules of conduct for the relevant state s athletic commission and those required by the organization promoting the event.

The Ultimate Fighting Championship, or the UFC, is the largest MMA promoter in the U.S. UFC began hosting events in 1995 and currently promotes roughly 10 major events yearly that draw sizable live audiences. The remainder of the MMA industry is highly fragmented with a variety of promoters and organizations hosting events across the country and globally. Typically, events are promoted on a fight-by-fight basis with little to no guidance about the timing of future events, similar to boxing.

Historically, MMA events were broadcast in the United States only through pay-per-view arrangements. MMA events were broadcast for the first time on free cable television in 2004. Spike TV, a cable television broadcaster, is currently broadcasting the fourth season of a popular reality television program, The Ultimate Fighter, based on MMA training and competitions. Our events began airing on Fox Sports Net ( FSN ) in 2006 and on another Fox network, MyNetworkTV, in 2007. In addition, we understand that competing MMA promoters have continued to grow the pay-per-view audience for their MMA events as well as their presence on broadcast and basic cable television. In

Japan, live MMA sporting events promoted by competitors routinely sell tens of thousands of seats, are broadcast on major Japanese television networks, and appear on

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pay-per-view and home video throughout the rest of the world. MMA events in the United States now generate attendance and pay-per-view audiences similar to professional boxing and wrestling.

The talent pool for MMA athletes is growing rapidly as there are thousands of martial arts focused training schools in the United States. It is estimated that there are millions of martial arts practitioners, including high school and college wrestling participants, in the United States alone. In addition, MMA is truly a global sport with many foreign athletes competing in U.S.-based events, and many U.S. athletes competing in international organizations. Many U.S MMA athletes begin their careers after successfully competing in wrestling, martial arts, kickboxing, or other related sports. Training schools such as Miletich s Fighting System, led by former UFC Champion and current IFL coach Pat Miletich, Team Quest, led by top ranked middleweight and current IFL coach Matt Lindland, and the Renzo Gracie Jiu Jitsu, New York City, led by the legendary Renzo Gracie, serve as a major pipeline for MMA talent and the IFL specifically, seeking to attract interest from professional MMA athletes.

**International Fight League**

Through our subsidiary, IFL Corp., we operate the International Fight League, a MMA league which we promote to generate revenue from live events, broadcasts of television programming, sponsorships and licensing. We were founded in 2005 to organize, host and promote live and televised mixed martial arts sporting events and to capitalize on the growing popularity of mixed martial arts in the United States and around the world. We believe that our camp approach to mixed martial arts gives us an advantage in that our success will not depend on a single athlete s success. In addition, by working with recognized camps and holding scheduled events on a regular basis, our league-based model focuses on gaining substantial sponsorship, promotion and marketing opportunities as we develop our market presence and brand awareness.

We had our first event in 2006 and launched our first full season in 2007. Our live events and television programming are directed at 18- to 49-year-old males, with a core target audience of 18- to 34-year-old males. We believe that our operations are unique compared to those of other MMA event promoters in many ways, including:

- our sporting events are held in an over-sized, five-rope boxing ring rather than a cage, which we believe to be the most conducive environment for the athletes, fans and television production;

- we announce events in advance, which enables marketers, sponsors, broadcasters, fans and the camps to plan accordingly;

- to foster athlete safety and a broader acceptance of the sport, we have established our own rules of conduct, including bans on certain dangerous moves, such as elbow strikes to an opponent s head, placing more emphasis on the sport and competition; and

- we have granted coaches options to purchase our common stock, which aligns their interests with those of our stockholders.

**Strategy**

Our objective is to use our MMA league to produce and promote live and televised MMA sporting events and to market our content and brands around the world. We seek to build multiple revenue streams much like other professional sports leagues. Key elements of our strategy are to:

- produce high quality live events, branded programming and consumer products for distribution;

expand existing television distribution relationships and develop broader distribution arrangements for branded programming worldwide;

increase the licensing of IFL branded products through distribution channels;

expand our Internet operations to further promote the IFL brand and to develop additional sources of revenue; and

form strategic relationships with other sports, media, and entertainment companies to further promote the IFL brand and products.

## Operations, Sales and Marketing

Our operations are centered on the following three business components:

Live and televised entertainment, which consists of live events in arenas and the distribution of our content on free basic cable television in the U.S. and international television;

Sponsorships and promotions, which consists of sponsorships for live events and televised productions and related promotional opportunities; and

Branded merchandise, which consists of the licensing and marketing of our intellectual property.

***Live and Televised Entertainment***

Live MMA events are the cornerstone of our business, and provide content for our television programming. We have broadcasted our events in the United States through FSN and MyNetworkTV, Inc. ( MNTV ) and HDNet, a high definition satellite broadcaster in the U.S. and Canada. Our 2008 events and related programming are being broadcast on both FSN and HDNet. In 2007 and continuing in 2008, our programming is distributed internationally by Alfred Haber Distribution, Inc. Each live event is a high-quality production, incorporating music scores, computer-generated graphics, specialized lighting and in-arena large video screens. Costs to promote, stage and produce our MMA sporting events, including equipment, insurance, temporary personnel and other live event-specific costs, constitute our largest expense item, contributing an expense of approximately $15.9 million for the year ended December 31, 2007. We held 13 live events in 2007, and expect to have 6 or 7 live events in 2008. We expect to significantly reduce our event costs in 2008 due both to fewer events and reductions in our per event costs.

*Television Programming.* We produce and own our television programming and video library. The primary television outlet for our programming in 2006 was FSN. During 2007, our events were televised by FSN and MNTV, a Fox free network station. These telecast were aired pursuant to a letter of intent we entered into on January 15, 2007 with Fox Cable Networks, Inc. ( Fox ) and MNTV (MNTV, together with Fox, the Fox Entities ), which set forth the terms and conditions under which we and the Fox Entities created, promotes and distributes IFL MMA content through, what was proposed at the time, as a three-tier television and new media programming alliance. We never completed the agreements contemplated by the letter of intent with the Fox Entities, but our programming was aired by MyNetworkTV and FSN throughout 2007. We did not recognize any revenue for our 2006 U.S. television and recognized $1,607,500 in revenue in 2007 for our programming on MyNetworkTV.

We entered an agreement with HDNet, a high definition satellite broadcaster, to televise live our events held on December 29, 2007, February 29, 2008 and April 4, 2008, and the one scheduled for May 16, 2008 event. We also entered into an agreement with FSN to broadcast four one-hour shows produced from our two Grand Prix events held in November and December 2007 and nine one hour shows produced from our first three events for 2008, the third one being the May 16, 2008 event. We are currently considering options for televising our events for the remainder of 2008.

*International Television Programming.* We have an exclusive arrangement with Alfred Haber Distribution, Inc. to distribute our 2007 FSN and MyNetworkTV programming and our 2008 event programming throughout the world. Through the end of March 2008, our programming was being distributed in over 50 countries throughout the world. We recognized $1 million of revenue for our international television distribution in 2007.

*Pay-Per-View Television Programming.* We believe that pay-per-view television distribution may present future opportunities to generate significant additional revenue. In an effort to build our brand, we are currently distributing television programming for free through basic cable television broadcasting. If a proper opportunity becomes available for us, we intend to produce and distribute certain live events through pay-per-view television outlets in the future. However, we do not anticipate a pay-per-view event in 2008.

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### *Sponsorships and Promotions*

We sell sponsorships and promotion opportunities to companies seeking to reach our core target audience of 18- to 34-year-old males. In 2006, sponsorships and promotions were sold separately for the two-event Legend Championship and four-event World Team Championship. We sold sponsorship and promotional opportunities for our 2007 events as an overall sponsorship/promotion package, and will continue to do so for our 2008 events. For the year ended December 31, 2007, we recognized revenues of approximately $498,000 from sponsorships and promotions.

*Sponsorships.* Sponsorships include, among other things, the opportunity to display corporate brand names at our live events and on televised broadcasts. The most highly sought after sponsorship opportunities include painted brands/logos on the fighting canvas in the ring, billboards in the arena and on the television broadcast, the time clock, tale of the tape, website banners and advertisements in the event program guide. For our past events, sponsors include or have included, among others, Cytosport Muscle Milk, Throwdown Energy Drink, Headblade, Premier Fighter, L.A. Boxing, Microsoft Corporation s Xbox, the Coca Cola Corporation s glaceau vitaminenergy drink, the Suzuki Motor Corporation, Sandals Resorts, Dale and Thomas Popcorn, and Fairtex Inc. Sponsors pay a fee based upon the position of their advertising media and the exposure it will receive during a live event and on television broadcasts. We have signed sponsors for the 2008 season and continue to pursue and negotiate with additional sponsors. This activity remains ongoing as part of our sales and revenues generating efforts.

*Promotions.* Promotions are opportunities to tie an advertiser s brand in with our league, teams or events. Promotion opportunities include product placement and brand associations. At past IFL events, the Suzuki Motor Corporation conducted an ATV give-away and Dale and Thomas Popcorn sampled its popcorn products. As our brand grows, we expect to earn revenues by creating promotions with companies and brands seeking to benefit from the popularity of IFL and the exposure received from appearing at our live events and on televised broadcasts.

### Branded Merchandise

*Licensing.* The licensing of IFL names, logos and copyrighted works on a variety of retail products presents a further opportunity to generate revenues, and this licensing may become material sources of revenue. As our brand grows, we expect to pursue greater opportunities to expand our licensing efforts through a more comprehensive licensing program. To date, revenues from branded merchandise have not been material. Given the profit margins and nature of our sports business, we expect video games, apparel and sportswear to be the biggest revenue generating categories of licensed products. We recognized $117,544 of revenue from our branded merchandise in 2007.

*Home Video.* We expect to pursue opportunities in the home video market by licensing, on a distribution fee and/or royalty basis, our growing video library to third parties to develop, produce, manufacture, and sell DVDs for the home video market. Our video library includes proprietary material from our live events, television broadcasts, special events and behind the scenes of live events.

We have an arrangement with Warner Home Video, a division of Warner Bros. Home Entertainment, to distribute IFL mixed martial arts content on a worldwide basis directly to consumers via DVD, electronic sell through and similar media. Warner Home Video collects the proceeds from the sale of IFL home video products, and remits the proceeds to us less Warner Home Video s distribution fee and certain allowable costs associated with the marketing, promotion and distribution of the home video products. We have released two DVDs under this arrangement Greatest Knockouts & Extreme Action and Road to the Championship. We did not recognize any revenue for home video in 2007.

*Digital Media.* We use our website, www.ifl.tv, to create an online community for our fans, to promote IFL brands, teams and fighters, to market and distribute our products and services and to create awareness for our live events and television broadcast schedule. Through www.ifl.tv, our fans are able to obtain the latest IFL news and information and experience archived video and audio clips of IFL athletes and media events. We also use our website for e-commerce. We promote www.ifl.tv on our televised programming, at live events, and on all collateral marketing materials. We are investigating collaborating with various website to generate advertising revenue that can be shared with these other web services.

### Competition

We are a growth stage company and are constantly seeking to increase our fan base. The MMA industry is also rapidly growing and evolving, and we face competition from other promoters of MMA sporting events, including the UFC, owned by Zuffa, LLC, a widely known MMA promoter in the United States. UFC produces MMA events for cable television through its agreement with SpikeTV and for pay-per-view audiences. Other U.S. based MMA competitors include Strikeforce, ProElite FC, BodogFight and M-1. Most promoters operate on an event-by-event basis and rely on the presence of a few well-known athletes to promote their events. UFC has been available on free television for several years, and other MMA organizations are now available on free television.

Our live events and television programming faces competition from other professional and college sports as well as from other forms of live, filmed and televised entertainment and other leisure activities. We compete with entertainment companies, professional and college sports leagues and other makers of branded apparel and merchandise for the sale of our branded merchandise.

### Trademarks and Copyrights

Intellectual property is material to all aspects of our operations, and we expend cost and effort in an attempt to maintain and protect our intellectual property and to avoid infringing on other parties intellectual property. We have a portfolio of trademarks and service marks and maintain a catalog of copyrighted works, including copyrights to our television programming and certain photographs. When necessary, we intend to enforce our intellectual property rights. Our failure to curtail piracy, infringement or other unauthorized use of our intellectual property rights effectively could adversely affect our operating results.

International Fight League, IFL, and Battleground are trademarks of IFL. Each trademark, trade name or service mark of any other company appearing in this document belongs to its holder.

### Insurance

We currently have three general liability insurance policies: one for our New York office, one for our Nevada office and a special events policy for MMA events. For each event hosted to date, we have purchased event-specific insurance that met or exceeded the requirements of the relevant state athletic commissions and have special accident insurance for athletes that participate in our MMA events. We have errors and omissions insurance for our television broadcasts and our videos and also have directors and officers liability insurance.

### Regulation

#### *Live Events*

In various states in the United States and some foreign jurisdictions, athletic commissions and other applicable regulatory agencies require us to obtain licenses for promoters, medical clearances and/or other permits or licenses for fighters and/or permits for events in order to promote and conduct live events. If we fail to comply with the regulations of a particular jurisdiction, we may be prohibited from promoting and conducting live events in that jurisdiction. The inability to present live events could lead to a decline in the various revenue streams we generate from live events, which could adversely affect our operating results.

***Television Programming***

The production and distribution of television programming by independent producers is not directly regulated by the federal or state governments, but the marketplace for television programming in the United States is substantially affected by government regulations applicable to, as well as social and political influences on, television stations, television networks and cable and satellite television systems and channels. We voluntarily designate the suitability of our television programming using standard industry practices. A number of governmental and private sector initiatives relating to the content of media programming have been announced. Changes in governmental policy and private sector perceptions could further restrict our program content and adversely affect our viewership levels and operating results.

**Employees**

As of December 31, 2007, we had 27 employees, with 20 employees located in New York City and an additional 7 located in Las Vegas. We believe that our relationships with our employees are generally good. None of our employees is represented by a union.

**Item 1A** ***Risk Factors***

You should carefully consider the risks described below before making an investment decision. Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also refer to the other information contained in this report, including our financial statements and the related notes, before deciding to purchase or sell any shares of our common stock.

**Risks Related To Our Business**

***We have experienced losses and expect to incur substantial net losses in the future and have received a going concern opinion from our auditors for 2007. If we do not achieve profitability and find additional sources of cash, our financial condition and stock price could suffer and we could be forced to discontinue operations.***

Since the inception of our business in 2005, we have incurred significant losses and only began generating revenue during the second quarter of 2006. Through December 31, 2007, we have generated net losses of $31 million. We expect to incur additional losses and negative cash flow for the foreseeable future. Our ability to become profitable depends on our ability to generate and sustain substantially higher revenue while maintaining reasonable expense levels. Although we have and intend to continue reducing our expenses, these efforts may not be sufficient and may adversely impact our brand or fan, sponsor and merchandising interest. If we do not achieve profitability, we may have to discontinue our operations.

As a result of our continued losses, our independent auditors have included an explanatory paragraph in our financial statements for the fiscal year ended December 31, 2007, expressing doubt as to our ability to continue as a going concern. The inclusion of a going concern explanatory paragraph in the report of our independent auditors could make it more difficult for us to secure additional financing or enter into strategic relationships with distributors on terms acceptable to us, if at all, and may materially and adversely affect the terms of any financing that we may obtain. If revenues grow slower than we anticipate, or if operating expenses exceed our expectations or cannot be adjusted accordingly, we may not achieve profitability and the value of your investment could decline significantly.

***Our revenues from operations are likely to be insufficient to meet our projected expenses in the short term; therefore, we will need to raise additional funds, which may not be available to us on favorable terms, if at all, thereby potentially disrupting the growth of our business and our ability to generate revenues.***

We expect that our revenues from operations will be insufficient to meet our projected expenses, unless we are able to increase our revenues through other sources, such as entering into a strategic alliance with a significant television broadcaster or sports or entertainment enterprise or exploiting our digital rights. Unless we can successfully increase our revenues through these other sources (in excess of the costs we incur to generate these revenues), we will likely be required to raise additional capital through equity or debt financings by the end of the second quarter or in the early part of the third quarter of 2008. Such capital may not be available, or, if it is available, may not be available on terms that are acceptable to us. A future financing may be substantially dilutive to our existing stockholders and could result in significant financial and operating covenants that would negatively impact our business. If we are unable to raise sufficient additional capital on acceptable terms, we will likely have a cash shortage which would disrupt our operations, have a material adverse effect on our financial condition or business prospects and could result in insolvency.

***Our business is difficult to evaluate because it represents a new business model for the MMA market and we have been operating for less than two years. The MMA market may not develop as we anticipate, and we may not successfully execute our business strategy.***

Our original league-based MMA business model focusing on teams, rather than individual competition, was unique to the MMA industry. We have since modified our business model to be a camp-based league, with title belt holders for different weight classes. We made this change because we believed the camp-based model would eventually be more successful. However, our model may not prove to be successful. We have a limited operating history upon which you can evaluate our business. Although we were organized in 2005, we did not begin revenue generating operations until 2006. The MMA industry is also rapidly growing and evolving and may not develop in a way that is advantageous for our business model. You must consider the challenges, risks and difficulties frequently encountered by early stage companies using new and unproven business models in new and rapidly evolving markets. Some of these challenges relate to our ability to:

- increase our brand name recognition;
- expand our popularity and fan base;
- successfully produce live events;
- manage existing relationships with broadcast television outlets and create new relationships domestically and internationally;
- manage licensing and branding activities; and
- create new outlets for our content and new marketing opportunities.

Our business strategy may not successfully address these and the other challenges, risks and uncertainties that we face, which could adversely affect our overall success and delay or prevent us from achieving profitability.

***Our limited operating history makes forecasting our revenues and expenses difficult, and we may be unable to adjust our spending in a timely manner to compensate for unexpected revenue shortfalls.***

As a result of our limited operating history, it is difficult to accurately forecast our future revenues. Current and future expense levels are based on our operating plans and estimates of future revenues. Revenues and operating results are difficult to forecast because they generally depend on our ability to promote events and the growth in popularity of the IFL or MMA. As a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected revenue shortfall, which would result in further substantial losses.

***Our MMA content is being televised in the United States under short-term agreements with FSN and HDNet, which may not be renewed. If we do not enter into new agreement after these expire, we will not have a broadcast outlet for our MMA content in the U.S.***

We are currently televising our MMA content in the U.S. pursuant to short-term agreements with FSN and HDNet, which will only broadcast our programming through our May 16, 2008 event at Mohegan Sun. No assurance can be given that we will be able to negotiate new television rights agreements for our MMA content with any broadcaster or that any such agreements will be favorable to us. Our revenues are dependent, indirectly, on the distribution of our free televised programming. Accordingly, any failure to maintain or renew arrangements with the distributors could adversely affect our operating results.

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***We depend on certain key executive personnel for our success, the loss of whom could adversely affect our business, financial condition and results of operations.***

Our success depends on the continued availability and contributions of members of our senior management and other key personnel. The loss of the services of any of our executive officers or any of a number of other key personnel could delay or reduce our efforts to increase the popularity of our MMA league. Furthermore, recruiting and retaining qualified personnel to assist with these efforts will be critical to our success. The loss of members of our management team or our inability to attract or retain other qualified personnel or advisors, could significantly weaken our management team, harm our ability to compete effectively, harm our long-term business prospects, disrupt our relationships with advertisers and have a corresponding negative effect on our financial results, marketing and other objectives and impair our ability to develop our MMA league. Our financial situation has increased the difficulty of retaining and attracting talented employees.

***Our failure to continue to develop creative and entertaining programs and events would likely lead to a decline in the popularity of our brand of entertainment.***

The creation, marketing and distribution of our live and televised entertainment are at the core of our business and are critical to our ability to generate revenues across our media platforms and product outlets. Our failure to continue to create popular live events and televised programming would likely lead to a decline in our television ratings and attendance at our live events, which would likely harm our operating results.

***Our insurance may not be adequate to cover liabilities resulting from accidents or injuries that occur during our physically demanding events.***

We hold numerous live events each year. This schedule exposes our athletes and coaches who are involved in the production of those events to the risk of travel and event-related accidents, the consequences of which may not be fully covered by insurance. The physical nature of our events exposes athletes and coaches to the risk of serious injury or death. Although we provide the necessary and required health, disability and life insurance for our athletes and coaches on an event-by-event basis, this coverage may not be sufficient to cover all injuries they may sustain. Liability extending to us resulting from any death or serious injury sustained by one of our athletes or coaches during an event, to the extent not covered by our insurance, could adversely affect our operating results.

***We face a variety of risks as we develop and refine our businesses.***

We are a new company and are developing and refining our businesses. Risks related to this may include:

potential diversion of management s attention and other resources, including available cash;

unanticipated liabilities or contingencies;

increased losses due to increased or unanticipated costs;

failure to retain and recruit MMA athletes;

failure to maintain or obtain new television distribution agreements;

inability to protect intellectual property rights;

competition from other companies with experience in such businesses; and possible additional regulatory requirements and compliance costs.

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***We currently have weaknesses in internal control over financial reporting. If we fail to rectify these weaknesses and then maintain effective controls, we may be subject to litigation and/or costly remediation and the price of our common stock may be adversely affected.***

Failure to establish the required controls or procedures, or any failure of those controls or procedures once established, could adversely impact our public disclosures regarding our business, financial condition or results of operations. Our management and our auditors have identified a material weakness in our disclosure controls and procedures and in our internal control over financial reporting due to insufficient resources in the accounting and finance department. Due to these weaknesses, there is more than a remote likelihood that a material misstatement of the consolidated financial statements would not have been prevented or detected.

Should we or our auditors identify any other material weaknesses and/or significant deficiencies, those will need to be addressed as well. Any actual or perceived weaknesses or conditions that need to be addressed in our internal control over financial reporting, disclosure of management s assessment of our internal control over financial reporting or disclosure of our public accounting firm s attestation to or report on management s assessment of our internal control over financial reporting could adversely impact the price of our common stock and may lead to claims against us. See Item 9A in this Annual Report on Form 10-K

***Compliance with corporate governance and public disclosure regulation are costly compared to our revenues, and could increase liability exposure for us, our directors and our executive officers.***

Rules adopted by the United States Securities and Exchange Commission (the SEC ) pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual assessment of our internal control over financial reporting, and attestation of our assessment by our independent registered public accountants. The assessment requirement first applied to this annual report for fiscal 2007. The standards for management s assessment of the internal control over financial reporting required significant documentation, testing and possible remediation to meet the detailed standards. We encountered problems or delays in completing activities necessary to make an assessment of our internal control over financial reporting. In addition, we may encounter problems or delays in completing the implementation of improvements and receiving an attestation of our assessment by our independent registered public accountants which will be required for fiscal 2008. If we do not improve our internal control over financial reporting so that it is effective, or our independent registered public accountants are unable to provide an unqualified attestation report on such assessment, investor confidence in us and the value of our common stock may be negatively impacted. Further, many companies have reported that compliance with these standards requires a disproportionate expenditure of funds.

In addition, as a public reporting company, we are subject to various laws, regulations and standards relating to corporate governance and public disclosure. Our management team needs to invest significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to significant general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, because public company directors and officers face increased liabilities, the individuals serving in these positions may be less willing to remain as directors or executive officers for the long-term, and we may experience difficulty in attracting qualified replacement directors and officers. We also experienced increased cost and efforts obtaining director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, we may need to expend a significantly larger amount than we previously spent on recruiting, compensating and insuring new directors and officers.

**Risks Related To Our Industry**

***The failure to retain or continue to recruit key athletes and coaches could negatively impact the growth of IFL s popularity.***

Our success depends, in large part, upon our ability to recruit and retain athletes and coaches who are well known in the MMA world and who can perform at a high level in our live events and televised programming. There is no assurance that we will be able to continue to identify and retain these athletes and

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coaches in the future. Additionally, there is no assurance that we will be able to retain our current athletes and coaches after their contracts expire. Our failure to attract and retain key athletes, or a serious or untimely injury to, or the death of, or unexpected or premature loss or retirement for any reason of any of our key athletes, could lead to a decline in the popularity of our brand of mixed martial arts, which could adversely affect our operating results.

***The markets in which we operate are highly competitive, rapidly changing and increasingly fragmented, and we may not be able to compete effectively, especially against competitors with greater financial resources or marketplace presence.***

For our live and television audiences, we face competition from professional and college sports, as well as from other forms of live and televised entertainment and other leisure activities in a rapidly changing and increasingly fragmented marketplace. Many of the companies with which we compete have greater financial resources than are currently available to us. Our failure to compete effectively could result in a significant loss of viewers, venues, distribution channels or athletes and fewer advertising dollars spent on our form of sporting events, any of which could adversely affect our operating results.

***A decline in the popularity of mixed martial arts, including changes in the social and political climate, could adversely affect our business.***

Our operations are affected by consumer tastes and entertainment trends, which are unpredictable and subject to change and may be affected by changes in the social and political climate. We believe that mixed martial arts is growing in popularity in the United States and around the world, but a change in our fans tastes or a material change in the perceptions of our advertisers, distributors and licensees, whether due to the social or political climate or otherwise, could adversely affect our operating results.

***Changes in the regulatory atmosphere and related private-sector initiatives could adversely affect our business.***

Although the production and distribution of television programming by independent producers is not directly regulated by the federal or state governments in the United States, the marketplace for television programming in the United States is affected significantly by government regulations applicable to, as well as social and political influences on, television stations, television networks and cable and satellite television systems and channels. We voluntarily designate the suitability of each of our television programs for audiences using standard industry practices. A number of governmental and private sector initiatives relating to the content of media programming in recent years have been announced in response to recent events unrelated to us or mixed martial arts. Changes in governmental policy and private sector perceptions could further restrict our program content and adversely affect our viewership levels and operating results, as well as the willingness of broadcasters to distribute our programming.

***Because we depend upon our intellectual property rights, our inability to protect those rights or prevent their infringement by others could adversely affect our business.***

Intellectual property is material to all aspects of our operations, and we may expend substantial cost and effort in an attempt to maintain and protect our intellectual property. We have a portfolio of registered trademarks and service marks and maintain a catalog of copyrighted works, including copyrights to television programming and photographs. Our inability to protect our portfolio of trademarks, service marks, copyrighted material, trade names and other intellectual property rights from piracy, counterfeiting or other unauthorized use could negatively affect our business.

***We may be prohibited from promoting and conducting our live events if we do not comply with applicable regulations.***

In various states in the United States and some foreign jurisdictions, athletic commissions and other applicable regulatory agencies require us to obtain licenses for promoters, medical clearances and/or other permits or licenses for athletes and/or permits for events in order for us to promote and conduct our live events. If we fail to comply with the regulations of a particular jurisdiction, we may be prohibited from promoting and conducting live events in that jurisdiction. The inability to present live events over an extended period of time or in a number of jurisdictions could lead to a decline in the various revenue streams generated from our live events, which could adversely affect our operating results.

***A decline in general economic conditions could adversely affect our business.***

Our operations are affected by general economic conditions, which generally may affect consumers disposable income, the level of advertising spending and sponsorships. The demand for entertainment and leisure activities tends to be highly sensitive to the level of consumers disposable income. A decline in general economic conditions could reduce the level of discretionary income that our fans and potential fans have to spend on our live and televised entertainment and consumer products, which could adversely affect our revenues.

### Risks Related To Our Common Stock

***Insiders have substantial control over us, and they could delay or prevent a change in our corporate control even if our other stockholders wanted it to occur.***

As of March 31, 2008, our executive officers, directors, and principal stockholders who hold 5% or more of our outstanding common stock beneficially owned, in the aggregate, approximately 72% of our outstanding common stock. These stockholders are able to exercise significant control over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This could delay or prevent an outside party from acquiring or merging with us even if our other stockholders wanted it to occur.

***We cannot assure you that a market will develop for our common stock or what the market price of our common stock will be.***

Prior to the merger and our acquisition of Old IFL s business, there was a limited trading market for our common stock and there was no public trading market for Old IFL s common stock. Upon the effectiveness on May 29, 2007 of a registration statement for 19,376,000 shares of our common stock sold in a December 2006 private placement, a more active trading market developed for our common stock. However, since that time, the price of our common stock has decreased significantly and has traded below $0.10 per share. No assurance can be given that an active market for our common stock will be sustained, or that you will be able to sell your shares of common stock at an attractive price or at all. We cannot predict the prices at which our common stock will trade. It is possible that, in future quarters, our operating results may be below the expectations of securities analysts or investors. As a result of these and other factors, the price of our common stock may decline, possibly materially.

***If we raise additional capital through the issuance of equity securities, or securities exercisable for or convertible into our equity securities, our stockholders could experience substantial dilution.***

If we raise additional capital by issuing equity securities or convertible debt securities, our existing stockholders may incur substantial dilution. Further, we may issue shares that have rights, preferences and privileges superior to the rights, preferences and privileges of our outstanding common stock.

***The market price of our common stock may be volatile.***

The market price of our common stock has been and will likely continue to be highly volatile, as is the stock market in general, and the market for OTC Bulletin Board quoted stocks in particular. Some of the factors that may materially affect the market price of our common stock are beyond our control, such as changes in financial estimates by industry and securities analysts, conditions or trends in the MMA and entertainment industries, announcements made by our competitors or sales of our common stock. These factors may materially adversely affect the market price of our common stock, regardless of our performance.

In addition, the public stock markets have experienced extreme price and trading volume volatility. This volatility has significantly affected the market prices of securities of many companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of our common stock.

***Future sales of our common stock may depress our stock price.***

Sales of a substantial number of shares of our common stock in the public market could cause a decrease in the market price of our common stock. As of March 31, 2008 we had 79,058,509 shares of common stock outstanding, and options and warrants outstanding to purchase 2,900,308 and 14,611,180, respectively, shares of our common stock. Substantially all of the 79 million shares of our common stock that are issued and outstanding may be traded under our two recent registrations statements or Rule 144 of the Securities Act of 1933. We may also issue additional shares of stock and securities convertible into or exercisable for stock in connection with our business. If a significant portion of these shares were sold in the public market, the market value of our common stock could be adversely affected.

***Provisions in our certificate of incorporation and bylaws and under Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.***

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change of control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- authorize the issuance of blank check preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;

- provide that only the President, Chairman of the Board or the board of directors may call a special meeting of our stockholders and the only business to be conducted at any special meeting of stockholders shall be matters relating to the purposes stated in the applicable notice of meeting;

- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws;

- provide that advance notice procedures set forth in our bylaws must be followed for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of our stockholders.

In addition, Section 203 of the Delaware General Corporation Law provides that, subject to certain exceptions, an interested stockholder of a Delaware corporation shall not engage in any business combination, including mergers or consolidations or acquisitions of additional shares of the corporation, with the corporation for a three-year period following the date that such stockholder becomes an interested stockholder unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder,

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares), or

- on or subsequent to such date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 662/3% of the outstanding voting stock which is not owned by the interested stockholder.

With some exceptions, an interested stockholder includes any person and affiliates that own 15% or more of our outstanding voting stock.

Under certain circumstances, Section 203 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with us for a three-year period. We have not elected to be exempt from the restrictions imposed under Section 203. The provisions of Section 203 may encourage persons interested in acquiring us to negotiate in advance with our board of directors, since the stockholder

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approval requirement would be avoided if a majority of our directors then in office approves either the business combination or the transaction which results in any such person becoming an interested shareholder. These provisions also may have the effect of preventing changes in our management. These provisions could make it more difficult to accomplish transactions which our stockholders may otherwise deem to be in their best interests.

**Cautionary Note Regarding Forward-Looking Statements.**

This Annual Report on Form 10-K may contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act.

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as may, will, can, anticipate, assume should, indicate, would, believe, contemplate, expect, seek, estimate, continue, plan, point to, intend, target, potential, and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation, the factors listed under this Item 1A Risk Factors.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished

**Item 1B** ***Unresolved Staff Comments***

None.

**Item 2** ***Properties***

Our principal office is located in New York City, New York, where we lease 4,300 square feet of office space pursuant to a lease that expires in August 2010. We have a one-year lease for an office in Las Vegas, Nevada, expiring in December 2008. If we require additional space, we believe that we will be able to obtain such space on commercially reasonable terms.

**Item 3** ***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. We are not aware of any pending or threatened legal proceeding that, if determined in a manner adverse to us, could have a material adverse effect on our business and operations.

**Item 4** ***Submission of Matters to a Vote of Security Holders***

None.

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## Part II

**Item 5** ***Market for Registrant s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Our shares of common stock, par value $0.01 per share, are quoted on the OTC Bulletin Board under the symbol IFLI. Prior to November 29, 2006, our common stock was quoted on the OTC Bulletin Board under the symbol PGNT. The following table sets forth the range of high and low closing sale prices for the common stock as reported by the OTC Bulletin Board for the periods indicated below.

| | High | Low |
|---|---|---|
| **2008** | | |
| Second Quarter (through April 11) | $ 0.06 | $ 0.05 |
| First Quarter | $ 0.18 | $ 0.06 |
| **2007** | | |
| Fourth | $ 0.62 | $ 0.14 |
| Third Quarter | $ 1.02 | $ 0.45 |
| Second Quarter | $ 8.60 | $ 0.95 |
| First Quarter | $ 16.50 | $ 8.95 |
| **2006** | | |
| Fourth Quarter | $ 14.45 | $ 2.40 |
| Third Quarter | $ 3.40 | $ 1.30 |
| Second Quarter | $ 2.10 | $ 0.30 |
| First Quarter | $ 1.80 | $ 0.01 |

The closing sale prices in the table above reflect inter-dealer prices, without retail mark-up or commissions and may not represent actual transactions.

Immediately prior to the Merger on November 29, 2006, we effected a 1-for-20 reverse stock split, whereby every 20 shares of common stock then outstanding were combined and reduced into one share of common stock. The closing sale prices in the table above reflect the reverse stock split. The reverse stock split did not affect the authorized number of shares of common stock or the number of our stockholders of record since each fractional share resulting from the reverse stock split was rounded up to the nearest whole share.

As of March 31, 2008 we had approximately 1,550 holders of record of our common stock. The last sale price of our common stock as reported by the OTC Bulletin Board on April 11, 2008 was $0.06 per share.

**Dividend Policy**

We have never declared or paid dividends on our common stock. We intend to retain earnings, if any, to support the development of our business and therefore do not anticipate paying cash dividends for the foreseeable future. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including current financial condition, operating results and current and anticipated cash needs.

**Securities Authorized for Issuance Under Equity Compensation Plans**

See Item 12 in this Annual Report on Form 10-K.

**Issuer Purchases and Unregistered Sales of Equity Securities**

We did not purchase any of our equity securities and did not sell any of unregistered equity securities during the quarter ended December 31, 2007.

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## Performance Graph

### Five Year Cumulative Total Return

The following graph and chart compare the cumulative total return for International Fight League, Inc. over the past five fiscal years with those of the AMEX Market Index and a peer group index. We have included for comparison the AMEX Market Index because we believe this index provides a more meaningful comparison than other broad market indices, such as the S&P 500. We have also included a peer group index, consisting of public companies with the same Standard Industrial Classification (SIC) code as ours, which is the professional sports clubs and promoters industry.

The stockholder returns shown below should not be considered indicative of future returns.

| Company/Index/Market | 12/31/2002 | 12/31/2003 | 12/31/2004 | 12/30/2005 | 12/29/2006 | 12/31/2007 |
|---|---|---|---|---|---|---|
| International Fight League, Inc. | 100.00 | 340.00 | 660.00 | 120.00 | 1,890.00 | 38.00 |
| SIC Code Index | 100.00 | 207.05 | 250.59 | 290.63 | 271.35 | 121.45 |
| AMEX Market Index | 100.00 | 136.11 | 155.86 | 171.89 | 192.45 | 216.06 |

Assumes $100 invested on December 31, 2002, in International Fight League, Inc. and each of the indices compared above, with all dividends and distributions reinvested. The companies included in the SIC code index are AVP Inc., Global Entertainment Corporation, Latin Television Inc., RTG Ventures, Inc. and United States Basketball League, Inc.

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## Item 6 *Selected Financial Data*

You should read the data set forth below in conjunction with our consolidated financial statements and related notes, Management s Discussion and Analysis of Financial Condition and Results of Operations, and other financial information appearing elsewhere in this report.

We derived the statement of operations data for the period from March 29, 2005 (date of inception) to December 31, 2005 from the audited financial statements of International Fight League, LLC, the predecessor to Old IFL, which were prepared in accordance with generally accepted accounting principles, included elsewhere in this report. We derived the statement of operations data for the years ended December 31, 2007 and 2006 and the balance sheet data as of December 31, 2007 and 2006 from our audited consolidated financial statements included elsewhere in this report. Our historical results are not necessarily indicative of the results to be expected in any future period.

| | International Fight League, Inc. for the Year Ended December 31, 2007 | International Fight League, Inc. for the Year Ended December 31, 2006 | International Fight League, LLC March 29, 2005 (Date of Inception) to December 31, 2005 |
|---|---|---|---|
| **Consolidated Statements of Operations Data:** | | | |
| **Revenues** | | | |
| Live and televised events | | | |
| Advertising sponsorships and website | $ 498,005 | $ 274,080 | $ |
| Live events box office receipts and related revenue | 2,435,533 | 671,665 | |
| Television rights | 2,607,500 | | |
| Branded merchandise | 117,544 | 44,315 | |
| Total revenues | 5,658,582 | 990,060 | |
| **Cost of revenues** | | | |
| Advertising sponsorships | 1,539,019 | 165,180 | |
| Live events costs | 15,928,568 | 6,287,196 | |
| Television distribution fees | 130,643 | | |
| Branded merchandise | 99,175 | 21,390 | |
| Total cost of revenues | 17,697,405 | 6,473,766 | |
| **Selling, general and administrative expenses** | 8,702,617 | 3,858,790 | 43,003 |
| **Stock-based compensation expense** | 343,906 | 48,410 | |
| **Operating loss** | (21,085,346) | (9,390,906) | (43,003) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Other income (expenses):** | | | | | | |
| Dividend expense | | | | (153,404) | | |
| Interest expense | | (4,712) | | (90,647) | | |
| Liquidated damages | | (582,695) | | | | |
| Interest income | | 415,438 | | 31,557 | | |
| Other income (expenses), net | | (171,969) | | (212,494) | | |
| **Net loss** | $ | (21,257,315) | $ | (9,603,400) | $ | (43,003) |
| Net loss per common share basic and diluted: | $ | (0.33) | $ | (0.49) | $ | |
| Weighted average common shares outstanding: | | | | | | |
| Basic and diluted | | 63,838,915 | | 19,691,088 | | |

| | | **International Fight League, Inc. as of December 31, 2007** | | **International Fight League, Inc. as of December 31, 2006** |
|---|---|---|---|---|
| Consolidated Balance Sheets Data: | | | | |
| Cash and cash equivalents | $ | 6,120,500 | $ | 16,623,159 |
| Total assets | $ | 7,629,113 | $ | 17,427,637 |

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## Item 7 *Management s Discussion and Analysis of Financial Condition and Results of Operations*

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and related notes that appear elsewhere in this report.*

*In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, including those set forth in Risk Factors.*

### Overview

We operate, through our subsidiary, IFL Corp., a sports entertainment business focused on our professional mixed martial arts sports league International Fight League. Immediately prior to November 29, 2006, we were known as Paligent Inc. and were a shell company with no operating business. On November 29, 2006, pursuant to the Merger between our wholly owned subsidiary and Old IFL, we acquired the mixed martial arts sports league business of Old IFL. As a result of the Merger, Old IFL became our wholly owned subsidiary and changed its name to IFL Corp., and we changed our name from Paligent Inc. to International Fight League, Inc.

Immediately prior to the effective time of the Merger, all of the outstanding shares of preferred stock of Old IFL were converted into shares of Old IFL common stock on a one-for-one basis, and we effected a 1-for-20 reverse stock split of our common stock, such that the number of shares of our common stock outstanding following the Merger would be approximately equal to the number of shares of our common stock outstanding immediately prior to the reverse stock split. Pursuant to the Merger, we issued 30,872,101 shares of our common stock to the stockholders of Old IFL in exchange for all of the outstanding capital stock of Old IFL. In connection with the Merger, all of the options to purchase 1,865,000 shares of common stock of Old IFL outstanding prior to the Merger were converted into options to purchase 1,925,376 shares of our common stock on the same terms and conditions applicable to such options prior to the Merger. The new options were issued under the International Fight League, Inc. 2006 Equity Incentive Plan approved by our stockholders in conjunction with their approval of the Merger.

Following the reverse stock split and the Merger, there were 32,496,948 shares of IFL common stock outstanding, of which the pre-Merger stockholders of Paligent owned approximately 5% and the pre-Merger stockholders of Old IFL owned approximately 95%. As a result, Old IFL has been treated as the acquiring company for accounting purposes. The Merger has been accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with generally accepted accounting principles in the United States of America. Reported results of operations of the combined group issued after completion of the transaction reflect Old IFL s operations. In addition, immediately following the Merger, we issued 1,627,500 shares of common stock to Mr. Kurtz, Paligent s principal stockholder before the Merger, in exchange for his contribution of $651,000 of indebtedness owing to him under a promissory note issued by Paligent.

The Old IFL business was founded in 2005 to organize, host and promote live and televised mixed martial arts sporting events and to capitalize on the growing popularity of mixed martial arts in the United States and around the world. Following the acquisition of Old IFL, we refocused our business efforts on developing and operating Old IFL s mixed martial arts sports league business and continued operating this business through IFL Corp. At the core of our business in 2007 was our twelve mixed martial arts teams, which consist of some of the world s most highly regarded mixed martial arts athletes and coaches. Our mixed martial arts sporting events typically included match-ups of two teams, with athletes competing in one-on-one matches according to weight division. These events create a body of television programming content that we currently distribute in the United States through an arrangement with Fox

Sports Net ( FSN ) and MyNetworkTV, Inc. ( MNTV ). We earn revenue from live event ticket sales, sponsorships and promotions and licensing of our intellectual property. For 2008, we have changed our format by eliminating our team format, focusing on MMA camps and title fights involving our belt holders.

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Old IFL s predecessor, International Fight League, LLC (the LLC ), was organized on March 29, 2005 as a New Jersey limited liability company. On January 11, 2006, the LLC merged into Old IFL, whereupon the existence of the LLC ceased, and at which time the members of the LLC received an aggregate of 18,000,000 shares of Old IFL common stock, par value $0.0001 per share, in exchange for their membership interests in the LLC.

Old IFL operated as a development stage enterprise through March 31, 2006. On April 29 and June 3, 2006, Old IFL held its debut MMA sports events featuring its initial four teams. The event was broadcast in a series of three original taped telecasts in May and June 2006. We have held four additional events as part of The World Team Championship, including the final event held in December 2006. We launched our first full season in 2007, which consisted of a six-month; nine event regular season that was followed by a two month, two events post-season. We finished 2008 with a two event Grand Prix all-star tournament during November and December 2007, in which the top athletes in each weight class competed for the title belts, which were awarded to the champion of each of six weight classes.

As Old IFL, we raised funds primarily through stockholder loans and the issuance of preferred stock. The Merger is also considered to be a capital transaction in substance rather than a business combination. The transaction is equivalent to the issuance of stock by Old IFL for the net monetary assets of Paligent, accompanied by a recapitalization. The transaction has been accounted for as a reverse acquisition of a shell company whereby Old IFL is the acquirer for accounting purposes and Paligent is the legal acquirer. In this transaction, no goodwill or other intangible assets have been recorded. As a result, the financial information included in this report for periods prior to the Merger relates to Old IFL.

At December 31, 2007, we had stockholders equity of $5.8 million and an accumulated deficit of $31 million. For the year ended December 31, 2007, we incurred losses and negative operating cash flows of $21.2 million and $21.4 million, respectively, as compared to 2006 of $9.6 million and $8.2 million, respectively. These trends have continued in the first quarter of 2008 as we continue to develop our business.

On December 28, 2006, we completed a private sale to a number of institutional and individual accredited investors an aggregate of 19,376,000 shares of common stock at a price of $1.25 per share, or $24,220,000 in the aggregate. In connection with the private placement, we incurred expenses which included, without limitation, commissions to the placement agent, legal and accounting fees, and other miscellaneous expenses, of approximately $2 million. We also issued to the placement agent, as partial compensation for its services, a five-year warrant to purchase up to 581,280 shares of common stock at an exercise price of $1.25 per share.

On August 6, 2007, we completed a private sale to a number of institutional and individual accredited investors for 25,330,000 shares of common stock at a price of $0.50 per share, or $12,665,000 in the aggregate, and issued five year warrants to the investors to purchase 12,665,000 shares of common stock with an exercise price of $1.05 per share. In connection with the private placement, we incurred expenses which included, without limitation, commissions to the placement agent, legal and accounting fees, and other miscellaneous expenses, of approximately $1.1 million. We also issued to the placement agent, as partial compensation for its services, a five-year warrant to purchase up to 729,900 shares of our common stock at an exercise price of $1.05 per share.

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**Unaudited Quarterly Consolidated Financial Data**

The following tables set forth selected unaudited quarterly consolidated income statement data for each of the quarters ended March 31, June 30, September 30, and December 31, for 2007 and 2006. No information is presented for earlier quarters, as Old IFL did not commence operations until January 2006, and such earlier information is not deemed material or comparable. The consolidated financial statements for each of these quarters have been prepared on the same basis as the audited consolidated financial statements included in this report and, in the opinion of management, include all adjustments necessary for the fair presentation of the consolidated results of operations for these periods. You should read this information together with our audited consolidated financial statements and the related notes included elsewhere in this report.

These unaudited quarterly operating results are not necessarily indicative of the results for any future period.

| | Three Months Ended | | | |
|---|---|---|---|---|
| | **March 31, 2007** | **June 30, 2007** | **September 30, 2007** | **December 31, 2007** |
| **Revenues** | | | | |
| **Live and televised events** | | | | |
| Advertising sponsorships and website | $ 67,045 | $ 74,178 | $ 195,846 | $ 160,936 |
| Live events box office receipts and related revenue | 513,842 | 891,721 | 588,987 | 440,983 |
| Television rights | 210,000 | 672,500 | 1,075,000 | 650,000 |
| **Branded merchandise** | 19,470 | 34,831 | 18,357 | 44,886 |
| **Total revenues** | 810,357 | 1,673,230 | 1,878,190 | 1,296,805 |
| **Cost of revenues** | | | | |