

NORTHFIELD LABORATORIES INC /DE/

Form 10-Q

April 09, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED February 29, 2008
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 0-24050
NORTHFIELD LABORATORIES INC.
(Exact name of registrant as specified in its charter)**

DELAWARE
(State or other jurisdiction
of incorporation or organization)

36-3378733
(I.R.S. Employer
Identification Number)

1560 SHERMAN AVENUE, SUITE 1000,
EVANSTON,
ILLINOIS

60201-4800
(Zip Code)

(Address of principal executive offices)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (847) 864-3500

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 No

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 under the Exchange Act) Yes No

As of February 29, 2008, Registrant had 26,958,516 shares of common stock outstanding.

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SIGNATURES

Letter Regarding Unaudited Interim Financial Information

Certification of Steven A. Gould, M.D.

Certification of Donna O Neill-Mulvihill

Certification of Steven A. Gould, M.D.

Certification of Donna O Neill-Mulvihill

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report contains forward-looking statements concerning, among other things, our prospects, clinical and regulatory developments affecting our potential product and our business strategies. These forward-looking statements are identified by the use of such terms as intends, expects, plans, estimates, anticipates, forecasts, believes and similar terms.

These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including those discussed under Risk Factors in our Annual Report on Form 10-K for our fiscal year ended May 31, 2007 which is filed with the Securities and Exchange Commission, and those matters discussed under Legal Proceedings and Risk Factors in this Quarterly Report. Because these forward-looking statements involve risks and uncertainties, actual results may differ significantly from those predicted in these forward-looking statements. You should not place undue weight on these statements. These statements speak only as of the date of this document or, in the case of any document incorporated by reference, the date of that document.

All subsequent written and oral forward-looking statements attributable to Northfield or any person acting on our behalf are qualified by the cautionary statements in this section and in our Annual Report. We will have no obligation to revise these forward-looking statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Northfield Laboratories Inc.:

We have reviewed the balance sheet of Northfield Laboratories Inc. (a company in the development stage) as of February 29, 2008, the related statements of operations for the three-month periods ended February 29, 2008 and February 28, 2007, and the related statements of operations and cash flows for the nine-month periods ended February 29, 2008 and February 28, 2007, and for the period from June 19, 1985 (inception) through February 29, 2008. We have also reviewed the statements of shareholders' equity (deficit) for the nine-month period ended February 29, 2008 and for the period from June 19, 1985 (inception) through February 29, 2008. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet of Northfield Laboratories Inc. as of May 31, 2007, and the related statements of operations, shareholders' equity (deficit), and cash flows for the year then ended and for the period from June 19, 1985 (inception) through May 31, 2007 (not presented herein); and in our report dated August 14, 2007, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of May 31, 2007 and in the accompanying statements of operations, cash flows and shareholders' equity (deficit) for the period from June 19, 1985 (inception) through May 31, 2007 is fairly stated, in all material respects, in relation to the statements from which it has been derived.

(signed) KPMG LLP
Chicago, IL
April 9, 2008

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Balance Sheets

February 29, 2008 and May 31, 2007

	February 29, 2008	May 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,526,040	23,224,026
Restricted cash	589,314	529,752
Marketable securities	9,963,024	16,934,204
Prepaid expenses	327,867	673,192
Other current assets		212,854
Total current assets	27,406,245	41,574,028
Property, plant, and equipment	19,824,196	19,588,246
Accumulated depreciation	(11,540,575)	(11,063,080)
Net property, plant, and equipment	8,283,621	8,525,166
Other assets	19,550	19,550
	\$ 35,709,416	50,118,744
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 1,762,804	3,573,025
Accrued expenses	188,326	101,118
Accrued compensation and benefits	842,673	565,709
Government grant liability	589,314	529,752
Total current liabilities	3,383,117	4,769,604
Other liabilities	13,848	7,431
Total liabilities	3,396,965	4,777,035
Shareholders equity:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; none issued and outstanding		
Common stock, \$.01 par value. Authorized 60,000,000 shares; issued 26,960,233 at February 29, 2008 and 26,916,541 at May 31, 2007	269,602	269,165
Additional paid-in capital	246,533,233	244,905,543
Deficit accumulated during the development stage	(214,464,991)	(199,807,606)

	32,337,844	45,367,102
Less cost of common shares in treasury; 1,717 shares and 1,717 shares, respectively	(25,393)	(25,393)
Total shareholders' equity	32,312,451	45,341,709
	\$ 35,709,416	50,118,744

See accompanying notes to financial statements and accountants' review report.

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statement of Operations

Three and nine months ended February 29, 2008 and February 28, 2007 and for the period from June 19, 1985 (inception) through February 29, 2008

	Three months ended		Nine months ended		Cumulative
	February	February 28,	February	February 28,	from
	29, 2008	2007	29, 2008	2007	June 19, 1985
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	through
					February 29,
					2008
					(unaudited)
Revenues license income \$					3,000,000
Costs and expenses:					
Research and development	3,669,678	4,476,365	11,387,582	15,927,707	180,228,398
General and administrative	1,480,860	2,269,980	4,472,690	7,534,628	69,122,985
	5,150,538	6,746,345	15,860,272	23,462,335	249,351,383
Other income and expense:					
Interest income	319,318	634,577	1,202,887	2,184,939	32,044,547
Interest expense					83,234
	\$ 319,318	634,577	1,202,887	2,184,939	31,961,313
Net loss before cumulative effect of change in accounting principle	(4,831,220)	(6,111,768)	(14,657,385)	(21,277,396)	(214,390,070)
Cumulative effect of change in accounting principle					74,921
Net loss	\$ (4,831,220)	(6,111,768)	(14,657,385)	(21,277,396)	(214,464,991)
Net loss per share basic and diluted	\$ (0.18)	(0.23)	(0.54)	(0.79)	(16.60)
Shares used in calculation of per share data basic and diluted	26,958,516	26,911,357	26,939,859	26,877,075	12,921,005

See accompanying notes to financial statements and accountants' review report.

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Nine months ended February 29, 2008 and the cumulative period
from June 19, 1985 (inception) through February 29, 2008

Preferred stock	Common stock		Series A convertible		Series B convertible		Additional paid-in capital	Deficit accumulated during the development stage	Deferred compensation	Treasury shares				
	Number of shares	Aggregate Number of shares	Aggregate Number of shares	Aggregate Amount	Number of shares	Aggregate Amount								
7,	\$	3,500,000	\$	35,000			\$	(28,000)	\$					
0					250,000	250,000		670,850	(607,688)					
6	\$	3,500,000	\$	35,000	250,000	\$	250,000	\$	642,850	\$	(607,688)	(2,429,953)	\$	
n								2,340,000			(2,340,000)			
k											720,000			
n														
7	\$	3,500,000	\$	35,000	250,000	\$	250,000	\$	2,982,850	\$	(3,037,641)	\$	(1,620,000)	\$
						200,633	200,633	6,882,502						

									(3,057,254)	
										566,136
\$	3,500,000	\$ 35,000	250,000	\$ 250,000	200,633	\$ 200,633	\$ 9,865,352	\$ (6,094,895)	\$ (1,053,864)	\$
	413,020	4,130					9,749,870			
	1,250,000	12,500	(250,000)	(250,000)			237,500			
	1,003,165	10,032			(200,633)	(200,633)	190,601			
	47,115	471					93,759			
	175,525	1,755					4,976,855			
	87,760	878					2,488,356			

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800,729

\$ 6,476,585 \$ 64,766

\$

\$

\$ 35,728,451 \$ (6,886,101) \$ (936,175)
(3,490,394)

\$

699,163

(699,163)

546,278

\$ 6,476,585 \$ 64,766

\$

\$

\$ 36,427,614 \$ (10,376,495) \$ (1,089,060)
(5,579,872)

\$

435,296

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01	\$	6,476,585	\$	64,766	\$		\$	36,427,614	\$(15,956,367)	\$(653,764)	\$
nts		90,000		900				503,100	(7,006,495)		
n										254,025	
02	\$	6,566,585	\$	65,666	\$		\$	36,930,714	\$(22,962,862)	\$(399,739)	\$
nts		15,000		150				106,890			
ck											
r											
93											
of		374,370		3,744				5,663,710	(8,066,609)		
n										254,025	
03	\$	6,955,955	\$	69,560	\$		\$	42,701,314	\$(31,029,471)	\$(145,714)	\$
ck									(7,363,810)		
04											
of		2,500,000		25,000				14,163,851			
n								(85,400)		85,400	
n										267	
04	\$	9,455,955	\$	94,560	\$		\$	56,779,765	\$(38,393,281)	\$(60,047)	\$
									(7,439,013)		

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375,000	3,750		2,261,250		
10,000	100		71,300		
187,570	1,875		373,264		
			(106,750)		106,750
					(67,892)
\$ 10,028,525	\$ 100,285	\$	\$ 59,378,829	\$ (45,832,294)	\$ (21,189)

See accompanying notes to financial statements and accountants' review report.



NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Nine months ended February 29, 2008 and the cumulative period
from June 19, 1985 (inception) through February 29, 2008

	Preferred stock Number of shares	Aggregate Number of shares	Common stock Aggregate Number of shares	Series A convertible preferred stock Number of shares	Series B convertible preferred stock Number of shares	Additional paid-in capital	Deficit		Treasury shares	Total share- holders equity (deficit)
							accumulated during the development stage	Deferred compen- sation		
Net loss	\$		\$				\$ (4,778,875)	\$		\$ (4,778,875)
Issuance of common stock at \$17.75 per share on August 9, 1995 (net of issuance costs of \$3,565,125)		2,925,000	29,250			48,324,374				48,353,624
Issuance of common stock at \$17.75 per share on September 11, 1995 (net of issuance costs of \$423,238)		438,750	4,388			7,360,187				7,364,575
Exercise of stock options at \$2.00 per share		182,380	1,824			362,937				364,761
Exercise of stock options at \$6.38 per share		1,500	15			9,555				9,570
Exercise of stock options at \$7.14 per share		10,000	100			71,300				71,400
Cancellation of stock options						(80,062)		80,062		
Amortization of deferred compensation								(62,726)		(62,726)
Balance at May 31, 1996	\$	13,586,155	\$ 135,862	\$	\$	\$ 115,427,120	\$ (50,611,169)	\$ (3,853)		\$ 64,947,960

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Net loss						(4,245,693)		(4,245,693)
Exercise of stock options at \$0.20 per share	263,285	2,633		50,025				52,658
Exercise of stock options at \$2.00 per share	232,935	2,329		463,540				465,869
Exercise of stock options at \$7.14 per share	10,000	100		71,300				71,400
Amortization of deferred compensation							2,569	2,569
Balance at May 31, 1997	\$ 14,092,375	\$ 140,924	\$	\$ 116,011,985	\$ (54,856,862)	\$ (1,284)		\$ 61,294,763
Net loss					(5,883,378)			(5,883,378)
Exercise of stock options at \$7.14 per share	5,000	50		35,650				35,700
Amortization of deferred compensation							1,284	1,284
Balance at May 31, 1998	\$ 14,097,375	\$ 140,974	\$	\$ 116,047,635	\$ (60,740,240)	\$		\$ 55,448,369
Net loss					(7,416,333)			(7,416,333)
Non-cash compensation				14,354				14,354
Exercise of stock options at \$7.14 per share	17,500	175		124,775				124,950
Exercise of stock warrants at \$8.00 per share	125,000	1,250		998,750				1,000,000
Balance at May 31, 1999	\$ 14,239,875	\$ 142,399	\$	\$ 117,185,514	\$ (68,156,573)	\$		\$ 49,171,340
Net loss					(9,167,070)			(9,167,070)
Non-cash compensation				57,112				57,112
Exercise of stock options at \$13.38 per share	2,500	25		33,425				33,450
Balance at May 31, 2000	\$ 14,242,375	\$ 142,424	\$	\$ 117,276,051	\$ (77,323,643)	\$		\$ 40,094,832
Net loss					(10,174,609)			(10,174,609)

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Non-cash compensation							
Exercise of stock options at \$6.38 per share	6,000	60		38,220			38,280
Exercise of stock options at \$10.81 per share	17,500	175		189,000			189,175
Balance at May 31, 2001	\$ 14,265,875	\$ 142,659	\$	\$ 117,503,271	\$ (87,498,252)	\$	\$ 30,147,678
Net loss					(10,717,360)		(10,717,360)
Balance at May 31, 2002	\$ 14,265,875	\$ 142,659	\$	\$ 117,503,271	\$ (98,215,612)	\$	\$ 19,430,318
Net loss					(12,250,145)		(12,250,145)
Balance at May 31, 2003	\$ 14,265,875	\$ 142,659	\$	\$ 117,503,271	\$ (110,465,757)	\$	\$ 7,180,173
Issuance of common stock at \$5.60 per share on July 28, 2003 (net of costs of issuance of \$909,229)	1,892,857	18,928		9,671,843			9,690,771
Issuance of common stock to directors at \$6.08 per share on October 30, 2003	12,335	123		74,877			75,000
Deferred compensation related to stock grants	25,500	255		190,995	(191,250)		
Amortization of deferred compensation					35,630		35,630
Issuance of common stock at \$5.80 per share on January 29, 2004 (net of costs of issuance of \$1,126,104)	2,585,965	25,860		13,846,633			13,872,493
	237,008	2,370		1,255,853			1,258,223

Issuance of common stock at \$5.80 per share on February 18, 2004 (net of costs of issuance of \$116,423)								
Issuance of common stock at \$5.80 per share on April 15, 2004 (net of costs of issuance of \$192,242)	409,483	4,095		2,178,664				2,182,759
Issuance of common stock at \$12.00 per share on May 18, 2004 (net of costs of issuance of \$1,716,831.36)	1,954,416	19,544		21,716,616				21,736,160
Exercise of stock options at \$6.38 per share	15,000	150		95,550				95,700
Net loss						(14,573,798)		(14,573,798)
Balance at May 31, 2004	\$ 21,398,439	\$ 213,984	\$	\$ 166,534,302	\$ (125,039,555)	\$ (155,620)		\$ 41,553,111
Deferred compensation related to stock grants	5,500	55		71,055		(71,110)		
Amortization of deferred compensation						122,121		122,121
Exercise of stock options between \$5.08 and \$14.17 per share	167,875	1,679		1,739,585				1,741,264
Cost of shares in treasury, 1,717 shares							(25,393)	(25,393)
Issuance of common stock to directors at \$12.66 per	5,925	59		74,941				75,000

share on September 21, 2004					
Issuance of common stock at \$15.00 per share on February 9, 2005 (net of costs of issuance of \$4,995,689)	5,175,000	51,750	72,577,561		72,629,311
Net loss				(20,321,456)	(20,321,456)