

NORTHFIELD LABORATORIES INC /DE/

Form 10-Q

January 09, 2008

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**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 November 30, 2007
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
(Address of principal executive offices)

60201-4800
(Zip Code)

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 or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

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 November 30, 2007, Registrant had 26,958,516 shares of common stock outstanding.

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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 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.

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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 November 30, 2007, the related statements of operations for the three-month periods ended November 30, 2007 and November 30, 2006, and the related statements of operations and cash flows for the six-month periods ended November 30, 2007 and November 30, 2006 and for the period from June 19, 1985 (inception) through November 30, 2007. We have also reviewed the statements of shareholders' equity (deficit) for the six-month period ended November 30, 2007 and for the period from June 19, 1985 (inception) through November 30, 2007. 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
January 9, 2008

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(a company in the development stage)

Balance Sheets

November 30, 2007 and May 31, 2007

	November 30, 2007	May 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,510,843	23,224,026
Restricted cash	1,685,222	529,752
Marketable securities	10,188,484	16,934,204
Prepaid expenses	603,455	673,192
Other current assets	64,838	212,854
Total current assets	32,052,842	41,574,028
Property, plant, and equipment	19,801,473	19,588,246
Accumulated depreciation	(11,388,034)	(11,063,080)
Net property, plant, and equipment	8,413,439	8,525,166
Other assets	19,550	19,550
	\$ 40,485,831	50,118,744
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	\$ 1,313,130	3,573,025
Accrued expenses	122,891	101,118
Accrued compensation and benefits	660,929	565,709
Government grant liability	1,685,222	529,752
Total current liabilities	3,782,172	4,769,604
Other liabilities	11,897	7,431
Total liabilities	3,794,069	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 November 30, 2007 and 26,916,541 at May 31, 2007	269,602	269,165
Additional paid-in capital	246,081,324	244,905,543
Deficit accumulated during the development stage	(209,633,771)	(199,807,606)

	36,717,155	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	36,691,762	45,341,709
	\$ 40,485,831	50,118,744

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

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(a company in the development stage)

Statement of Operations

Three and six months ended November 30, 2007 and November 30, 2006 and for the period from June 19, 1985 (inception) through November 30, 2007

	Three months ended November 30,		Six months ended November 30,		Cumulative from June 19, 1985 through November 30, 2007
	2007	2006	2007	2006	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues license income	\$				3,000,000
Costs and expenses:					
Research and development	3,940,402	5,625,231	7,717,904	11,451,344	176,558,720
General and administrative	1,481,547	2,700,999	2,991,830	5,264,648	67,642,125
	5,421,949	8,326,230	10,709,734	16,715,992	244,200,845
Other income and expense:					
Interest income	401,241	723,175	883,569	1,550,363	31,725,229
Interest expense					83,234
	\$ 401,241	723,175	883,569	1,550,363	31,641,995
Net loss before cumulative effect of change in accounting principle	(5,020,708)	(7,603,055)	(9,826,165)	(15,165,629)	(209,558,850)
Cumulative effect of change in accounting principle					74,921
Net loss	\$ (5,020,708)	(7,603,055)	(9,826,165)	(15,165,629)	(209,633,771)
Net loss per share basic and diluted	\$ (0.19)	(0.28)	(0.36)	(0.57)	(16.60)
Shares used in calculation of per share data basic and diluted	26,938,461	26,800,028	26,925,310	26,790,669	12,627,959

See accompanying notes to financial statements and accountants review report.

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NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

Six months ended November 30, 2007 and the cumulative period
from June 19, 1985 (inception) through November 30, 2007

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	Aggregate amount	Number	Aggregate amount				
27,	\$ 3,500,000	\$ 35,000				\$ (28,000)	\$		\$
00			250,000	250,000		670,850	(607,688)		
86	\$ 3,500,000	\$ 35,000	250,000	\$ 250,000		\$ 642,850	\$ (607,688)		\$
							(2,429,953)		(
						2,340,000		(2,340,000)	
								720,000	
87	\$ 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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92	\$	6,566,585	\$ 65,666	\$	\$	\$ 36,930,714	\$ (22,962,862)	\$ (399,739)	\$ 1
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