

ALFACELL CORP
Form 10-Q
March 12, 2009

**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: January 31, 2009

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: 0-11088

ALFACELL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of organization)

22-2369085

(I.R.S. Employer Identification No.)

300 Atrium Drive, Somerset, NJ 08873

(Address of principal executive offices) (Zip Code)

(732) 652-4525

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant has (1) 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. See definitions of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

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

Edgar Filing: ALFACELL CORP - Form 10-Q

The number of shares of Common Stock, \$.001 par value, outstanding as of March 10, 2009 was 47,313,880 shares.

PART I. FINANCIAL INFORMATIONItem 1. Financial Statements**ALFACELL CORPORATION**
(A Development Stage Company)CONDENSED BALANCE SHEETS
January 31, 2009 and July 31, 2008

	January 31, 2009 (Unaudited)	July 31, 2008 (See Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,196,373	\$ 4,661,656
Prepaid expenses	159,788	165,259
Total current assets	1,356,161	4,826,915
Property and equipment, net of accumulated depreciation and amortization of \$360,474 at January 31, 2009 and \$342,031 at July 31, 2008	124,679	143,121
Other assets	350,000	350,000
Total assets	\$ 1,830,840	\$ 5,320,036
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	\$ 837,691	\$ 1,252,478
Accrued clinical trial expenses	631,156	882,386
Accrued professional service fees	330,200	511,779
Accrued compensation expense	369,180	227,803
Current portion of obligations under capital lease	3,853	3,453
Other accrued expenses	33,966	4,135
Total current liabilities	2,206,046	2,882,034
Other liabilities:		
Obligations under capital lease, net of current portion	14,908	16,940
Accrued retirement benefits	357,000	510,000
Deferred rent	289,107	267,668
Deferred revenue	5,200,000	5,200,000
Total other liabilities	5,861,015	5,994,608
Total liabilities	8,067,061	8,876,642

Edgar Filing: ALFACELL CORP - Form 10-Q

Stockholders' deficiency:		
Preferred stock, \$.001 par value. Authorized and unissued, 1,000,000 shares at January 31, 2009 and July 31, 2008	—	—
Common stock \$.001 par value. Authorized 100,000,000 shares at January 31, 2009 and July 31, 2008; issued and outstanding 47,313,880 shares and 47,276,880 shares at January 31, 2009 and July 31, 2008, respectively	47,314	47,277
Capital in excess of par value	101,566,495	100,788,973
Deficit accumulated during development stage	(107,850,030)	(104,392,856)
	<u> </u>	<u> </u>
Total stockholders' deficiency	(6,236,221)	(3,556,606)
	<u> </u>	<u> </u>
Total liabilities and stockholders' deficiency	\$ 1,830,840	\$ 5,320,036
	<u> </u>	<u> </u>

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS

Three and six months ended January 31, 2009 and 2008,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2009

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2009
	2009	2008	2009	2008	
Sales	\$ —	\$ —	\$ —	\$ —	\$ 553,489
Operating expenses:					
Cost of sales	—	—	—	—	336,495
Research and development	1,097,853	2,033,500	2,825,234	3,649,291	72,138,766
General and administrative	700,236	1,473,736	1,793,709	2,645,252	40,326,477
Total operating expenses	1,798,089	3,507,236	4,618,943	6,294,543	112,801,738
Loss from operations	(1,798,089)	(3,507,236)	(4,618,943)	(6,294,543)	(112,248,249)
Investment income	5,519	66,063	24,083	126,570	2,300,531
Other income	—	—	—	—	99,939
Interest:					
Related parties, net	—	—	—	—	(1,147,547)
Others	(1,068)	(1,256)	(2,181)	(1,256)	(2,879,960)
Loss before state tax benefit	(1,793,638)	(3,442,429)	(4,597,041)	(6,169,229)	(113,875,286)
State tax benefit	1,139,867	1,755,380	1,139,867	1,755,380	6,025,256
Net loss	\$ (653,771)	\$ (1,687,049)	\$ (3,457,174)	\$ (4,413,849)	\$ (107,850,030)
Loss per basic and diluted common share	\$ (0.01)	\$ (0.04)	\$ (0.07)	\$ (0.10)	

Edgar Filing: ALFACELL CORP - Form 10-Q

Weighted average number of shares outstanding	47,313,880	46,861,347	47,312,195	46,645,663
--	------------	------------	------------	------------

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIENCY

Period from July 31, 2008 to January 31, 2009

(Unaudited)

	Common Stock		Capital In Excess of par Value	Deficit Accumulated During Development Stage	Total Stockholders' Deficiency
	Number of Shares	Amount			
Balance at July 31, 2008	47,276,880	\$ 47,277	\$ 100,788,973	\$ (104,392,856)	\$ (3,556,606)
Exercise of stock options and warrants	37,000	37	13,183	—	13,220
Share-based compensation	—	—	764,339	—	764,339
Net loss	—	—	—	(3,457,174)	(3,457,174)
Balance at January 31, 2009	47,313,880	\$ 47,314	\$ 101,566,495	\$ (107,850,030)	\$ (6,236,221)

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS

Six months ended January 31, 2009 and 2008,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2009

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2009
	2009	2008	
Cash flows from operating activities:			
Net loss	\$ (3,457,174)	\$ (4,413,849)	\$ (107,850,030)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Gain on sale of marketable equity securities	—	—	(25,963)
Depreciation and amortization	18,443	24,155	1,728,934
Loss on disposal of property and equipment	—	—	18,926
Loss on lease termination	—	—	30,964
Share-based compensation	764,339	1,864,789	13,695,855
Amortization of deferred rent	21,439	78,143	191,143
Amortization of debt discount	—	—	594,219
Amortization of deferred compensation	—	—	11,442,000
Changes in assets and liabilities:			
Decrease (increase) in prepaid expenses	5,471	(141,099)	(219,655)
(Increase) decrease in loan receivable, related party	—	(4,764)	96,051
Decrease (increase) in other assets	—	35,000	(350,000)
Increase in interest payable-related party	—	—	744,539
(Decrease) increase in accounts payable	(414,787)	459,933	1,344,326
Increase in accrued payroll and expenses, related parties	—	—	2,348,145
Increase in accrued retirement benefits	—	—	612,000
(Decrease) increase in accrued expenses	(414,601)	(129,712)	1,828,385
Increase in deferred revenue	—	5,100,000	5,200,000
Net cash (used in) provided by operating activities	(3,476,870)	2,872,596	(68,570,161)
Cash flows from investing activities:			
Purchase of marketable equity securities	—	—	(290,420)
Purchase of short-term investments	—	—	(1,993,644)
Proceeds from sale of marketable equity securities	—	—	316,383
Proceeds from sale of short-term investments	—	—	1,993,644
Capital expenditures	—	(23,843)	(1,605,066)
Patent costs	—	—	(97,841)

Edgar Filing: ALFACELL CORP - Form 10-Q

Net cash used in investing activities	<u> </u>	<u> </u>	<u> </u>
	—	(23,843)	(1,676,944)
	<u> </u>	<u> </u>	<u> </u>

(continued)

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS, Continued

Six months ended January 31, 2009 and 2008,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2009

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2009
	2009	2008	
Cash flows from financing activities:			
Proceeds from short-term borrowings	\$ —	\$ —	\$ 874,500
Payment of short-term borrowings	—	—	(653,500)
Increase in loans payable - related party, net	—	—	2,628,868
Proceeds from bank debt and other long-term debt, net of costs	—	—	3,667,460
Reduction of bank debt and long-term debt	—	—	(2,966,568)
Payment of capital lease obligation	(1,633)	(1,921)	(5,018)
Proceeds from issuance of common stock, net	—	—	53,102,893
Proceeds from exercise of stock options and warrants, net	13,220	392,920	14,080,850
Proceeds from issuance of convertible debentures, related party	—	—	297,000
Proceeds from issuance of convertible debentures, unrelated party	—	—	416,993
	<u>11,587</u>	<u>390,999</u>	<u>71,443,478</u>
Net cash provided by financing activities	11,587	390,999	71,443,478
Net increase (decrease) in cash and cash equivalents	(3,465,283)	3,239,752	1,196,373
Cash and cash equivalents at beginning of period	4,661,656	6,968,172	—
	<u>\$ 1,196,373</u>	<u>\$ 10,207,924</u>	<u>\$ 1,196,373</u>
Cash and cash equivalents at end of period	\$ 1,196,373	\$ 10,207,924	\$ 1,196,373
Supplemental disclosure of cash flow information – interest paid	\$ 2,181	\$ 1,256	\$ 1,720,014
Noncash financing activities:			
Issuance of convertible subordinated debenture for loan payable to officer	\$ —	\$ —	\$ 2,725,000
Issuance of common stock upon the conversion of convertible subordinated debentures, related party	\$ —	\$ —	\$ 3,242,000
Conversion of short-term borrowings to common stock	\$ —	\$ —	\$ 226,000
Conversion of accrued interest, payroll and expenses by related parties to stock options	\$ —	\$ —	\$ 3,194,969

Edgar Filing: ALFACELL CORP - Form 10-Q

Repurchase of stock options from related party	\$	—	\$	—	\$	(198,417)
Conversion of accrued interest to stock options	\$	—	\$	—	\$	142,441
Conversion of accounts payable to common stock	\$	—	\$	—	\$	506,725

(continued)

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS, Concluded

Six months ended January 31, 2009 and 2008,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2009

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2009
	2009	2008	
Conversion of notes payable, bank and accrued interest to long-term debt	\$ —	\$ —	\$ 1,699,072
Conversion of loans and interest payable, related party and accrued payroll and expenses, related parties to long-term accrued payroll and other, related party	\$ —	\$ —	\$ 1,863,514
Issuance of common stock upon the conversion of convertible subordinated debentures, other	\$ —	\$ —	\$ 1,584,364
Issuance of common stock for services rendered	\$ —	\$ —	\$ 2,460
Lease incentive allowance	\$ —	\$ —	\$ 67,000
Issuance of warrants with notes payable	\$ —	\$ —	\$ 594,219
Acquisition of equipment through capital lease obligation	\$ —	\$ 23,778	