ALFACELL CORP
Form 10-Q
March 13, 2006

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

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: January 31, 2006

|_| 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	22-2369085
(State or other jurisdiction of organization)	(I.R.S. Employer Identification No.)

225 Belleville Avenue, Bloomfield, New Jersey 07003
(Address of principal executive offices) (Zip Code)

(973) 748-8082
(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 |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer |_| Accelerated Filer |X| Non-accelerated Filer |_|

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

The number of shares of common stock, $.001 par value, outstanding as of March 8, 2005 was 37,390,062 shares.

ALFACELL CORPORATION
(A Development Stage Company)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED BALANCE SHEETS
January 31, 2006 and July 31, 2005

	January 2006 (Unaudit
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,917
Other current assets	80
Total current assets	2,997
Property and equipment, net	75
Loan receivable, related party	166
Total assets	$ 3,238
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 833
Accrued expenses	1,553
Total liabilities	2,386
Commitments and contingencies	
Stockholders' equity:	
Preferred stock, $.001 par value; Authorized and unissued, 1,000,000 shares at January 31, 2006 and July 31, 2005	
Common stock, $.001 par value; Authorized 100,000,000 shares at January 31, 2006 and July 31, 2005; Issued and outstanding, 37,103,095 shares at January 31, 2006 and 36,534,235 shares at July 31, 2005	37
Capital in excess of par value	80,006
Deficit accumulated during development stage	(79,192
Total stockholders' equity	851
Total liabilities and stockholders' equity	$ 3,238

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS

Three and six months ended January 31, 2006 and 2005,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2006

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2006	2005	2006	200
Revenue:				
Sales	$ --	$ --	$ --	$
Investment income	24,053	33,704	56,048	6
Other income	--	--	--	
Total revenue	24,053	33,704	56,048	6
Costs and expenses:				
Cost of sales	--	--	--	
Research and development	1,430,041	1,554,443	2,589,431	2,47
General and administrative	879,914	422,406	1,469,724	86
Interest:				
Related parties, net	--	--	--	
Others	10	12,165	20	4
Total costs and expenses	2,309,965	1,989,014	4,059,175	3,38
Loss before state tax benefit	(2,285,912)	(1,955,310)	(4,003,127)	(3,32
State tax benefit	--	--	317,382	28
Net loss	$ (2,285,912)	$ (1,955,310)	$ (3,685,745)	$ (3,03
Loss per basic and diluted common share	$ (0.06)	$ (0.06)	$ (0.10)	$
Weighted average number of shares outstanding	36,734,042	35,211,954	36,663,531	34,93

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS

Six months ended January 31, 2006 and 2005,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2006

(Unaudited)

	Six Months Ended January 31,		(D
	2006	2005	J
Cash flows from operating activities:			
Net loss	$ (3,685,745)	$ (3,036,160)	
Adjustments to reconcile net loss to net cash used in operating activities:			
Gain on sale of marketable securities	--	--	
Depreciation and amortization	13,892	14,220	
Loss on disposal of property and equipment	--	--	
Issuance of common stock, stock options and warrants for services rendered	644,330	13,500	
Amortization of debt discount	--	30,061	
Amortization of deferred compensation	--	--	
Amortization of organization costs	--	--	
Changes in assets and liabilities:			
Decrease (increase) in other current assets	116,900	(163,349)	
Increase in loan receivable-related party	(4,764)	(4,797)	
Increase in interest payable-related party	--	--	
Increase in accounts payable	437,239	118,148	
Increase in accrued payroll and expenses, related parties	--	--	
Increase in accrued expenses	269,361	293,544	
Net cash used in operating activities	(2,208,787)	(2,734,833)	
Cash flows from investing activities:			
Purchase of marketable equity securities	--	--	
Purchase of short-term investments	--	(1,978,189)	
Proceeds from sale of marketable equity securities	--	--	
Purchase of property and equipment	(8,503)	(41,153)	
Patent costs	--	--	
Net cash used in investing activities	(8,503)	(2,019,342)	

(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, 2006 and 2005
and the Period from August 24, 1981
(Date of Inception) to January 31, 2006

(Unaudited)

	Six Months Ended January 31,	
	2006	20
Cash flows from financing activities:		
Proceeds from short-term borrowings	$ --	$
Payment of short-term borrowings	--	
Increase in loans payable - related party, net	--	
Proceeds from bank debt and other long-term debt, net of costs	--	
Reduction of bank debt and long-term debt	--	
Proceeds from issuance of common stock, net	--	
Proceeds from exercise of stock options and warrants, net	671,485	2
Proceeds from issuance of convertible debentures, related party	--	
Proceeds from issuance of convertible debentures, unrelated party	--	
Net cash provided by financing activities	671,485	2
Net increase (decrease) in cash and cash equivalents	(1,545,805)	(4,5
Cash and cash equivalents at beginning of period	4,462,951	10,1
Cash and cash equivalents at end of period	$ 2,917,146	$ 5,6
Supplemental disclosure of cash flow information - interest paid	$ 20	$
Noncash financing activities:		
Issuance of convertible subordinated debenture for loan payable to officer	$ --	$
Issuance of common stock upon the conversion of convertible subordinated debentures, related party	$ --	$
Conversion of short-term borrowings to common stock	$ --	$
Conversion of accrued interest, payroll and expenses by related parties to stock options	$ --	$
Repurchase of stock options from related party	$ --	$
Conversion of accrued interest to stock options	$ --	$
Conversion of accounts payable to common stock	$ --	$
Conversion of notes payable, bank and accrued interest		

to long-term debt	$ --	$
Conversion of loans and interest payable, related party and accrued payroll and expenses, related parties to long-term accrued payroll and other, related party	$ --	$
Issuance of common stock upon the conversion of convertible subordinated debentures, other	$ --	$ 2
Issuance of common stock for services rendered	$ --	$
Issuance of warrants with notes payable	$ --	$

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company's financial position as of January 31, 2006 and its results of operations and cash flows for the three and six month periods ended January 31, 2006 and 2005 and the period from August 24, 1981 (date of inception) to January 31, 2006. The results of operations for the three and six months ended January 31, 2006 are not necessarily indicative of the results to be expected for the full year. The condensed balance sheet as of July 31, 2005 presented herein has been derived from the audited financial statements included in the Form 10-K for the fiscal year ended July 31, 2005, filed with the Securities and Exchange Commission.

Certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted in accordance with the published rules and regulations of the Securities and Exchange Commission. The condensed financial statements in this report should be read in conjunction with the financial statements and notes thereto included in the Form 10-K for the fiscal year ended July 31, 2005.

The Company is a development stage company as defined in Statement of Financial Accounting Standards No. 7. The Company is devoting substantially all of its present efforts to developing new drug products. Its planned principal operations have not commenced and, accordingly, no significant revenue has been derived therefrom.

The Company has reported net losses of approximately $6,462,000, $5,070,000 and $2,411,000 for the fiscal years ended July 31, 2005, 2004 and 2003, respectively. The loss from date of inception, August 24, 1981, to January 31, 2006 amounts to approximately $79,192,000.

The Company's long-term continued operations will depend on its ability to

raise additional funds through various potential sources such as equity and debt financing, collaborative agreements, strategic alliances, sale of tax benefits, revenues from the commercial sale of ONCONASE(R), licensing of its proprietary RNase technology and its ability to realize revenues from its technology and its drug candidates via out-licensing agreements with other companies. Such additional funds may not become available as the Company may need them or may not be available on acceptable terms. Through January 31, 2006, a significant portion of the Company's financing has been through the sale of its equity securities and convertible debentures in registered offerings and private placements and the exercise of stock options and warrants. Additionally, the Company has raised capital through debt financings, the sale of tax benefits and research products, interest income and financing received from its Chief Executive Officer. Until and unless the Company's operations generate significant revenues, the Company expects to continue to fund operations from the sources of capital previously described. There can be no assurance that the Company will be able to raise the capital it needs on terms which are acceptable, if at all. As of January 31, 2006, management believes that the Company's cash

ALFACELL CORPORATION
(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS, Continued

(Unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION, Continued

balance is sufficient to fund its operations through July 31, 2006, based on its expected level of expenditures in relation to activities in preparing ONCONASE(R) for marketing registrations in the U.S. and Europe and other ongoing operations of the Company. However, to assure the Company's ability to continue its operations beyond this date, the Company continues to seek additional financing through equity or debt financings and the sale of net operating loss carryforwards, but cannot be sure that it will be able to raise capital on favorable terms or at all. The Company may also obtain additional capital through the exercise of outstanding options and warrants, although it cannot provide any assurance of such exercises or estimate the amount of capital it will receive, if any. If the Company is unable to raise additional funds in the future on acceptable terms, or at all, its operations will be severely curtailed and its business and financial condition will be adversely affected.

The Company will continue to incur costs in conjunction with its U.S. and foreign registrations for marketing approval of ONCONASE(R). The Company is currently in discussions with potential strategic alliance partners to further the development and marketing of ONCONASE(R) and other related products in its pipeline. However, it cannot be sure that any such alliances will materialize.

2. EARNINGS (LOSS) PER COMMON SHARE

"Basic" earnings (loss) per common share equals net income (loss) divided by weighted average common shares outstanding during the period. "Diluted" earnings per common share equals net income divided by the sum of weighted average common shares outstanding during the period, adjusted for the effects of potentially dilutive securities. The Company's basic and diluted per share amounts are the same since the Company is in a loss position and the assumed exercise of stock options and warrants prior to January 31, 2006 would be anti-dilutive. The number of outstanding options and warrants that could dilute

earnings per share in future periods was 16,199,993 and 15,208,029 at January 31, 2006 and 2005, respectively.

3. STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), provides for the use of a fair value-based method of accounting for employee stock compensation. However, SFAS 123 also allowed an entity to continue to measure compensation cost for stock options granted to employees and directors using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), which only required charges to compensation expense for the excess, if any, of the fair value of the underlying stock at the date a stock option was granted (or at an appropriate subsequent measurement date) over the amount the employee had to pay to acquire the stock, if such amounts differed materially from the historical amounts. Prior to August 1, 2005, the Company had elected to continue to account for employee stock options using the intrinsic value method under APB 25. As the exercise price of all options granted under the stock option plans was equal to the market value of the underlying common stock on the grant date, no stock-based employee compensation cost had been recognized in the condensed statement of operations for the three and six months ended January 31, 2005.

3. STOCK-BASED COMPENSATION, Continued

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123(R) (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which amends SFAS 123. The new standard requires all share-based payments, including stock option grants to employees, to be recognized as an operating expense in the statement of operations. The cost is recognized over the requisite service period based on fair values measured on the date of grant. The Company adopted SFAS 123(R) effective August 1, 2005 using the modified prospective method and accordingly, prior period amounts have not been restated. Under the modified prospective method, the fair value of all new stock options issued after July 31, 2005 and unvested outstanding stock options at August 1, 2005 will be recognized as expense as services are rendered. The Company recorded $305,441 or $0.01 per basic and diluted common share and $514,026 or $.01 per basic and diluted common share of stock-based compensation expense for employees under SFAS 123R for the three and six month periods ended January 31, 2006, respectively. Had the Company accounted for its stock-based awards under the fair value method for the three and six months ended January 31, 2005 the impact to its financial statements would have been as follows:

	Three Months Ended January 31,	Six Months Ended January 31,
	2005	2005

Net loss applicable to common shares		
As reported	$(1,955,310)	$(3,036,160)
Less total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(604,671)	(1,223,942)
Pro forma	$(2,559,981)	$(4,260,102)
Basic and diluted loss per common share		
As reported	$ (0.06)	$ (0.09)
Pro forma	(0.07)	(0.12)

For options granted during the six months ended January 31, 2006, the weighted-average fair value at the grant date was $1.27 per option and the weighted average exercise price was $1.69 per option. The fair value of the stock options was estimated using the Black-Scholes options pricing model based on the following weighted-average assumptions:

	Six Months Ended January 31,	
	2006	2005
Expected dividend yield	0%	0%
Risk-free interest rate	4.47%	4.25%
Expected stock price volatility	84.79%	100%
Expected term until exercise (years)	5.86	8.67
Forfeiture rate	36.61%	N/A

ALFACELL CORPORATION
(A Development Stage Company)

NOTES TO CONDENSED FINANCIAL STATEMENTS, Continued

(Unaudited)

3. STOCK-BASED COMPENSATION, Continued

The total intrinsic value of options exercised by employees during the six months ended January 31, 2006 was $120,894. As of January 31, 2006, there was approximately $2,319,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Company's stock option plans, which is to be recognized over a weighted average period of 1.62 years.

Shares, warrants and options issued to non-employees for services are accounted for in accordance with SFAS 123(R) and Emerging Issues Task Force ("EITF") Issue No. 96-18, Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or In Conjunction with Selling Goods or Services. Such securities are recorded in expense and additional paid-in capital in stockholders' equity (deficiency) over the applicable service periods using variable accounting through the vesting date based on the fair value of the securities at the end of each period.

4. LOAN RECEIVABLE, RELATED PARTY

Amounts due from the Company's CEO totaling $166,106 at January 31, 2006 and $161,342 at July 31, 2005, are classified as a long-term asset in loan receivable, related party as the Company does not expect repayment of these amounts within one year. In each of the six months ended January 31, 2006 and 2005, the Company earned 8% interest in the amount of approximately $4,800 on the unpaid principal balance.

5. CAPITAL STOCK

During the quarter ended October 31, 2005, the Company issued an aggregate of 132,082 shares of common stock upon the exercise of warrants and stock options by an unrelated party, an employee and an executive officer at per share exercise prices ranging from $0.54 to $0.85. The Company realized aggregate gross proceeds of $96,738 from these exercises.

During the quarter ended January 31, 2006, the Company issued an aggregate of 436,778 shares of common stock upon the exercise of warrants and stock options by unrelated parties, employees and directors at per share exercise prices ranging from $0.26 to $1.50. The Company realized aggregate gross proceeds of $574,747 from these exercises.

During the quarter ended January 31, 2006, the Company issued 25,000 ten-year stock options to a consultant as payment for services rendered. The options vested immediately and have an exercise price of $1.32 per share. The Company recorded a total of $23,166 of non-cash expense for these options.

During the quarter ended January 31, 2006, the Company issued 50,000 five-year stock options to a consultant as payment for services to be rendered. These options vest over a one year period, 50% of which vested immediately and 12.5% will vest equally for the next four quarters following the grant date. The stock options have an exercise price of $2.04 per share. The fair value of these options

5. CAPITAL STOCK, Continued

is being expensed over the service period using the provisions of EITF 96-18. During the six months ended January 31, 2006, the Company recorded under EITF 96-18, a total of $86,006 of non-cash expense for these options.

During the six months ended January 31, 2006, the Company recorded under EITF 96-18, a total of $21,132 non-cash expense for options issued to consultants during the fiscal year ended July 31, 2005.

6. SALE OF NET OPERATING LOSS CARRYFORWARDS

New Jersey has enacted legislation permitting certain corporations located in New Jersey to sell a portion of its state tax loss carryforwards and state research and development credits in order to obtain tax benefits. For the state fiscal year 2006 (July 1, 2005 to June 30, 2006), the Company had approximately $1,903,000 of total available net operating loss carryforwards that were

saleable, of which New Jersey permitted the Company to sell approximately $356,000. In December 2005, the Company received approximately $317,000 from the sale of the $356,000 of net operating loss carryforwards, which was recognized as a tax benefit for the six months ended January 31, 2006.

For the state fiscal year 2005 (July 1, 2004 to June 30, 2005), the Company had approximately $1,335,000 of total available net operating loss carryforwards that were saleable, of which New Jersey permitted the Company to sell approximately $339,000. In December 2004, the Company received approximately $288,000 from the sale of the $339,000 of net operating loss carryforwards, which was recognized as a tax benefit for the six months ended January 31, 2005.

If still available under New Jersey law, the Company will attempt to sell the remaining $1,547,000 of its net operating loss carryforwards between July 1, 2006 and June 30, 2007 (state fiscal year 2007). This amount, which is a carryover of the Company's remaining net operating loss carryforwards from state fiscal year 2006, may increase if the Company incurs additional net losses and research and development credits during state fiscal year 2007. The Company cannot estimate, however, what percentage of its saleable net operating loss carryforwards New Jersey will permit it to sell, how much money will be received in connection with the sale, if the Company will be able to find a buyer for its net operating loss carryforwards or if such funds will be available in a timely manner.

7. LITIGATION

Shogen v. Global Aggressive Growth Fund, Ltd. et al.

Kuslima Shogen, the Company's Chief Executive Officer and Chairman of the Board of Directors, filed this action on November 18, 2004, in the US District Court, District of New Jersey. The Company was not a party to this action. Several defendants, however, sought permission to name the Company and another defendant in a third-party complaint seeking payment from the Company of any sums which may be assessed against them as a result of Ms. Shogen's claims. On December 2, 2005, the Court denied that request. Accordingly, the Company continues not to be a party to this action.

7. LITIGATION, Continued

Shogen v. Pisani et al.

This action was commenced by Ms. Shogen in May 2005 in New Jersey Superior Court, Essex County. The Company was not a party to this action. Defendants filed counterclaims against Ms. Shogen, and in conjunction with those counterclaims named the Company as a third-party defendant, but they subsequently withdrew their claims against the Company. At this time, the Company continues not to be a party to this action.

8. SUBSEQUENT EVENTS

In February 2006, the Company issued an aggregate of 286,967 shares of common stock upon the exercise of warrants by unrelated parties at exercise prices ranging from $0.75 to $1.50 per share. The Company realized gross proceeds of $310,223 from these exercises.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Information herein contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical fact, regarding our financial position, potential, business strategy, plans and objectives for future operations are "forward-looking statements." These statements are commonly identified by the use of forward-looking terms and phrases as "anticipates," "believes," "estimates," "expects," "intends," "may," "seeks," "should," or "will' or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. We cannot assure you that the future results covered by these forward-looking statements will be achieved. The matters set forth in Item 1A. "Risk Factors" in this quarterly report on Form 10-Q constitute cautionary statements identifying important factors with respect to these forward-looking statements, including certain risks and uncertainties, that could cause actual results to vary significantly from the future results indicated in these forward-looking statements. Other factors could also cause actual results to differ significantly from the future results indicated in these forward-looking statements.

Overview

Since our inception, we have devoted the vast majority of our resources to the research and development of ONCONASE(R) and related drug candidates. We have focused our resources towards the completion of the clinical program for unresectable, or inoperable, malignant mesothelioma.

Since ONCONASE(R) has Fast Track Designation from the Food and Drug Administration, or FDA, for the treatment of malignant mesothelioma patients, we continue to have meetings and discussions with the FDA to establish mutually agreed upon parameters for the New Drug Application, or NDA to obtain marketing approval for ONCONASE(R), assuming the Phase III clinical trial for the treatment of malignant mesothelioma yields favorable results.

We received an Orphan Medicinal Product Designation for ONCONASE(R) from the European Agency for the Evaluation of Medicinal Products, or EMEA. We continue to fulfill the EMEA requirements regarding the Marketing Authorization Application, or MAA registration requirements for ONCONASE(R) for the treatment of malignant mesothelioma.

We received Orphan Drug Designation for malignant mesothelioma in Australia from the Therapeutics Goods Administration, or TGA. This designation in Australia also entitles us to five years of marketing exclusivity, a 100% waiver of filing fees and regulatory guidance from the TGA.

Almost all of our research and development expenses since our inception of $52,627,000 have gone toward the development of ONCONASE(R) and related drug candidates. For the fiscal years 2005, 2004 and 2003 our research and development expenses were $5,082,000, $3,353,000 and $1,700,000, respectively, almost all of which were used for the development of ONCONASE(R) and related drug candidates. ONCONASE(R) is currently in an international, centrally randomized Phase III trial. The first part of the trial has been completed and

the second confirmatory part of the trial is ongoing for which the full enrollment target of 316 patients has now been reached. The primary endpoint of the trial is survival, and as such, a sufficient number of deaths must occur in order to perform the required statistical analyses to determine the efficacy of ONCONASE(R) in patients with unresectable (inoperable) malignant mesothelioma. If the results of the clinical trials are positive, we expect to file for marketing registrations (NDA in the U.S. and MAA in Europe and Australia) for ONCONASE(R) within six months of completion of the statistical analyses. However, at this time, we cannot predict with certainty when a sufficient number of deaths will occur to achieve statistical significance. The timing of when we will be able to file for marketing registrations in the US, EU and Australia is data driven. Therefore, we cannot predict with

certainty what our total cost associated with obtaining marketing approvals will be, or when and if such approvals will be granted, or when actual sales will occur.

We fund the research and development of our products primarily from cash receipts resulting from the sale of our equity securities and convertible debentures in registered offerings and private placements and the exercise of stock options and warrants. Additionally, we have raised capital through other debt financings, the sale of our tax benefits and research products, interest income and financing received from our Chief Executive Officer. As of January 31, 2006, we believe our cash balance is sufficient to fund our operations through July 31, 2006 based on our expected level of expenditures in relation to activities in preparing ONCONASE(R) for marketing registrations and other ongoing operations of the Company. To assure our ability to continue our operations beyond this date, we continue to seek additional financing through equity or debt financings and the sale of net operating loss carryforwards, but we cannot be sure that we will be able to raise capital on favorable terms or at all. We may also obtain additional capital through the exercise of outstanding options and warrants, although we cannot provide any assurance of such exercises or estimate the amount of capital we will receive, if any. If we are unable to raise sufficient capital, our operations will be severely curtailed and our business and financial condition will be adversely affected.

Results of Operations

Three and six month periods ended January 31, 2006 and 2005

Revenues. We are a development stage company as defined in the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 7. We are devoting substantially all of our present efforts to establishing a new business and developing new drug products. Our planned principal operations of marketing and/or licensing new drugs have not commenced and, accordingly, we have not derived any significant revenue from these operations. We focus most of our productive and financial resources on the development of ONCONASE(R) and as such we have not had any sales in the three and six month periods ended January 31, 2006 and 2005. For the three and six month periods ended January 31, 2006, our investment income was $24,000 and $56,000 compared to $34,000 and $63,000 for the same period last year, a decrease of $10,000 and $7,000, respectively. These decreases were due to lower balances of cash and cash equivalents.

Research and Development. Research and development expense for the three months ended January 31, 2006 was $1,430,000 compared to $1,554,000 for the same period last year, a decrease of $124,000, or 8%. The decrease resulted from decreases in pre-clinical sponsored research and development expenses; patent expenses of approximately $91,000; near completion of key toxicology

requirements and key requirements for chemistry, manufacturing and controls, including the ONCONASE(R) stability program of approximately $79,000; and costs related to clinical trials of approximately $67,000. This decrease was offset by an increase in compensation expense of approximately $160,000 which is related to share-based compensation; non-cash expense related to stock options issued to consultants of approximately $41,000; and insurance expense of approximately $12,000. The share-based compensation expense is expected to continue as a result of the adoption of SFAS 123(R), which requires us to charge compensation expense for all employee stock options.

Research and development expense for the six months ended January 31, 2006 was $2,589,000 compared to $2,476,000 for the same period last year, an increase of $113,000, or 5%. The increase was primarily due to compensation expense of approximately $291,000 of which approximately $261,000 is related to share-based compensation and non-cash expense related to stock options issued to consultants of approximately $44,000 and insurance expense of approximately $20,000. The share-based

compensation expense is expected to continue as a result of the adoption of SFAS 123(R). This increase was offset by a decreases in patent expenses of approximately $109,000; costs related to clinical trials of approximately $73,000; pre-clinical sponsored research and development expenses and expenses in connection with preparing our NDA for ONCONASE(R), including the completion of key toxicology requirements and key requirements for chemistry, manufacturing and controls, including the ONCONASE(R) stability program of approximately $21,000.

General and Administrative. General and administrative expense for the three months ended January 31, 2006 was $880,000 compared to $422,000 for the same period last year, an increase of $458,000, or 109%. This increase was primarily due to an increase in compensation expense of approximately $122,000 which is related to share-based compensation. The share-based compensation expense is expected to continue as a result of the adoption of SFAS 123(R). The increase in general and administrative expense also resulted from legal fees of approximately $210,000; non-cash expense related to stock options issued to a consultant of approximately $86,000; board of directors fees of approximately $24,000 which is related to share-based compensation and Sarbanes-Oxley compliance and auditing fees of approximately $16,000.

General and administrative expense for the six months ended January 31, 2006 was $1,470,000 compared to $868,000 for the same period last year, an increase of $602,000, or 69%. This increase was primarily due to increase in compensation expense of approximately $263,000 of which approximately $229,000 is related to share-based compensation. The share-based compensation expense is expected to continue as a result of the adoption of SFAS 123(R). The increase in general and administrative expense also resulted from legal fees of approximately $221,000; non-cash expense related to stock options issued to a consultant of approximately $86,000; Sarbanes-Oxley compliance and auditing fees of approximately $68,000; board of directors fees of approximately $35,000 of which approximately $24,000 is related to share-based compensation; offset by decreases in Nasdaq membership fees of approximately $35,000; public relation related expenses of approximately $21,000 and insurance expense of approximately $15,000.

Interest. Interest expense for the three and six months ended January 31, 2006 decreased by $12,000, or 100% and $43,000, or 100%, respectively; primarily due to the maturity and conversion of convertible notes payable into common stock during the last fiscal year ended July 31, 2005.

Income Taxes. New Jersey has enacted legislation permitting certain corporations located in New Jersey to sell a portion of our state tax loss carryforwards and state research and development credits, or net operating loss carryforwards, in order to obtain tax benefits. For the state fiscal year 2006 (July 1, 2005 to June 30, 2006), we had approximately $1,903,000 of total available net operating loss carryforwards that were saleable, of which New Jersey permitted us to sell approximately $356,000. In December 2005, we received approximately $317,000 from the sale of the $356,000 of net operating loss carryforwards, which was recognized as a tax benefit for the six months ended January 31, 2006.

For the state fiscal year 2005 (July 1, 2004 to June 30, 2005), we had approximately $1,335,000 of total available net operating loss carryforwards that were saleable, of which New Jersey permitted us to sell approximately $339,000. In December 2004, we received approximately $288,000 from the sale of the $339,000 of net operating loss carryforwards, which we recognized as a tax benefit for the six months ended January 31, 2005.

If still available under New Jersey law, we will attempt to sell the remaining $1,547,000 of our net operating loss carryforwards between July 1, 2006 and June 30, 2007 (state fiscal year 2007). This amount, which is a carryover of our remaining net operating loss carryforwards from state fiscal year

2006, may increase if we incur additional net losses and research and development credits during state fiscal year 2007. We cannot estimate, however, what percentage of our saleable net operating loss carryforwards New Jersey will permit us to sell, how much money we will receive in connection with the sale, if we will be able to find a buyer for our net operating loss carryforwards or if such funds will be available in a timely manner.

Net Loss. We have incurred net losses during each year since our inception. The net loss for the three months ended January 31, 2006 was $2,286,000 as compared to $1,955,000 for the same period last year, an increase of $331,000. The net loss for the six months ended January 31, 2006 was $3,686,000 as compared to $3,036,000 for the same period last year, an increase of $650,000. The cumulative loss from the date of inception, August 24, 1981 to January 31, 2006, amounted to $79,192,000. Such losses are attributable to the fact that we are still in the development stage and, accordingly, have not derived sufficient revenues from operations to offset the development stage expenses.

Liquidity and Capital Resources

We have financed our operations since inception through the sale of our equity securities and convertible debentures in registered offerings and private placements and the exercise of stock options and warrants. Additionally, we have raised capital through debt financings, the sale of our net operating loss carryforwards and research products, interest income and financing received from our Chief Executive Officer. During the six months ended January 31, 2006, we had a net decrease in cash and cash equivalents of $1,546,000, which resulted primarily from net cash used in operating activities of $2,209,000 and net cash used in investing activities of $8,000, offset by net cash receipts of $671,000 from warrant and stock option exercises. Total cash resources as of January 31, 2006 were $2,917,000 compared to $4,463,000 at July 31, 2005.

Our current liabilities as of January 31, 2006 were $2,387,000 compared to

$1,680,000 at July 31, 2005, an increase of $707,000. The increase was primarily due an increase in accounts payable of approximately $437,000 and accrued expenses of approximately $269,000. These increases were mainly for expenses related to clinical trials of approximately $466,000; pre-clinical studies of approximately $182,000; professional fees of approximately $33,000 and payroll accruals of approximately $25,000.

Our long-term continued operations will depend on our ability to raise additional funds through various potential sources such as equity and debt financing, collaborative agreements, strategic alliances, sale of tax benefits, revenues from the commercial sale of ONCONASE(R), licensing of our proprietary RNase technology and our ability to realize revenues from our technology and our drug candidates via out-licensing agreements with other companies. Such additional funds may not become available as we need them or may not be available on acceptable terms. As of January 31, 2006, we believe our cash balance is sufficient to fund our operations through July 31, 2006, based on our expected level of expenditures in relation to activities in preparing ONCONASE(R) for marketing registrations and other ongoing operations of the Company. However, to assure our ability to continue our operations beyond this date, we continue to seek additional financing through equity or debt financings and the sale of net operating loss carryforwards, but cannot be sure that we will be able to raise capital on favorable terms or at all. We may also obtain additional capital through the exercise of outstanding options and warrants, although we cannot provide any assurance of such exercises or estimate the amount of capital we will receive, if any. If we are unable to raise sufficient capital, our operations will be severely curtailed and our business and financial condition will be adversely affected.

We will continue to incur costs in conjunction with our U.S. and foreign registrations for marketing approval of ONCONASE(R). We are currently in discussions with potential strategic alliance

partners to further the development and marketing of ONCONASE(R) and other related products in our pipeline. However, we cannot be sure that any such alliances will materialize.

The market price of our common stock is volatile, and the price of the stock could be dramatically affected one way or another depending on numerous factors. The market price of our common stock could also be materially affected by the marketing approval or lack of approval of ONCONASE(R).

Off-balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or variable interest entities or VIE, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of January 31, 2006, we are not involved in any unconsolidated VIE transactions.

Critical Accounting Policies and Estimates

Critical accounting policies are those that involve subjective or complex judgments, often as a result of the need to make estimates. The following areas all require the use of judgments and estimates: research and development expenses, accounting for stock-based compensation, accounting for warrants issued with convertible debt and deferred income taxes. Estimates in each of

these areas are based on historical experience and various assumptions that we believe are appropriate. Actual results may differ from these estimates. Our accounting practices are discussed in more detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 1 of "Notes to Consolidated Financial Statements" in our Annual Report on Form 10-K for the year ended July 31, 2005.

Recently Issued Accounting Standards

In December 2004, the FASB issued SFAS No. 123(R) (revised 2004), "Share-Based Payment", which amends SFAS Statement No. 123. The new standard requires the cost of all share-based payments, including stock option grants to employees, to be recognized as an operating expense in the income statement. The cost is recognized over the requisite service period based on fair values measured on the date of grant. We adopted SFAS 123(R) effective August 1, 2005 using the modified prospective method and accordingly, prior period amounts have not been restated. Under the modified prospective method, the fair value of all new stock options issued after July 31, 2005 and unvested outstanding stock options at August 1, 2005, will be recognized as services are rendered. The impact of the adoption of SFAS 123(R) on future period earnings cannot be determined at this time because it will depend on the level of share-based payments that may be granted in the future. Prior to August 1, 2005, we accounted for stock-based awards to employees using the intrinsic value method in accordance with APB 25.

Contractual Obligations and Commercial Commitments

Our outstanding contractual obligations relate to our equipment operating lease. Since July 31, 2005, there has been no material change with respect to our contractual obligations as disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations and Commercial Commitments" in our annual report on Form 10-K for the fiscal year ended July 31, 2005.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls And Procedures

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2006, the end of the period covered by this report (the "evaluation date"). Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the evaluation date, our disclosure controls and procedures are effective in timely alerting them to the material information relating to us required to be included in our periodic SEC filings.

(b) Changes in internal controls.

There were no significant changes made in our internal controls over financial reporting during the three months ended January 31, 2006 or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, these controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Shogen v. Global Aggressive Growth Fund, Ltd. et al.

Kuslima Shogen, our Chief Executive Officer and Chairman of the Board of Directors, filed this action on November 18, 2004, in the US District Court, District of New Jersey. This case relates to shares of Alfacell common stock Ms. Shogen had posted as collateral to secure a loan she had taken from certain of the defendants in this litigation. Ms. Shogen alleges that her shares were sold unlawfully in violation of the terms of the loan. Among other things, Ms. Shogen seeks damages of $9 million plus costs and attorneys' fees. Alfacell was not a party to this action. Several defendants, however, sought permission to name Alfacell and another defendant in a third-party complaint seeking payment from Alfacell of any sums which may be assessed against them as a result of Ms. Shogen's claims. On December 2, 2005, the Court denied that request. Accordingly, Alfacell continues not to be a party to this action.

Shogen v. Pisani et al.

This action was commenced by Ms. Shogen in May 2005 in New Jersey Superior Court, Essex County. This lawsuit relates to a loan taken by Ms. Shogen from the defendants in this litigation that was secured by varying amounts of Ms. Shogen's Alfacell common stock. Ms. Shogen alleges, among other things, that the loan was usurious and therefore should be voided. Alfacell was not a party to this action. Defendants filed counterclaims against Ms. Shogen, and in conjunction with those counterclaims named Alfacell as a third-party defendant, but they subsequently withdrew their claims against Alfacell. At this time, the Company continues not to be a party to this action.

Item 1A. Risk Factors

An investment in our common stock is speculative and involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information in this Form 10-Q and our other SEC filings before deciding whether to purchase shares of our common stock. If any of the following risks actually occur, our business and operating results could be harmed. This could cause the trading price of our common stock to decline, and you may lose all or part of your investment.

We have incurred losses since inception and anticipate that we will incur continued losses for the foreseeable future. We do not have a current source of product revenue and may never be profitable.

We are a development stage company and since our inception one of the principal sources of our working capital has been private sales of our common stock. We incurred a net loss of approximately $3,686,000 for the six months ended January 31, 2006 and net losses of approximately $6,462,000, $5,070,000 and $2,411,000 for the fiscal years ended July 31, 2005, 2004 and 2003, respectively. We have continued to incur losses since July 31, 2005. We may never achieve revenue sufficient for us to attain profitability.

Our profitability will depend on our ability to develop, obtain regulatory approvals for, and effectively market ONCONASE(R) as well as entering into strategic alliances for the development of new drug candidates from the out-licensing of our proprietary RNase technology. The commercialization of our

pharmaceutical products involves a number of significant challenges. In particular our ability to commercialize ONCONASE(R) depends on the success of our clinical development programs, our efforts to obtain regulatory approval and our sales and marketing efforts or those of our marketing partners, if any, directed at physicians, patients and third-party payors. A number of factors could affect these efforts including:

- Our ability to demonstrate clinically that our products have utility and are safe;
- Delays or refusals by regulatory authorities in granting marketing approvals;
- Our limited financial resources relative to our competitors;
- Our ability to obtain an appropriate marketing partner;
- The availability and level of reimbursement for our products by third party payors;
- Incidents of adverse reactions to our products;
- Side effects or misuse of our products and unfavorable publicity that could result; and
- The occurrence of manufacturing or distribution disruptions.

We will seek to generate revenue through licensing, marketing and development arrangements prior to receiving revenue from the sale of our products. To date we have not consummated any licensing or marketing arrangements and we may not be able to successfully consummate any such arrangements. We have entered into several development arrangements, which have resulted in limited revenues for us. However, we cannot ensure that these arrangements or future arrangements, if any, will result in significant amounts of revenue for us. We, therefore, are unable to predict the extent of any future losses or the time required to achieve profitability, if at all.

We will need additional financing to continue operations, which may not be available on acceptable terms, if it is available at all.

We need additional financing in order to continue operations, including completion of our current clinical trials and filing marketing registrations for ONCONASE(R) with the FDA in the United States, with the EMEA in Europe and with the TGA in Australia. If the results from our current clinical trial do not demonstrate the efficacy and safety of ONCONASE(R) for malignant mesothelioma, our ability to raise additional capital will be adversely affected. Even if regulatory applications for marketing approvals are filed, we will need additional financing to continue operations. As of January 31, 2006, we believe that our cash balance is sufficient to fund our operations through July 31, 2006, based on our expected level of expenditures. However, to assure our ability to continue our operations beyond this date, we continue to seek additional financing through equity or debt financings and the sale of net operating loss carryforwards but we cannot be sure that we will be able to raise capital on favorable terms or at all. We may also obtain additional capital through the exercise of outstanding options and warrants, although we cannot provide any assurance of such exercises or estimate the amount of capital we will receive, if any. If we are unable to raise sufficient capital, our operations will be severely curtailed and our business and financial condition

will be materially adversely affected.

We may be unable to sell certain state tax benefits in the future and if we are unable to do so, it would eliminate a source of financing that we have relied on in the past.

At July 31, 2005, we had federal net operating loss carryforwards of approximately $52,823,000 that expire from 2006 to 2025 (approximately $8,675,000 expires in the years 2006 to 2010). We also had research and experimentation tax credit carryforwards of approximately $1,955,000 that expire from 2006 to 2025 (approximately $152,000 expires in the years 2006 to 2010). New Jersey has enacted legislation permitting certain corporations located in New Jersey to sell a portion of its state tax loss carryforwards and state research and development credits in order to obtain tax benefits. The aggregate amount of tax benefits that New Jersey allows corporations to sell each state fiscal year (July 1st through June 30th) is determined annually and if New Jersey reduces such aggregate amount in any fiscal year we may be unable to sell some or all of our available tax benefits as we have in the past. In addition, there is a limited market for these types of sales and we may not be able to find someone to purchase our tax benefits for a reasonable price. Our historical results of operations and our cash flows have been improved by our sale of tax benefits and if we continue to generate a limited amount of revenue and are unable in the future to sell our tax benefits, our results of operations and our cash flows will be negatively impacted.

For the state fiscal year 2006 (July 1, 2005 to June 30, 2006), we had approximately $1,903,000 total available tax benefits that were saleable, of which New Jersey permitted us to sell approximately $356,000. In December 2005, we received approximately $317,000 from the sale of the $356,000 of tax benefits, which we recognized as tax benefits for the six months ended January 31, 2006. For the state fiscal year 2005 (July 1, 2004 to June 30, 2005), we had approximately $1,335,000 total available tax benefits that were saleable; of which New Jersey permitted us to sell approximately $339,000. In December 2004, we received approximately $288,000 from the sale of the $339,000 of tax benefits, which we recognized as a tax benefit for the six months ended January 31, 2006.

If still available under New Jersey law, we will attempt to sell the remaining $1,547,000 of our tax benefits between July 1, 2006 and June 30, 2007 (state fiscal year 2007). This amount, which is a carryover of our remaining tax benefits from state fiscal year 2006 and earlier, may increase if we incur additional tax losses during state fiscal year 2007. We cannot estimate, however, what percentage of our saleable tax benefits New Jersey will permit us to sell, how much money we will receive in connection with the sale, if we will be able to find a buyer for our tax benefits or if such funds will be available in a timely manner.

We cannot predict how long it will take us nor how much it will cost us to complete part two of our Phase III trial because it is a survival study.

We currently have ongoing a two-part Phase III trial of ONCONASE(R) as a treatment for malignant mesothelioma. The first part of the clinical trial has been completed and the second confirmatory part for which the full enrollment target of 316 patients has now been reached is still ongoing. The primary endpoint of the Phase III clinical trial is survival, which tracks the length of time patients enrolled in the study live. According to the protocol, a sufficient number of patient deaths must occur in order to perform the required statistical analyses to determine the efficacy of ONCONASE(R) in patients with

unresectable (inoperable) malignant mesothelioma. Since it is impossible to predict with certainty when these patient deaths in the Phase III trial will occur, we do not have the capability of reasonably determining when a sufficient number of deaths will occur, nor when we will be able to file for marketing registrations with the FDA, EMEA and TGA.

In addition, clinical trials are very costly and time consuming. The length of time required to complete a clinical trial depends on several factors including the size of the patient population, the ability of patients to get to the site of the clinical study, and the criteria for determining which patients are eligible to join the study. Delays in patient enrollment could delay achieving a sufficient number of deaths required for statistical analyses, which therefore may delay the marketing registrations. Although we believe we could modify some of our expenditures to reduce our cash outlays in relation to our clinical trials and other NDA related expenditures, we cannot quantify which or the amount such expenditures might be modified. Hence, a delay in the commercial sale of ONCONASE(R) would increase the time frame of our cash expenditure outflows and may require us to seek additional financing. Such capital financing may not be available on favorable terms or at all.

If we fail to obtain the necessary regulatory approvals, we will not be allowed to commercialize our drugs and will not generate product revenue.

The FDA and comparable regulatory agencies in foreign countries impose substantial pre-market approval requirements on the introduction of pharmaceutical products. These requirements involve lengthy and detailed pre-clinical and clinical testing and other costly and time consuming procedures. Satisfaction of these requirements typically takes several years depending on the level of complexity and novelty of the product. We cannot apply for FDA, EMEA or TGA approval to market ONCONASE(R) until the clinical trials and all other registration requirements have been met. Drugs in late stages of clinical development may fail to show the desired safety and efficacy results despite having progressed through initial clinical testing. While limited trials with our product have produced certain favorable results, we cannot be certain that we will successfully complete Phase I, Phase II or Phase III testing of any compound within any specific time period, if at all. Furthermore, the FDA or the company may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. In addition, we cannot apply for FDA, EMEA or TGA approval to market ONCONASE(R) until pre-clinical and clinical trials have been completed. Several factors could prevent the successful completion or cause significant delays of these trials including an

inability to enroll the required number of patients or failure to demonstrate the product is safe and effective in humans. Also if safety concerns develop, the FDA, EMEA and TGA could stop our trials before completion.

All statutes and regulations governing the conduct of clinical trials are subject to change by various regulatory agencies, including the FDA, in the future, which could affect the cost and duration of our clinical trials. Any unanticipated costs or delays in our clinical studies would delay our ability to generate product revenues and to raise additional capital and could cause us to be unable to fund the completion of the studies.

We may not market or sell any product for which we have not obtained regulatory approval. We cannot assure you that the FDA or other regulatory agencies will ever approve the use of our products that are under development. Even if we receive regulatory approval, such approval may involve limitations on

the indicated uses for which we may market our products. Further, even after approval, discovery of previously unknown problems could result in additional restrictions, including withdrawal of our products from the market.

If we fail to obtain the necessary regulatory approvals, we cannot market or sell our products in the United States, or in other countries and our long-term viability would be threatened. If we fail to achieve regulatory approval or foreign marketing authorizations for ONCONASE(R) we will not have a saleable product or product revenues for quite some time, if at all, and may not be able to continue operations.

We are and will be dependent upon third parties for manufacturing our products. If these third parties do not devote sufficient time and resources to our products our revenues and profits may be adversely affected.

We do not have the required manufacturing facilities to manufacture our products. We presently rely on third parties to perform certain of the manufacturing processes for the production of ONCONASE(R) for use in clinical trials. Currently, we contract with Scientific Protein Laboratories, LLC for the manufacturing of ranpirnase (protein drug substance) from the oocytes, or the unfertilized eggs, of the Rana pipiens frog, which is found in the Northwest United States and is commonly called the leopard frog. We contract with Ben Venue Corporation for the manufacturing of ONCONASE(R) and with Cardinal Health and Apptuit for the labeling, storage and shipping of ONCONASE(R) for clinical trial use. We utilize the services of these third party manufacturers solely on an as needed basis with terms and prices customary for our industry.

We use FDA GMP licensed manufacturers for ranpirnase and ONCONASE(R). We have identified substantial alternative service providers for the manufacturing services for which we may contract. In order to replace an existing service provider we must amend our IND to notify the FDA of the new manufacturer. Although the FDA generally will not suspend or delay a clinical trial as a result of replacing an existing manufacturer, the FDA has the authority to suspend or delay a clinical trial if, among other grounds, human subjects are or would be exposed to an unreasonable and significant risk of illness or injury as a result of the replacement manufacturer.

We intend to rely on third parties to manufacture our products if they are approved for sale by the appropriate regulatory agencies and are commercialized. Third party manufacturers may not be able to meet our needs with respect to the timing, quantity or quality of our products or to supply products on acceptable terms.

Because we do not have marketing, sales or distribution capabilities, we expect to contract with third parties for these functions and we will therefore be dependent upon such third parties to market, sell and distribute our products in order for us to generate revenues.

We currently have no sales, marketing or distribution capabilities. In order to commercialize any product candidates for which we receive FDA or non US approval, we expect to rely on established third party strategic partners to perform these functions. For example, if we are successful in our Phase III clinical trials with ONCONASE(R), and are granted marketing approval for the commercialization of ONCONASE(R), we will be unable to introduce the product to market without establishing a marketing collaboration with a partner with marketing and distribution capabilities. To date, we have not entered into any marketing or licensing agreements for ONCONASE(R). We cannot assure you we will be able to establish or maintain relationships with one or more

biopharmaceutical or other marketing companies with existing distribution systems and direct sales forces to market any or all of our product candidates, on acceptable terms, if at all. Further, it is likely that we will have limited or no control over the manner in which our product candidates are marketed or the resources devoted to such marketing efforts.

In addition, we expect to begin to incur significant expenses in determining our commercialization strategy with respect to one or more of our product candidates. The determination of our commercialization strategy with respect to a product candidate will depend on a number of factors, including:

- the extent to which we are successful in securing collaborative partners to offset some or all of the funding obligations with respect to product candidates;
- the extent to which our agreement with our collaborators permits us to exercise marketing or promotion rights with respect to the product candidate;
- how our product candidates compare to competitive products with respect to labeling, pricing, therapeutic effect, and method of delivery; and
- whether we are able to establish agreements with third party collaborators, including large biopharmaceutical or other marketing companies, with respect to any of our product candidates on terms that are acceptable

A number of these factors are outside of our control and will be difficult to determine.

Our product candidates may not be accepted by the market.

Even if approved by the FDA and other regulatory authorities, our product candidates may not achieve market acceptance, which means we would not receive significant revenues from these products. Approval by the FDA does not necessarily mean that the medical community will be convinced of the relative safety, efficacy and cost-effectiveness of our products as compared to other products. In addition, third party reimbursers such as insurance companies and HMOs may be reluctant to reimburse expenses relating to our products.

We depend upon Kuslima Shogen and our other key personnel and may not be able to retain these employees or recruit qualified replacement or additional personnel, which would have a material adverse affect on our business.

We are highly dependent upon our founder, Chairman and Chief Executive Officer, Kuslima Shogen. Kuslima Shogen's talents, efforts, personality, vision and leadership have been, and continue to be, critical to our success. The diminution or loss of the services of Kuslima Shogen, and any negative market or industry perception arising from that diminution or loss, would have a material adverse effect

on our business. While our other employees have substantial experience and have made significant contributions to our business, Kuslima Shogen is our senior executive and also our primary supporter because she represents the Company's primary means of accessing the capital markets.

Because of the specialized scientific nature of our business, our

continued success also is dependent upon our ability to attract and retain qualified management and scientific personnel. There is intense competition for qualified personnel in the pharmaceutical field. As our company grows our inability to attract qualified management and scientific personnel could materially adversely affect our research and development programs, the commercialization of our products and the potential revenue from product sales.

We do not have employment contracts with Kuslima Shogen or any of our other management and scientific personnel.

Our proprietary technology and patents may offer only limited protection against infringement and the development by our competitors of competitive products.

We own two patents jointly with the United States government. These patents expire in 2016. We also own ten United States patents with expiration dates ranging from 2006 to 2019, four European patents with expiration dates ranging from 2009 to 2016, one Japanese patent that expires in 2010, and one Japanese patent that expires in 2013. We also own patent applications that are pending in the United States, Europe and Japan. The scope of protection afforded by patents for biotechnological inventions is uncertain, and such uncertainty applies to our patents as well. Therefore, our patents may not give us competitive advantages or afford us adequate protection from competing products. Furthermore, others may independently develop products that are similar to our products, and may design around the claims of our patents. Patent litigation and intellectual property litigation are expensive and our resources are limited. If we were to become involved in litigation, we might not have the funds or other resources necessary to conduct the litigation effectively. This might prevent us from protecting our patents, from defending against claims of infringement, or both. To date, we have not received any threats of litigation regarding patent issues.

Developments by competitors may render our products obsolete or non-competitive.

In February 2004, the Food and Drug Administration granted Eli Lilly & Company approval to sell its Alimta(R) medication as an orphan drug to treat patients with pleural mesothelioma. Alimta is a multi-targeted antifolate that is based upon a different mechanism of action than ONCONASE(R). To our knowledge, no other company is developing a product with the same mechanism of action as ONCONASE(R). However, there may be other companies, universities, research teams or scientists who are developing products to treat the same medical conditions our products are intended to treat. Eli Lilly is, and some of these other companies, universities, research teams or scientists may be more experienced and have greater clinical, marketing and regulatory capabilities and managerial and financial resources than we do. This may enable them to develop products to treat the same medical conditions our products are intended to treat before we are able to complete the development of our competing product.

Our business is very competitive and involves rapid changes in the technologies involved in developing new drugs. If others experience rapid technological development, our products may become obsolete before we are able to recover expenses incurred in developing our products. We will probably face new competitors as new technologies develop. Our success depends on our ability to remain competitive in the development of new drugs or we may not be able to compete successfully.

We may be sued for product liability.

Our business exposes us to potential product liability that may have a

negative effect on our financial performance and our business generally. The administration of drugs to humans, whether in clinical trials or commercially, exposes us to potential product and professional liability risks which are inherent in the testing, production, marketing and sale of new drugs for humans. Product liability claims can be expensive to defend and may result in large judgments or settlements against us, which could have a negative effect on our financial performance and materially adversely affect our business. We maintain product liability insurance to protect our products and product candidates in amounts customary for companies in businesses that are similarly situated, but our insurance coverage may not be sufficient to cover claims. Furthermore, liability insurance coverage is becoming increasingly expensive and we cannot be certain that we will always be able to maintain or increase our insurance coverage at an affordable price or in sufficient amounts to protect against potential losses. A product liability claim, product recall or other claim, as well as any claim for uninsured liabilities or claim in excess of insured liabilities, may significantly harm our business and results of operations. Even if a product liability claim is not successful, adverse publicity and time and expense of defending such a claim may significantly interfere with our business.

If we are unable to obtain favorable reimbursement for our product candidates, their commercial success may be severely hindered.

Our ability to sell our future products may depend in large part on the extent to which reimbursement for the costs of our products is available from government entities, private health insurers, managed care organizations and others. Third-party payors are increasingly attempting to contain their costs. We cannot predict actions third-party payors may take, or whether they will limit the coverage and level of reimbursement for our products or refuse to provide any coverage at all. Reduced or partial reimbursement coverage could make our products less attractive to patients, suppliers and prescribing physicians and may not be adequate for us to maintain price levels sufficient to realize an appropriate return on our investment in our product candidates or compete on price.

In some cases, insurers and other healthcare payment organizations try to encourage the use of less expensive generic brands and over-the-counter, or OTC, products through their prescription benefits coverage and reimbursement policies. These organizations may make the generic alternative more attractive to the patient by providing different amounts of reimbursement so that the net cost of the generic product to the patient is less than the net cost of a prescription brand product. Aggressive pricing policies by our generic product competitors and the prescription benefits policies of insurers could have a negative effect on our product revenues and profitability.

Many managed care organizations negotiate the price of medical services and products and develop formularies for that purpose. Exclusion of a product from a formulary can lead to its sharply reduced usage in the managed care organization patient population. If our products are not included within an adequate number of formularies or adequate reimbursement levels are not provided, or if those policies increasingly favor generic or OTC products, our market share and gross margins could be negatively affected, as could our overall business and financial condition.

The competition among pharmaceutical companies to have their products approved for reimbursement may also result in downward pricing pressure in the industry or in the markets where our products will compete. We may not be successful in any efforts we take to mitigate the effect of a decline in average selling prices for our products. Any decline in our average selling prices would also reduce our gross margins.

In addition, managed care initiatives to control costs may influence primary care physicians to refer fewer patients to oncologists and other specialists. Reductions in these referrals could have a material adverse effect on the size of our potential market and increase costs to effectively promote our products.

We are subject to new legislation, regulatory proposals and managed care initiatives that may increase our costs of compliance and adversely affect our ability to market our products, obtain collaborators and raise capital.

There have been a number of legislative and regulatory proposals aimed at changing the healthcare system and pharmaceutical industry, including reductions in the cost of prescription products and changes in the levels at which consumers and healthcare providers are reimbursed for purchases of pharmaceutical products. For example, the Prescription Drug and Medicare Improvement Act of 2003 provides a new Medicare prescription drug benefit beginning in 2006 and mandates other reforms. Although we cannot predict the full effects on our business of the implementation of this new legislation, it is possible that the new benefit, which will be managed by private health insurers, pharmacy benefit managers and other managed care organizations, will result in decreased reimbursement for prescription drugs, which may further exacerbate industry-wide pressure to reduce the prices charged for prescription drugs. This could harm our ability to market our products and generate revenues. It is also possible that other proposals will be adopted. As a result of the new Medicare prescription drug benefit or any other proposals, we may determine to change our current manner of operation, provide additional benefits or change our contract arrangements, any of which could harm our ability to operate our business efficiently, obtain collaborators and raise capital.

We have only recently been relisted on the Nasdaq SmallCap Market and our stock is thinly traded and you may not be able to sell our stock when you want to do so.

From April 1999, when we were delisted from Nasdaq, until September 9, 2004, when we were relisted on the Nasdaq SmallCap Market, there was no established trading market for our common stock. During that time, our common stock was quoted on the OTC Bulletin Board and was thinly traded. There is no assurance that we will be able to comply with all of the listing requirements necessary to remain listed on the Nasdaq SmallCap Market. In addition, our stock remains thinly traded and you may be unable to sell our common stock during times when the trading market is limited.

The price of our common stock has been, and may continue to be, volatile.

The market price of our common stock, like that of the securities of many other development stage biotechnology companies, has fluctuated over a wide range and it is likely that the price of our common stock will fluctuate in the future. Over the past three years, the sale price for our common stock, as reported by Nasdaq and the OTC Bulletin Board has fluctuated from a low of $0.39 to a high of $10.07. The market price of our common stock could be impacted by a variety of factors, including:

- announcements of technological innovations or new commercial products by us or our competitors,
- disclosure of the results of pre-clinical testing and clinical trials by us or our competitors,
- disclosure of the results of regulatory proceedings,

- changes in government regulation,
- developments in the patents or other proprietary rights owned or licensed by us or our competitors,

- public concern as to the safety and efficacy of products developed by us or others,
- litigation, and
- general market conditions in our industry.

In addition, the stock market continues to experience extreme price and volume fluctuations. These fluctuations have especially affected the market price of many biotechnology companies. Such fluctuations have often been unrelated to the operating performance of these companies. Nonetheless, these broad market fluctuations may negatively affect the market price of our common stock.

Events with respect to our share capital could cause the price of our common stock to decline.

Sales of substantial amounts of our common stock in the open market, or the availability of such shares for sale, could adversely affect the price of our common stock. We had 37,103,095 shares of common stock outstanding as of January 31, 2006. The following securities that may be exercised into shares of our common stock were issued and outstanding as of January 31, 2006:

- Options. Stock options to purchase 4,073,400 shares of our common stock at a weighted average exercise price of approximately $3.13 per share.
- Warrants. Warrants to purchase 12,126,593 shares of our common stock at a weighted average exercise price of approximately $2.33 per share.

The shares of our common stock that may be issued under the options and warrants are currently registered with the SEC or are eligible for sale without any volume limitations pursuant to Rule 144(k) under the Securities Act.

Our incorporation documents may delay or prevent (i) the removal of our current management or (ii) a change of control that a stockholder may consider favorable.

We are currently authorized to issue 1,000,000 shares of preferred stock. Our Board of Directors is authorized, without any approval of the stockholders, to issue the preferred stock and determine the terms of the preferred stock. This provision allows the board of directors to affect the rights of stockholders, since the board of directors can make it more difficult for common stockholders to replace members of the board. Because the board of directors is responsible for appointing the members of our management, these provisions could in turn affect any attempt to replace current management by the common stockholders. Furthermore, the existence of authorized shares of preferred stock might have the effect of discouraging any attempt by a person, through the acquisition of a substantial number of shares of common stock, to acquire control of our company. Accordingly, the accomplishment of a tender offer may be more difficult. This may be beneficial to management in a hostile tender offer, but have an adverse impact on stockholders who may want to participate in the

tender offer or inhibit a stockholder's ability to receive an acquisition premium for his or her shares.

The ability of our stockholders to recover against Armus Harrison & Co., or AHC, may be limited because we have not been able to obtain the reissued reports of AHC with respect to the financial statements included in this Form 10-K, nor have we been able to obtain AHC's consent to the use of such report herein.

Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") provides that any person acquiring or selling a security in reliance upon statements set forth in a Form 10-K may assert a claim against every accountant who has with its consent been named as having prepared or certified any part of the Form 10-K, or as having prepared or certified any report or valuation that is used in connection with

the Form 10-K, if that part of the Form 10-K at the time it is filed contains a false or misleading statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading (unless it is proved that at the time of such acquisition such acquiring person knew of such untruth or omission).

In June 1996, AHC dissolved and ceased all operations. Therefore, we have not been able to obtain the reissued reports of AHC with respect to the financial statements included in the Form 10-K for the fiscal year ended July 31, 2005 nor have we been able to obtain AHC's consent to the use of such report herein. As a result, in the event any persons seek to assert a claim against AHC under Section 18 of the Exchange Act for any untrue statement of a material fact contained in these financial statements or any omissions to state a material fact required to be stated therein, such persons will be barred. Accordingly, you may be unable to assert a claim against AHC under Section 18 of the Exchange Act for any purchases of the Company's Common Stock made in reliance upon statements set forth in the Form 10-K for the fiscal year ended July 31, 2005. In addition, the ability of AHC to satisfy any claims properly brought against it may be limited as a practical matter due to AHC's dissolution in 1996.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Recent Sales of Unregistered Securities

The following transactions were exempt from registrations under Section 4(2) of the Securities Act of 1933, as amended. The net proceeds from these transactions will be used for general corporate purposes.

During the quarter ended January 31, 2006, we issued an aggregate total of 337,778 shares of common stock upon the exercise of warrants at an exercise price of $1.50 per share by an unrelated party, which resulted in gross proceeds of $506,667 to us. We have previously registered the resale of these shares by the stockholders on a Form S-3 registration statement.

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

(a) An annual meeting of stockholders was held on January 19, 2006.

(b) All of our current directors, Kuslima Shogen, John P. Brancaccio, Stephen K. Carter, Donald R. Conklin, James J. Loughlin, David Sidransky and Paul M. Weiss, were elected at the annual meeting.

(c) The matters voted upon at the annual meeting and the results of the

voting, including broker non-votes where applicable, are set forth below:

(i) For the election of directors

Director	Number of Shares of Common Stock Voted For	Number of Shares of Common Stock Withheld	Number of Non-Vot
Kuslima Shogen	30,126,920	484,709	0
John P. Brancaccio	30,443,046	168,583	0
Stephen K. Carter	30,524,266	87,363	0
Donald R. Conklin	30,437,866	173,763	0
James J. Loughlin	30,527,766	83,863	0
David Sidransky	30,498,276	113,353	0
Paul M. Weiss	30,336,516	275,113	0

(ii) Proposal to ratify the appointment of J.H. Cohn LLP as Alfacell's independent registered public accounting firm for the year ending July 31, 2006.

Number of Shares of Common Stock Voted For	Number of Shares of Common Stock Voted Against	Number of Shares of Common which Abstained from Voting
30,386,781	62,720	162,128

Item 6. Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Exhibit No.	Item Title	Exhibit No. Incorporatio Reference
3.1	Certificate of Incorporation, dated June 12, 1981 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*

3.2	Amendment to Certificate of Incorporation, dated February 18, 1994 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*
3.3	Amendment to Certificate of Incorporation, dated December 26, 1997 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*
3.4	Amendment to Certificate of Incorporation, dated January 14, 2004 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*
3.5	Certificate of Designation for Series A Preferred Stock, dated September 2, 2003 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*
3.6	Certificate of Elimination of Series A Preferred Stock, dated February 3, 2004 (incorporated by reference to Registration Statement on Form S-1, File No. 333-112865, filed on February 17, 2004)	*

Exhibit No.	Item Title	Exhibit No. Incorporatio Reference
3.7	By-Laws (incorporated by reference to Exhibit 3.4 to Registration Statement on Form S-1, File No. 333-111101, filed on December 11, 2003)	*
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	+
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	+
32.1	Certification Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	+
32.2	Certification Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	+

* Previously filed; incorporated herein by reference.

\+ Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the

undersigned thereunto duly authorized.

ALFACELL CORPORATION
(Registrant)

March 13, 2006

/s/ Robert D. Love

Robert D. Love
Chief Financial Officer
(Principal Financial Officer and
Chief Accounting Officer)

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The Company plans significant expenses for research and development.

The Company's market is characterized by rapidly changing technologies and evolving industry standards. The Company plans to incur significant research and development expenses intended to adapt and expand to this evolving industry and achieve competitive advantage. If the Company does not generate sufficient profit, the business could be harmed. If it is necessary to raise additional funds to pay for further research and development through the issuance of equity securities, the current stockholders would be diluted and their interests might become subordinate to the rights and preferences of the holders of new equity securities.

The Company has an uncertain ability to meet future cash needs.

It is likely that the Company will need additional financing in the future, either as a result of adverse developments, or as a result of rapid growth or volatility in business levels or business conditions. If such financing is unavailable, it could have a serious adverse effect on the Company's ability to survive.

The Company must develop delivery and support infrastructure to be viable in the market.

The Company is in an early stage of development, and if the Company does not develop the necessary infrastructure to support its customers, its business could suffer or fail.

The Company's business plan is highly sensitive to many factors, and thus Company performance is not easily predictable.

The title insurance industry is sensitive to many factors, including competition with larger companies, market demand, research and development expenditures, and the ability to stay competitive in the industry. Given these and other market factors, the Company cannot predict with certainty its short- and long-term performance and profitability. In addition, even if the Company achieves profitability, given these many factors affecting the Company's business, the Company may not be able to maintain profitability in the future.

If the Company does not manage growth effectively, the Company's business could be harmed.

Resource infrastructure and geographic expansion will be required to realize the Company's growth strategy. Operations growth will place significant demands on the management and other resources of the Company, which demands are likely to continue. To manage future growth, the Company will need to continue to attract, hire and retain highly skilled and motivated officers, managers and employees for:

1. Sales, marketing, business development and customer service;
2. Technical support, software development and integration;
3. Operational and financial management; and
4. Training, integrating and managing the growing employee base.

The Company may not be successful in selecting, managing or expanding its operations and markets or maintaining adequate management, financial and operating systems and controls. The Company may not be able to achieve desired geographic expansion without additional investment.

Experience of management may not be adequate to achieve projections.

While Company's officers have history and experience in the title industry, there is no guarantee that such experience will ensure that they are able to reach the Company's projections.

Any additional financing through sales of our common stock will result in dilution to existing shareholders.

We will require additional capital in order to achieve our business plan. Our most likely source of additional capital will be through the sale of additional shares of common stock. The sale of additional shares of common stock will result in dilution to our existing stockholders and will negatively affect the value of an investor's Shares.

Risks Related To the Title Insurance Industry

The title insurance industry is intensely competitive, and if the Company fails to successfully compete in this industry, its market share and business will be harmed.

The markets for the products and services offered by the Company are intensely competitive and characterized by rapidly changing technology, evolving regulatory requirements and changing consumer demands. Large companies may at any time attain positions of competitive advantage that the Company will find difficult to counteract.

There can be no assurance that the Company will be able to successfully compete with any current or potential providers of products and services competitive with those of the Company.

The Company's success depends, in part, on its ability to protect, develop and secure proprietary information and intellectual property.

Although the Company intends to pursue protection of its intellectual property, there is no assurance that such protection will be available or sufficient to preclude competition. Competitors may develop similar or superior products, software, business models and intellectual property. This could have serious impact on the ability of the Company to succeed. If the Company fails to protect, develop and secure proprietary information and intellectual property, the value of the Company could be impaired.

If the Company is unable to adapt to the rapid technological change in its industry, the Company will not remain competitive and its business will suffer.

The Company's market is characterized by rapidly changing technologies and evolving industry standards. The recent growth of the Internet and intense competition in the industry exacerbate these market characteristics. The Company's future success will depend on the Company's ability to adapt to rapidly changing technologies by continually improving the features and reliability of its products. The Company may experience difficulties that could delay or prevent the successful introduction or marketing of new products and services. In addition, new enhancements must achieve significant market acceptance. The Company could also incur substantial costs if the Company needs to modify its service or infrastructures or adapt its technology to respond to these changes.

The title insurance industry is subject to natural fluctuation.

The title business is seasonal for purchase transactions and depends largely on interest rates in connection with refinance transactions. It is likely that the Company will be subject to these same types of performance fluctuations. The real estate market is subject to fluctuation and is currently is a state of decline. The condition of the real estate market and economic conditions in general will strongly affect the viability of the Company's plans.

Risks Related To Regulations

The Company's failure to comply with existing regulations and future regulations could subject the Company to penalties.

The Company will provide products and services in multiple jurisdictions. Any failure of the Company to comply with existing regulations or regulations adopted in the future in those jurisdictions could subject the Company to penalties. Compliance matters could also increase the Company's costs and affect the Company's ability to meet its projections. The Company will assess regulations and requirements of certain jurisdictions for its products and may need to retain outside experts in order to ensure compliance. While the Company does not believe that its current structure will require it to obtain insurance licenses or other types of licenses, it is possible that state insurance commissions would take an alternate view, which could subject the Company to penalties and fines and require the Company to go through the costly and time-consuming licensing application process in each such jurisdiction which takes the position that the Company must hold an insurance license therein.

Risks Related To Customers

The Company's products are not yet proven with customers.

Until the Company has finished developing its products, there is uncertainty regarding the products' acceptability to customers and as a result, their viability within the customers' sales channels. In the event that acceptance is delayed, or in the event that customers promote competitive products, the Company would be seriously harmed.

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**Risks Related To The Offering And
The Purchase and Ownership of Stock**

The Company will hold subscription funds in escrow during the Offering Period which may extend to October 31, 2008.

Subscription funds submitted by subscribers will be held at Charter One Bank in an escrow account by Synergy Law Group, LLC, the Company's escrow agent, during the Offering Period which expires on October 31, 2008 unless earlier terminated by the Company. During such time, subscribers will have no right to the issuance of the shares for which they have subscribed. If the Company fails to receive subscriptions for at least the Minimum Offering Amount or terminates or withdraws the Offering for any reason or if the subscriber's subscription is rejected in whole or in part for any reason, subscription funds will be returned to subscribers without any interest earned on the funds.

The Offering Price of the Shares is arbitrary.

The price of the Shares has been determined arbitrarily by the Company and bears no relationship to the Company's assets, book value, potential earnings or any other recognized criteria of value.

The Company has a lack of dividend payments.

The Company has no plans to pay any dividends in the foreseeable future.

Certain Company actions and the interests of stockholders may differ.

The voting control of the Company could discourage others from initiating a potential merger, takeover or another change of control transaction that could be beneficial to stockholders. As a result, the value of stock could be harmed. Purchasers should be familiar with the equity breakdowns among stockholders of the Company.

The Company's management team will have broad discretion over the use of proceeds.

The Company's management will retain broad discretion as to the allocation of the proceeds of this Offering, and the Company may not be able to invest these proceeds to yield a significant return.

Purchasers will experience immediate and substantial book value dilution.

The price of the Shares offered hereunder is expected to be substantially higher than the net tangible book value of each outstanding share of stock. Investors who purchase Shares in this Offering will suffer immediate and substantial dilution.

The Company may be subject to rights of preferred stockholders including mandatory redemption.

At some point in the future, the Company may authorize and issue preferred stock. The rights attached to preferred shares could affect the Company's ability to operate, which could force the Company to seek other financing. Such financing may not be available on commercially reasonable terms or at all and could cause substantial dilution to existing stockholders.

Our Common Stock may be subject to "penny stock" rules which may be detrimental to investors.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) of less than $5.00 per share or an exercise price of less than $5.00 per share. Such securities are subject to

rules that impose additional sales practice requirements on broker-dealers who sell them. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchaser of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule prepared by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, among other requirements, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. As the Shares immediately following this Offering will likely be subject to such penny stock rules, purchasers in this Offering will in all likelihood find it more difficult to sell their Shares in the secondary market.

We have the right to issue up to 75,000,000 shares of preferred stock, which may adversely affect the voting power of the holders of other of our securities and may deter hostile takeovers or delay changes in management control.

We may issue up to 75,000,000 shares of our preferred stock from time to time in one or more series, and with such rights, preferences and designations as our board of directors may determine from time to time. To date, we have not issued any shares of preferred stock. Our board of directors is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights, liquidation preferences and other rights and restrictions relating to any series of our preferred stock. Issuances of shares of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of our common stock and may, under certain circumstances, have the effect of deterring hostile takeovers or delaying changes in management control.

Forward Looking Statements

This Prospectus contains projections and statements relating to Company that constitute "forward-looking statements." These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "intends," "believes," "anticipates," "expects," "estimates," "may," "will," or similar terms. Such statements speak only as of the date of such statement, and the Company undertakes no ongoing obligation to update such statements. These statements appear in a number of places in this Prospectus and include statements regarding the intent, belief or current expectations of the Company, and its respective directors, officers or advisors with respect to, among other things: (1) trends affecting the Company's financial condition, results of operations or future prospects, (2) the Company's business and growth strategies and (3) the Company's financing plans and forecasts. Potential investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that, should conditions change or should any one or more of the risks or uncertainties materialize or should any of the underlying assumptions of the Company prove incorrect, actual results may differ materially from those projected in the forward-looking statements as a result of various factors, some of which are unknown. The factors that could adversely affect the actual results and performance of the Company include, without limitation, the Company's inability to raise additional funds to support operations and capital expenditures, the Company's inability to effectively manage its growth, the Company's inability to achieve greater and broader market acceptance in existing and new market segments, the Company's inability to successfully compete against existing and future competitors, the Company's reliance on independent manufacturers and suppliers, disruptions in the supply chain, the Company's inability to protect its intellectual property, other factors described elsewhere in this Prospectus, or other reasons. Potential investors are urged to carefully consider such factors. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements and the "Risk Factors" described herein.

Use of Proceeds

Assuming 900,000 Shares are subscribed for in this Offering, and after netting anticipated Offering expenses, the net proceeds from the sale of the Shares will be approximately $188,800. If subscriptions are received for 200,000 shares, after netting anticipated Offering expenses, the net proceeds from the sale of the Shares will be approximately $13,800. The Company intends to use the net proceeds from the Offering substantially for general corporate purposes primarily in the areas of marketing, advertising, promotion, acquiring relationships with title abstractors and title agencies and general working capital. In allocating the proceeds, the Company's highest priority will be to develop the product to a functional stage. The Company expects to launch its title starts website with sales to commence in the fourth quarter of 2008. After the product is functional and available, the Company's next priority will be to market, advertise and promote the product. The Company believes that receipt of only the minimum proceeds will be sufficient to develop a functional product. Receipt of the minimum proceeds will support a lesser marketing and

product promotion campaign which could result in slower sales of the product. The Company anticipates that the momentum of marketing efforts within the community of title abstractors will be enhanced because of the nature of the title insurance industry. There tends to be significant and frequent communication in the community of title abstractors which would allow a means for exposure of the Company's product without a corresponding expenditure by the Company for marketing efforts. We believe these proceeds will be sufficient to fund our operations for a period of six months. Set forth below is the Company's proposed use of proceeds assuming the sale of all of the Shares offered hereunder:

Working Capital

The Company plans to hire employees with technical expertise to refine its products and services. Working capital will support personnel costs as well as the general administration and management of the Company's start-up phase.

Research and Development

The Company anticipates continuing its research and development efforts to enhance its sales and market position by developing an electronic central title starts repository. Proceeds of this Offering will support the Company's ongoing research and development efforts. Initially, the Company's primary focus will be to develop its products for entry into the market. After it sufficiently refines its products, the Company's principal area of concentration will shift to marketing and promotion of its products.

Marketing/Advertising/Promotion

The Company expects to explore the most advantageous means of marketing, advertising and promotion of the Company's products and services. The funds generated from this Offering will support the Company's marketing strategies. Proceeds in the Minimum Offering Amount will allow the Company to pursue marketing campaigns in limited markets. Proceeds in excess of the Minimum Offering Amount will permit the Company to expand the scope of promotional efforts for its products.

Because of the number and variability of factors that determine the use of the net proceeds from this Offering, we cannot assure you that the actual uses of the net proceeds from this Offering will not vary substantially from our currently planned uses. Pending use of the net proceeds from this Offering, we intend to invest the net proceeds from this Offering in money market accounts at insured institutions.

Determination of Offering Price

Prior to this Offering, there has been no market for our common stock. The Offering Price of the Shares offered hereunder was arbitrarily determined by the Company and bears no direct relationship to the value of our assets, book value, net worth, historical or prospective earnings, actual results of operations, trading price of our stock, or any other recognized criteria of value. The Offering Price of the Shares should not be considered as an indication of the actual or trading value of a share of our common stock.

Plan of Distribution

General

There is no public market for our common stock. Therefore, the current and potential market for our common stock is limited and the liquidity of our shares may be severely limited. To date, we have made no effort to obtain listing or quotation of our securities on a national stock exchange or association. We have not identified or approached any broker/dealers with regard to assisting us to apply for such listing. We are unable to estimate if or when we expect to undertake this endeavor. No market may ever develop for our common stock, or if developed, such market may not be sustained in the future. Accordingly, the Shares should be considered totally illiquid, which inhibits investors' ability to sell their Shares. The market price of the Shares of common stock is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technological innovations, new products and/or services or new contracts by the Company or its competitors, developments with respect to copyrights or proprietary rights, adoption of new accounting standards or regulatory requirements affecting the insurance business, general market conditions and other factors. In addition, the stock market from time to time experiences significant price and volume fluctuations that may adversely affect the

market price for the Company’s common stock.

The Offering

The Company is offering to sell a minimum of 200,000 and a maximum of 900,000 Shares pursuant to the terms of this Prospectus in a self-underwritten direct public offering, without any participation by underwriters or broker-dealers. The Offering Price is $0.25 per Share. The Offering Period will begin on the date this registration statement is declared effective by the Securities and Exchange Commission and will expire on October 31, 2008. We may, within our sole discretion, terminate the Offering prior to the end of the Offering Period. No subscription will be accepted unless payment is received by October 31, 2008. The closing of the Offering and the disbursement of funds are conditioned upon our receipt of subscriptions aggregating no less than $50,000, the Minimum Offering Amount. The minimum dollar amount of Shares that may be purchased by any subscriber is $1,250, unless the Company waives this minimum dollar requirement.

Until the Company receives and accepts subscriptions for a minimum of $50,000, all subscription funds will be held by the Company at Charter One Bank in an escrow account in the name of Synergy Law Group, LLC, as escrow agent. If subscriptions for at least $50,000 have not been received before the expiration of the Offering Period, all subscription funds will be returned to the subscribers, without any interest earned on the funds. If an investor subscribes for at least $1,250 and its subscription is accepted by Company, the subscription funds, together with any interest earned on the funds, will be drawn upon and used by the Company following the closing of the Offering.

The affiliates, officers, directors, employees and stockholders of the Company reserve the right at their option to purchase Shares, but all such purchases shall be without discount and at the full Offering Price per Share. Any such purchase will be counted in determining if the Minimum Offering Amount has been satisfied.

Shares will be sold through the efforts of the officers and director of the Company. There will be no participation by underwriters or broker-dealers. The Shares will be qualified or registered for sale under the “blue sky” laws of certain states. The states in which the Company currently plans to offer the Shares include California, Florida, Kansas, Missouri and Nevada.

Expenses of Offering

The Company will pay all of the costs and expenses in connection with the Offering, including but not limited to all expenses incurred to prepare, reproduce or print this Prospectus, legal expenses and other expenses incurred in qualifying the Offering for sale under federal securities laws and applicable state securities, or “blue sky,” laws. It is estimated that the expenses of the Offering will not exceed $36,200.

Subscription Procedures

If after carefully reviewing and studying this Prospectus, you desire to purchase Shares, you must do the following:

(1) Complete, execute, date and deliver to us the Subscription Agreement which accompanies this Prospectus.

(2) Forward the Subscription Agreement to Carol McMahan, Synergy Law Group, LLC, 730 West Randolph, Suite 600, Chicago, IL 60661, with a wire transfer to Charter One Bank in an amount equal to the total purchase price for the number of Shares you desire to purchase, as per the following instructions:

CHARTER ONE BANK
FED ABA# 241070417
C/O TITLE STARTS
ESCROW # 4512173977

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All wire transfers should be accompanied by a facsimile notification of the wire to the attention of Carol McMahan at 312.454.0261.

All funds received in connection with the sale of the Shares shall be held until Closing in escrow by Synergy Law Group, LLC, as escrow agent for the Company, at Charter One Bank.

Right to Reject Subscriptions

We have the right to accept or reject subscriptions in whole or in part for any reason or for no reason. We will return all monies from rejected subscriptions to the subscriber without interest or deduction.

Legal Proceedings

There are no pending, nor to our knowledge threatened, legal proceedings against the Company.

Directors and Officers

The directors of the Company hold office for annual terms and will remain in their positions until successors have been elected and qualified. The officers are appointed by the board of directors of the Company and hold office until their death, resignation or removal from office. The ages, positions held, and duration of terms of the directors and executive officers are as follows:

Name	Age	Position
Mark DeFoor	37	Director, President and Chief Executive Officer
Melissa Yarnell	40	Secretary

Mark DeFoor, Director, President, Chief Executive Officer:

Mark DeFoor is a Director, President and Chief Executive Officer of Title Starts Online, Inc. Mr. DeFoor earned a Bachelor's of Business Administration (1993) and a Master's of Business Administration (1995) from the University of Missouri at KC. Mr. DeFoor's previous experience includes the development of the National Association of Insurance Commissions Central Repository of Producer Agents as well as the purchase, operation and sale of several title insurance companies.

Melissa Yarnell, Secretary:

Melissa Yarnell is the Secretary of Title Starts Online, Inc. Mrs. Yarnell attended Kansas City Kansas Community College and has been in the title insurance business since 1990. From 1990 to 1994 Mrs. Yarnell served as an Escrow Closer at ATI/American Land Title Agency and from 1994 to 2003 served as Escrow Manager of Nations Title Agency, Inc. Mrs. Yarnell is currently the Vice President of Escrow Services for Capital Title Agency, Inc. in Kansas City, MO.

Term of Office

Our directors are appointed for one-year terms to hold office until the next annual meeting of our shareholders or until removed from office in accordance with our By-Laws. Our officers are appointed by our board of directors and hold office until removed by the board.

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Director Independence

Our determination of independence of directors is made using the definition of ‘‘independent director’’ contained under Rule 4200(a)(15) of the Rules of the Financial Industry Regulatory Authority (“FINRA”). However, we are not at this time required to have our board comprised of a majority of “independent directors” because we are not subject to the listing requirements of any national securities exchange or national securities association.

Employees

At the present time, we have no paid employees. Mark DeFoor, our President and Chief Executive Officer, is currently managing the start-up operations of the Company without compensation.

Beneficial Ownership

The following table sets forth certain information as of the date of this prospectus and following the Offering with respect to the beneficial ownership of the outstanding common stock of the Company by (i) any holder of more than five (5%) percent; (ii) each of the Company’s executive officers and directors; and (iii) the Company’s directors and executive officers as a group. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned. The percentage of class is based on 3,100,000 shares of common stock issued and outstanding as of the date of this Prospectus. Unless otherwise indicated below, the address for each individual is 7007 College Boulevard, Suite 270, Overland Park, KS 66211.

	Prior to Offering		Following Offering Assuming Minimum Shares Are Sold		Following Offering Assuming Maximum Shares Are Sold	
Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Class	Amount of Beneficial Ownership	Percentage of Class	Amount of Beneficial Ownership	Percentage of Class
Mark DeFoor	3,100,000	100%	3,100,000	93.9%	3,100,000	77.5%
Melissa Yarnell	0	0	0	0	0	0
Directors and Executive Officers as a Group (2 persons)		100%		93.9%		77.5%

Description of Securities

The following statements are qualified in their entirety by reference to the detailed provisions of our Articles of Incorporation and By-Laws. The Shares registered pursuant to the registration statement of which this prospectus is a part are shares of common stock, all of the same class and entitled to the same rights and privileges as all other shares of common stock.

Capital Stock

The authorized capital stock of the Company is 500,000,000 shares of capital stock, consisting of 425,000,000 shares of common stock with full voting rights and with a par value of $0.001 per share, and 75,000,000 shares of preferred stock, with a par value of $0.001 per share (the “Preferred Stock”).

Preferred Stock may be issued from time to time in one or more series with such designations, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereof, as shall be provided

by Board resolution authorizing the issuance of such Preferred Stock or series thereof; and the Board is vested with authority to fix such designations, preferences and relative participating, optional or other special rights or qualifications, limitations, or restrictions for each series, including the power to fix the redemption and liquidation preferences, the rate of dividends payable and the time for and the priority of payment thereof and to determine whether such dividends shall be cumulative or not and to provide for and fix the terms of conversion of such Preferred Stock or any series thereof into the common stock of the Company and fix the voting power, if any, of shares of Preferred Stock or any series thereof.

As of the date of this prospectus, there are 3,100,000 shares of common stock issued outstanding. There are no outstanding shares of Preferred Stock.

As of the date of this prospectus, there is one (1) holder of record of the Company's common stock, who is an affiliate of the Company.

Options and Warrants

There are no outstanding options or warrants or other securities that are convertible into our common stock.

Voting Rights

Each shareholder is entitled to one (1) vote for each share of voting stock. Shareholders are not entitled to cumulative voting rights.

Dividend Policy

We intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

Transfer Agent

The transfer agent for our common stock will be Empire Stock Transfer Inc. upon completion of this Offering. Its address and telephone number are 2470 Saint Rose Pkwy, Suite 304, Henderson, NV 89074, 702.818.5898. Until the present time, we have acted as our own transfer agent and registrar.

Penny Stock Regulation

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) of less than $5.00 per share or an exercise price of less than $5.00 per share. Such securities are subject to rules that impose additional sales practice requirements on broker-dealers who sell them. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchaser of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule prepared by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, among other requirements, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. As the Shares immediately following this Offering will likely be subject to such penny stock rules, purchasers in this Offering will in all likelihood find it more difficult to sell their Shares in the secondary market.

Interests of Named Experts and Counsel

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the Shares was employed on a contingency basis, or had, or is to receive, in connection with the Offering, a substantial interest, direct or indirect, in the Company, nor was any such person connected with the Company as a promoter, managing or principal underwriter, voting trustee, director, officer or employee.

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Disclosure of Commission Position on Indemnification for Securities Act Liabilities

Our Articles of Incorporation and By-Laws provide for the indemnification of Company officers and directors in regard to their carrying out the duties of their offices. We have been advised that in the opinion of the SEC indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by one of our directors, officers or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Description of Business

Company Overview

Title Starts Online, Inc. is a corporation, incorporated in the State of Nevada on November 13, 2007. The Company's principal offices are currently located at 7007 College Boulevard, Suite 270, Overland Park, KS 66211. Our telephone number there is 913.832.0072. Our fax number is 913.747.3001. All operations, from administration to product development, take place at this location. The Company occupies space within a customer facility owned by our President and Chief Executive Officer, Mark DeFoor, for which it currently pays no rent. There is no obligation for or guarantee that this arrangement will continue in the future.

The Company is in its development stage with no current revenues to date. The majority of the activities to date have revolved around defining requirements from residential title abstractors in the Kansas City area to determine the value proposition of a consolidated title start website business. In the title insurance business, abstractors are required to research any and all encumbrances on specific properties which are in the process of being refinanced or sold. This search is completed by merging data from a variety of sources, some online and some in log books physically maintained by local governmental entities and private production plants. The research results are then compiled into a commitment of title insurance which is submitted to the entity requesting the information.

The Company expects that the Minimum Proceeds from this Offering will permit it to launch its title starts website to the public with sales to commence in the fourth quarter of 2008.

Organizational Structure

Our President and Chief Executive Officer, Mark DeFoor, is the only individual currently participating in the Company’s start-up activities. At present, he is contributing less than 10 hours per week, without compensation, to handle the operational business functions including corporate administration and development responsibility.

Upon the successful acquisition of funding or an increase in sales, we plan to expand the current staff by adding employees with technical expertise. We anticipate the cost of each of these technical employment positions to be approximately $80,000.00 per year, and we may choose to compensate these employees with consideration other than cash, such as shares of common stock or options to purchase shares of common stock.

Assuming the availability of funds from this Offering or future sales of products, we expect to hire employees to fill the following positions:

DBA – Database Administrator

.Net Systems Developer
Document Management Specialist

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We would also like to retain commissioned sales representatives or partner with national insurance underwriters to cross-sell our services. As sales increase, we will be in a position to add customer service representatives to handle inbound calls, handle setup, and assist in operational troubleshooting.

Products and Services

The mission of the Company is to provide fast and reliable title starts to abstractors of small and large title agencies and underwriters.

The Company intends to develop a central repository for title starts and plans to deliver two categories of products – title starts and a title search template – along with a tips and tools area via the Company's website. The website will have the functionality to manage new title search findings based on unique user identification to facilitate order processing, to offer remote storage and minimize redundant data entry. Users will also have the ability to shop for existing title starts and utilize innovative search techniques to expedite their search.

The existing inventory of title starts will be indexed by multiple categories. This database-driven approach will allow users the ability to search by a number of separate of variables including addresses, names and/or property legal descriptions. The Company will not store any nonpublic information such as social security numbers or dates of birth on the website.

Users will play a unique role in the population of the data on the Company website. As a user places a new title start online, that user will be able to access one of the existing starts placed by another user. Users will then have the capability of ranking the accuracy and completeness of another user's search.

The Company will use a ranking system for users similar to the ranking system used for sellers on e-bay. Abstractors will be ranked by their peers as to the completeness and accuracy of their searches. If the ranking of an abstractor falls below our pre-determined acceptance level, they will have a "restricted" ranking which will alert purchasers to the quality of the title start requested from a "restricted" user.

Startup and Plan of Operation

The Data Model (Database back-end which houses the physical data logically for efficient access) has entered its second stage of development. Tables within the database have been completed and the relationships between those tables have been connected to ensure data integrity. We have made arrangements for an advisory panel of front line abstractors to test the Data Model to test the primary data components. This proof of concept at this stage will allow for a more efficient development phase of version I of the GUI interface.

The GUI (Graphical User Interface), the portion of the web application which is viewable by the public, is approximately 25% complete. Testing on the GUI interface will begin with a group of title abstractors who have agreed to volunteer their time to participate in a focus group to ensure the functionality and usability of the application. Alterations stemming from that focus group will begin with the data model and follow through to the GUI interface. The GUI design is pending approval of the Data Model with the advisory panel/focus group. We are planning two separate interfaces for the initial launch. The first is the information entry screen which will give abstractors at the plant the ability to upload and utilize a standard process to search title. The second will be a search engine which will give the abstractors the ability to access property information.

Over time, we see a third component to the system. This final component will allow imports from industry standard software through an easy-to-use interface. This component may need to be non-standard as each import would require a small amount of mapping to ensure that the load would match our Data Model. If we are successful in acquiring a large, national agency or underwriter as a business partner, we will elevate the priority of the development of this

component.

Sales Strategies

We are currently in the development stage of sales strategies. Initially, it appears that the most cost-effective way to generate sales will be to direct as many users as possible to the Company's website. The site should be developed in a manner which would allow screens to be exported to media for distribution.

Technology / Platform

The web real estate of titlestarts.com is currently being developed utilizing the following products offered remotely by godaddy.com:

Database: SQLServer
GUI: Microsofts .net framework

Both products run on the Microsoft's Server platform.

Godaddy.com is also hosting the Company's email services and storage of information.

Future Products and Services

As the use of the website grows, the repository of information will become increasingly valuable and, in turn, marketable. Real estate property-related entities, such as property and casualty insurers, home improvement businesses and pest control companies, will be able to see what starts have been viewed and, therefore, ascertain the identity of the properties being transferred.

We also see a cross-marketing potential with the American Land Title Association wherein the website could provide continuing education to abstractor members who use the product. The Company website could easily provide an online tutorial on proper search methods which would promote good practices and which could potentially reduce claims against agencies and underwriters.

Market Needs

Abstractors, also known as searchers, spend a significant portion of their time searching paper documents in local county offices or production plants. Production plants are repositories for real estate property records where plant members have the ability to view information. These production plants are expensive to maintain and are used exclusively by medium or large title agencies and underwriters. The Company intends to offer to small and large title agencies and underwriters electronic access to the same information which is available at production plants. This will allow all abstractors the ability to acquire title starts on a transaction fee basis.

An electronic central title start repository offers the potential for an enormous reduction in the time involved in research by abstractors. The online repository would allow the work of an already researched property to be reutilized for a small transaction fee.

Market Trends

Almost every insurance agency and underwriter in the title industry is intensely interested in the developments in and benefits of technological advances in the industry. These companies are developing brand specific applications to speed the delivery of title commitments to market. While they are spending tremendous amount of time and money on these systems, the systems themselves are not benefiting the front line abstractors.

It is our thought that the future will bring a consolidation of information across agencies and underwriters. Such a vehicle does not currently exist, and the Company hopes to be in a position to offer a central repository of property information to all abstractors eliminating travel and search time in many areas.

Market Growth

Business in all aspects of the real estate industry has constricted over the past year. Mortgage applications have declined, and the ability of the mortgage professionals to place those applications has also declined. Most mortgage lenders have either closed or tightened the guild lines associated with placing the loans.

Title Starts Online, Inc can utilize this time to create, implement and market our solution. The Company hopes that when an upswing in the real estate market occurs, it will be in a position to capture market share.

Competition

The title industry does not currently have a public online resource for title starts. Information is fragmented between legacy log books within local county records and company records within a variety of insurance agencies and underwriters.

The primary competition will be our customers themselves. As a title insurance agency searches a property, the “title start” or searched information is saved within a customer’s file. This record can be either a physical paper file or an image of the documents stored electronically. If, by chance, a title company is asked to research the property again, then the old customer file is opened and the title start will be utilized. In most cases, customers are not in the position of having multiple searches on the same property.

Some title agencies currently have an internal system which will access county records remotely and import them into their system. This system requests new searches from the county each time a property is searched. A system of this type would require data mapping for every county in the United States which is currently web enabled.

Management's Discussion and Analysis or Plan of Operation

The following discussion of our financial condition and plan of operation should be read in conjunction with the Company’s financial statements, the notes to those statements and the information included elsewhere in this prospectus. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under “*Risk Factors*” and elsewhere in this prospectus, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

The Company plans to develop its business in three stages: (1) Ensuring market demand through concentrated research and analysis conducted with a group of title abstractors who have volunteered their time to participate in a focus group; (2) Ensuring usability and functionality of the GUI interface by testing the developing product in focus group settings in all phases of product development; and (3) Utilizing a grass roots effort among title abstractors to propel the product into use during the initial phases of the business model. Title abstractors are our target market for the Company’s products. Input from title abstractors during the development phase and introduction of the products to title abstractors will enhance the likelihood of the usability of the products and validate support from the commercial consumer. In the event that the Minimum Offering Amount is raised in this Offering, the proceeds received will provide the means for the Company to continue testing of its theories and products and allow for limited marketing. If the Company raises the Maximum Offering Amount, those proceeds will be used for the same purposes, but the Company will be able to proceed with product development at a faster pace and move ahead with a broader promotional campaign.

Plan of Operation

We are a start-up company with no operations and have not yet generated or realized any revenues from our business operations.

Limited Operating History; Need for Additional Capital

There is no historical financial information about us upon which to base an evaluation of our performance. We are in the start-up phase of development, have not generated any revenues from operations and cannot guarantee we will be successful in our business operations.

Liquidity and Capital Resources

We are attempting to raise money from this Offering to generate cash to begin operations. As of December 31, 2007, our total assets were $18,391, and our total liabilities were $17,091. As of March 31, 2008, our total assets were $30,442, and our total liabilities were $30,062.

The Company has no firm cash commitments for capital expenditures and is expending no capital pending completion of this Offering. The Company's anticipated capital requirements are modest in part due to characteristics inherent to the title starts industry which relies on existing repositories of title information. The Company will use godaddy.com for website hosting and has no associated infrastructure cost. The Company expects that the minimum proceeds from this Offering will be sufficient to support its business plan for twelve months. If the Company receives proceeds in excess of the Minimum Offering Amount, the pace at which the Company can pursue its business plan will be accelerated. Initially, the Company anticipates conducting marketing efforts through the use of outside sales representatives on a commission basis. If it receives only minimum proceeds, the Company will limit the number of markets it can target in initial promotional product campaigns. The Company is in its development stage and has not begun operations. As such, the Company has no historical periods with which to compare anticipated capital requirements in the future. The Company will use the proceeds from this Offering to support its capital requirements. To the best of the Company's knowledge, it is not aware of any event or future trend which would cause the Company's anticipated capital requirements to exceed the Minimum Offering Amount.

Important Assumptions

The recent downturn in the mortgage refinance market has significantly reduced the number of transactions we believe will be able to be performed. Although the numbers of transactions are not expected to be as high as in recent years, the quantity of companies requiring our product will also decrease. This reduction in the number of companies in the market will make it easier for market penetration and standardization of data inputs.

Description of Property

The Company owns no real estate. Title Starts Online, Inc. is currently utilizing space within a customer facility in Overland Park, KS. The facility is owned by our President and Chief Executive Officer, Mark DeFoor, and the Company presently pays no rent to occupy the space. There is no obligation for or guarantee that this arrangement will continue in the future.

The website is co-located with www.godaddy.com to insure favorable service times while offering the flexibility of increasing data storage and bandwidth without the delay of acquisition and installation of owned services. When revenues and/or raised capital allows, a development environment will be created within the physical location to speed access. Long term, the Chief Technology Officer will make a determination as to the operational location of the production website.

Experts

The financial statements of Title Starts Online, Inc. as of December 31, 2007 and for the period from November 13, 2007 (inception) through December 31, 2007, included in this Registration Statement have been audited by

Schumacher & Associates, Inc., independent registered public accounting firm, and have been so included in reliance upon the report of Schumacher & Associates, Inc. given on the authority of such firm as experts in accounting and auditing.

Certain Relationships and Related Transactions

Since inception, the following transactions were entered into with our shareholders.

Our sole shareholder, Mark DeFoor, acquired his shares with the intent to hold the shares for investment purposes and not with a view to further resale or distribution, except as permitted under exemptions from registration requirements under applicable securities laws.

The certificate was issued with a restrictive legend with respect to the issuance of securities pursuant to exemptions from registration requirements under the Securities Act.

Market for Common Equity and Related Stockholder Matters

No Public Market for Common Stock

There is no public market for our common stock. Therefore, the current and potential market for our common stock is limited and the liquidity of our shares may be severely limited. To date, we have made no effort to obtain listing or quotation of our securities on a national stock exchange or association. We have not identified or approached any broker/dealers with regard to assisting us to apply for such listing. We are unable to estimate if or when we expect to undertake this endeavor. No market may ever develop for our common stock, or if developed, may not be sustained in the future. Accordingly, our shares should be considered totally illiquid, which inhibits investors' ability to sell their Shares. The market price of the Shares of common stock is likely to be highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technological innovations, new products and/or services or new contracts by the Company or its competitors, developments with respect to copyrights or proprietary rights, adoption of new accounting standards or regulatory requirements affecting the insurance business, general market conditions and other factors. In addition, the stock market from time to time experiences significant price and volume fluctuations that may adversely affect the market price for the Company's common stock.

Shareholders of Our Common Shares

As of the date of this prospectus, we have one shareholder of record.

Rule 144 Shares

There are currently no outstanding warrants for the purchase of shares of common stock and no shares of common stock reserved under any employee stock option plans. As of the date of this prospectus, 3,100,000 shares of common stock are issued and outstanding. There currently are no shares of common stock or common stock equivalents which can be resold in the public market in reliance upon the safe harbor provisions of Rule 144, as promulgated under the Securities Act of 1933.

Upon the date this Registration Statement becomes effective, a total of 900,000 shares of our common stock will become available for sale to the public. The 3,100,000 shares of common stock outstanding as of the date of this prospectus are considered "restricted securities" because they were issued in reliance upon an exemption from the registration requirements of the Securities Act and not in connection with a public offering. Pursuant to Rule 144 under the Securities Act, at such time as the Company has become a reporting issuer under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, these restricted shares will become available for resale to the public at the rate of one percent (1%) of total issued and outstanding shares of the Company during a three-month period. In general, under Rule 144, as amended and effective February 15, 2008, an affiliate of a reporting company may resell restricted securities after a six-month holding period, subject to the current public information requirements, volume

limitations, manner of sale requirements and notice of proposed sale requirements.

As of the date of this prospectus, one person, who is an affiliate, holds 100% of our outstanding shares of common stock.

Stock Option Grants

To date, we have not granted any stock options.

Registration Rights

We have not granted registration rights to any holder of shares of our common stock.

Dividends

There are no restrictions in our Articles of Incorporation or By-Laws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or

2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

We have not declared any dividends, and we do not plan to declare any dividends in the foreseeable future.

Executive Compensation

We have not entered into any contracts for employment or alternative compensation for any directors or executive officers. There are also no arrangements or plans to provide retirement, pension or similar benefits. We do not currently have any bonus or incentive plans available. However, stock options may be granted at the direction of the board of directors.

Reports to Security Holders

We have filed with the SEC a registration statement, including pre-effective amendments (the “Registration Statement”) on Form S-1/A (including exhibits) under the Securities Act with respect to the shares to be sold in this Offering. This prospectus, which forms part of the registration statement, does not contain all the information set forth in the Registration Statement as some portions have been omitted in accordance with the rules and regulations of the SEC. For further information with respect to our Company and the Shares offered in this prospectus, reference is made to the Registration Statement, including the exhibits filed thereto, and the financial statements and notes filed as a part thereof. With respect to each such document filed with the SEC as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved. We are not currently subject to the informational requirements of the Securities Exchange Act of 1934 (the “Exchange Act”). As a result of the offering of the Shares of our common stock, we will become subject to the informational requirements of the Exchange Act, and, in accordance therewith, we will file quarterly and annual reports and other information with the SEC and send a copy of our annual report together with audited consolidated financial statements to each of our shareholders. The Registration Statement, such reports and other information may be inspected and copied at the Public Reference Room of the SEC located at 100 F Street, N. E., Washington, D. C. 20549. Copies of such materials, including copies of all or any portion of the Registration Statement, may be obtained from the Public Reference Room of the SEC at prescribed rates. You may call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room. Such materials may also be accessed electronically by means of the SEC’s home page on the internet (http://www.sec.gov).

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TITLE STARTS ONLINE, INC.

AS OF DECEMBER 31, 2007

AND FOR THE PERIOD NOVEMBER 13, 2007 (INCEPTION)
THROUGH DECEMBER 31, 2007

AND FOR THE PERIOD ENDED MARCH 31, 2008
(UNAUDITED)

Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Title Starts Online, Inc.
Overland Park, Kansas

We have audited the accompanying balance sheet of Title Starts Online, Inc. as of December 31, 2007 and the related statements of operations, changes in stockholders' equity and cash flows for the period from November 13, 2007 (inception) to December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Title Starts Online, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the period from November 13, 2007 (inception) to December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2, the Company has no business operations and has negative working capital and minimal stockholders' equity, which raise substantial doubt about its ability to continue as a going concern. Management's plan in regard to this matter is also discussed in Note 2. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Schumacher & Associates, Inc.
April 24, 2008
Denver, Colorado

TITLE STARTS ONLINE, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS

	December 31, 2007	March 31, 2008 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ 2,500
Stock subscriptions receivable	3,100	600
TOTAL CURRENT ASSETS	3,100	3,100
Deferred offering costs	15,291	27,342
TOTAL ASSETS	$ 18,391	$ 30,442
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 17,091	$ 30,062
TOTAL CURRENT LIABILITIES	17,091	30,062
Commitments and contingencies (Notes 2, 4, 5, 6 and 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value Authorized: 75,000,000 shares Issued and outstanding: None	-	-
Common stock, $0.001 par value Authorized: 425,000,000 shares Issued and outstanding: 3,100,000 shares	3,100	3,100
Deficit accumulated during the development stage	(1,800)	(2,720)
TOTAL STOCKHOLDERS' EQUITY	1,300	380
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 18,391	$ 30,442

The accompanying notes are an integral part of the financial statements.

TITLE STARTS ONLINE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS

	For the period from November 13, 2007 (Inception) to December 31, 2007	For the three months ended March 31, 2008 (Unaudited)	For the period from November 13, 2007 (Inception) to March 31, 2008 (Unaudited)
REVENUE	$ -	$ -	$ -
EXPENSES			
General and administrative			
Legal fees	1,800	920	2,720
Total Expenses	1,800	920	2,720
NET (LOSS)	$ (1,800)	$ (920)	$ (2,720)
NET LOSS PER SHARE			
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES			
Basic and diluted	3,100,000	3,100,000	3,100,000

The accompanying notes are an integral part of the financial statements.

TITLE STARTS ONLINE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD NOVEMBER 13, 2007 (INCEPTION) TO MARCH 31, 2008
(The period from January 1, 2008 to March 31, 2008 is unaudited)

	Common Stock, $0.001 Par Value		(Deficit) Accumulated During the	Total Stockholders'
	Shares	Amount	Development Stage	Equity
Shares issued at $0.001 per share on November 13, 2007	3,100,000	$ 3,100	$ -	$ 3,100
Net loss, period ended December 31, 2007	-	-	(1,800)	(1,800)
Balance, December 31, 2007	3,100,000	3,100	(1,800)	1,300
Net loss, period ended March 31, 2008 (Unaudited)	-	-	(920)	(920)
Balance, March 31, 2008 (Unaudited)	3,100,000	$ 3,100	$ (2,720)	$ 380

The accompanying notes are an integral part of the financial statements.

TITLE STARTS ONLINE, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS

	For the period from November 13, 2007 (Inception) to December 31, 2007	For the three months ended March 31, 2008 (Unaudited)	For the period from November 13, 2007 (Inception) to March 31, 2008 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss)	$ (1,800)	$ (920)	$ (2,720)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
(Increase) in deferred offering costs	(15,291)	(12,051)	(27,342)
Increase in accounts payable	17,091	12,971	30,062
NET CASH PROVIDED BY OPERATING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	-	2,500	2,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	2,500	2,500
INCREASE IN CASH	-	2,500	2,500
CASH, BEGINNING OF PERIOD	-	-	-
CASH, END OF PERIOD	$ -	$ 2,500	$ 2,500
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest paid	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -
SUPPLEMENTAL NON-CASH TRANSACTIONS:			
Issuance of stock for stock subscriptions receivable	$ 3,100	$ 600	$ 600

The accompanying notes are an integral part of the financial statements.

TITLE STARTS ONLINE, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND MARCH 31, 2008
(References to March 31, 2008 are unaudited)

1 ORGANIZATION AND BUSINESS OPERATIONS

Title Starts Online, LLC (the "Company") was incorporated in the State of Nevada on November 13, 2007. The Company is a Development Stage Company as defined by Statement of Financial Accounting Standards ("SFAS") No. 7. The Company plans to offer an online repository of title starts for abstractors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has no business operations and has negative working capital and minimal stockholders' equity. These conditions raise substantial doubt about the ability of the Company to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon the continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

The company plans to improve its financial condition thru a public offering as described in Note 6. However, there is no assurance that the company will be successful in accomplishing this objective. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

b) Cash and Cash Equivalents

The company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

c) Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles enerally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Fair Value of Financial Instruments

SFAS 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2007.

The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values. These financial instruments include cash, stock subscriptions receivable, and accounts payable. Fair values were assumed to approximate carrying values for these financial instruments since they are short term in nature and their carrying amounts approximate fair value, or they are receivable or payable on demand.

e) Revenue Recognition

The Company has not generated any revenues since entering the development stage. It is the Company's policy that revenues will be recognized in accordance with SEC Staff Bulletin (SAB) No. 104, "Revenue Recognition". Under SAB 104, product revenues (or service revenues) are recognized when persuasive evidence of an arrangement exists, delivery has occurred (or service has been performed), the sales price is fixed and determinable, and collectability is reasonably assured.

f) Stock-based Compensation

Stock-based compensation is accounted for at fair market value in accordance with SFAS No. 123 and 123 R. To date, the company has not adopted a stock option plan and has not granted and stock options.

g) Income Taxes

Income taxes are accounted for under the assets and liabilites method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

h) Basic and Diluted Net Loss per Share

The company computes net loss per share in acordance with SFAS No. 128, "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all potentially dilutive shares if their effect is anti-dilutive.

i) Development Stage Company

Based on the Company's business plan, it is a development stage company since planned principle operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to developing enterprises. As a development stage enterprise, the Company discloses its retained earnings (or deficit accumulated) during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on November 13, 2007, when the Company was organized.

j) Concentrations

The Company is not currently a party to any financial instruments that potentially subject it to concentrations of credit risk.

k) Recent Pronouncements

There were various accounting standards and interpretations issued during 2008 and 2007, none of which are expected to have a material impact on the Company's financial position, operations, or cash flows.

3 CAPITAL STOCK

Preferred Stock. The Company has authorized 75,000,000 shares of preferred stock with a par value of $.001 per share. These shares may be issued in series with such rights and perferences as may be determined by the Board of Directors. The Company has not issued any preferred shares.

Common Stock. The Company has authorized 425,000 shares of common stock with a par value of $.001 per share. As of December 31, 2007, there were 3,100,000 shares issued and outstanding

On November 13, 2007, (inception), the Company issued 3,100,000 shares of common stock to a director of the Company at $.001 per share, for a total of $3,100 in stock subscriptions receivable. Subsequent to December 31, 2007, the Company collected the remaining balance of the stock subscriptions receivable.

4 INCOME TAXES

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit form operating loss (NOL) carry forwards. The net operating loss carry forward, if not used, will expire in various years through 2028, and is severely restricted as per the Internal Revenue code, if there is a change in ownership. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry forwards. Net operating loss carry forwards may be further limited by other provisions of the tax laws.

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

Period Ending:	Estimated NOL Carry-Forward	NOL Expires	Estimated Tax Benefit from NOL	Valuation Allowance	Change in Valuation Allowance	Net Tax Benefit
December 31, 2007	1,800	2027	270	(270)	(270)	-
March 31, 2008	2,720	2028	408	(408)	(138)	-

Income taxes at the statutory rate are reconciled to the Company's actual income taxes as follows:

Income tax	(15.00)%
Deferred income	15.00%
Actual tax rate	0%

5 RELATED PARTY TRANSACTIONS

The Company uses the offices of its President for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

6 DEFERRED OFFERING COSTS

As of December 31, 2007 and March 31, 2008, the Company had incurred $15,291 and $27,342, respectively, related to a proposed public offering of its securities. The Company has carried these costs as deferred offering costs in its financial statements. If the offering is successful, these costs will be charged against the proceeds. If the offering is unsuccessful, these costs will be expensed.

7 SUBSEQUENT EVENT

Stock Subscription Receivable

Subsequent to December 31, 2007, the Company collected the remaining balance of the stock subscriptions receivable.

Part II
Information Not Required in Prospectus

Item 24. Indemnification of Directors and Officers

The Company's directors and executive officers are indemnified as provided by the Nevada Revised Statutes and its By-Laws. These provisions state that certain persons (hereinafter called "lndemnitees") may be indemnified by a Nevada corporation pursuant to the provisions of applicable law, namely, any person (or the heirs, executors or administrators of such person) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The Company will indemnify the Indemnitees in each and every situation where the Company is obligated to make such indemnification pursuant to the aforesaid statutory provisions. The Company will also indemnify the Indemnitees in each and every situation where, under the aforesaid statutory provisions, the Company is not obligated, but is nevertheless permitted or empowered, to make such indemnification. Before making such indemnification with respect to any situation covered under the foregoing sentence, the Company will make a determination as to whether each Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, in the case of any criminal action or proceeding, had no reasonable cause to believe that such Indemnitee's conduct was unlawful. No such indemnification shall be made (where not required by statute) unless it is determined that such Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, in the case of any criminal action or proceeding, had no reasonable cause to believe that such Indemnitee's conduct was unlawful.

We have been advised that in the opinion of the SEC indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by one of our directors, officers or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 25. Other Expenses of Issuance and Distribution

The following table sets forth all estimated costs and expenses payable by the Company in connection with the Offering for the securities included in this registration statement:

SEC registration fee	$ 9.00
Blue Sky fees and expenses	$ 500.00
Printing and shipping expenses	$ 91.00
Legal fees and expenses	$ 30,000.00
Accounting fees and expenses	$ 5,000.00
Transfer agent and miscellaneous expenses	$ 600.00
Total	$ 36,200.00

All expenses are estimated except the SEC filing fee.

Item 26. Recent Sales Of Unregistered Securities

In connection with the organization of the Company, the sole shareholder of the Company purchased an aggregate of 3,100,000 shares of Company common stock on November 13, 2007.

The foregoing sale to a director with superior access to all corporate and financial information of the Company was exempt from the registration requirements of the Securities Act on the basis that the transaction did not involve a public offering.

Item 27. Exhibits

Exhibit No.	Description
3.1	Articles of Incorporation[1]
3.2	By-Laws[1]
4.1	Specimen common stock certificate[1]
5.1	Opinion of Synergy Law Group, LLC
10.1	Escrow Agreement[2]
10.2	Subscription Agreement[2]
23.1	Consent of Synergy Law Group, LLC (see Exhibit 5.1)
23.2	Consent of Schumacher & Associates, Inc. for use of their report

[1]Previously filed as an exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-149036) filed with the SEC on February 4, 2008.

[2]Previously filed as an exhibit to the Pre-Effective Amendment No. 3 to the Company's Registration Statement on Form S-1/A (File No. 333-149036) filed with the SEC on July 25, 2008.

Item 28. Undertakings

We hereby undertake:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933.

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any additional or changed material information on the plan of distribution.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

5. For determining any liability under the Securities Act of 1933:

(i) we shall treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by us under Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this registration statement as of the time the Commission declared it effective. For determining any liability under the Securities Act of 1933, we shall treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

(ii) we shall treat each prospectus filed by us pursuant to Rule 424(b)(3) as part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement. Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date; or

(iii) we shall treat each prospectus filed pursuant to Rule 424 (b) as part of a registration statement relating to an offering, other than registration statement relying on Rule 430B or other than prospectuses filed in reliance on rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

Signatures

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-1/A and authorized this registration statement to be signed on its behalf by the undersigned in the City of Overland Park, State of Kansas on August 5, 2008.

Title Starts Online, Inc.

By: /s/ Mark DeFoor
President and Chief Executive Officer

In accordance with the requirements of the Securities Act, this Registration Statement was signed by the following persons in the capacities and on the dates stated.

SIGNATURE	TITLE	DATE
/s/ Mark DeFoor	President, Chief Executive Officer and Director (principal executive officer; principal financial and accounting officer)	August 5, 2008
/s/ Melissa Yarnell	Secretary	August 5, 2008