

ALFACELL CORP
Form 10-Q
March 07, 2008

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

FORM 10-Q

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

For the quarterly period ended: January 31, 2008

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

For the transition period from _____ to _____

Commission File Number: 0-11088

ALFACELL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
organization)

22-2369085
(I.R.S. Employer Identification No.)

300 Atrium Drive, Somerset, NJ 08873
(Address of principal executive offices) (Zip Code)

(732) 652-4525
(Registrant's telephone number, including area code)

NOT APPLICABLE

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

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

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

The number of shares of Common Stock, \$.001 par value, outstanding as of March 5, 2008 was 47,066,880 shares.

ALFACELL CORPORATION
(A Development Stage Company)

FORM 10-Q

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PART I. FINANCIAL INFORMATIONItem 1. Financial Statements**ALFACELL CORPORATION**
(A Development Stage Company)**CONDENSED BALANCE SHEETS**
January 31, 2008 and July 31, 2007

	January 31, 2008 (Unaudited)	July 31, 2007 (See Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,207,924	\$ 6,968,172
Prepaid expenses	291,306	150,207
Loan receivable, related party	185,161	-
Total current assets	10,684,391	7,118,379
Property and equipment, net of accumulated depreciation and amortization of \$314,736 at January 31, 2008 and \$290,581 at July 31, 2007	160,189	136,723
Loan receivable, related party	-	180,397
Other assets	350,000	385,000
Total assets	\$ 11,194,580	\$ 7,820,499
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 892,719	\$ 432,786
Accrued clinical trial expenses	860,125	898,134
Accrued professional service fees	283,980	322,051
Accrued compensation expense	113,154	143,369
Obligations under capital lease	3,095	-
Other accrued expenses	10,143	33,560
Total current liabilities	2,163,216	1,829,900
Other liabilities:		
Obligations under capital lease	18,762	-
Deferred rent	190,262	112,119
Deferred revenue	5,200,000	100,000
Total other liabilities	5,409,024	212,119
Total liabilities	7,572,240	2,042,019
Stockholders' equity:		
Preferred stock, \$.001 par value. Authorized and unissued, 1,000,000 shares	-	-
Common stock \$.001 par value. Authorized 100,000,000 shares at January 31, 2008 and July 31, 2007; issued and outstanding 46,944,880 shares and 46,280,880 shares at January 31, 2008 and July 31, 2007, respectively	46,945	46,281
Capital in excess of par value	100,060,999	97,803,954
Deficit accumulated during development stage	(96,485,604)	(92,071,755)
Total stockholders' equity	3,622,340	5,778,480
Total liabilities and stockholders' equity	\$ 11,194,580	\$ 7,820,499

See accompanying notes to condensed financial statements.

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ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF OPERATIONS

Three and six months ended January 31, 2008 and 2007,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2008

(Unaudited)

	Three Months Ended January 31,		Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2008
	2008	2007	2008	2007	
Sales	\$ -	\$ -	\$ -	\$ -	\$ 553,489
Operating expenses:					
Cost of sales	-	-	-	-	336,495
Research and development	2,033,500	1,472,578	3,649,291	3,042,763	64,459,713
General and administrative	1,473,736	1,061,743	2,645,252	1,987,781	35,380,665
Total operating expenses	3,507,236	2,534,321	6,294,543	5,030,544	100,176,873
Loss from operations	(3,507,236)	(2,534,321)	(6,294,543)	(5,030,544)	(99,623,384)
Investment income	66,063	98,539	126,570	221,872	2,175,427
Other income	-	-	-	-	99,939
Interest:					
Related parties, net	-	-	-	-	(1,147,547)
Others	(1,256)	-	(1,256)	(46)	(2,875,428)
Loss before state tax benefit	(3,442,429)	(2,435,782)	(6,169,229)	(4,808,718)	(101,370,993)
State tax benefit	1,755,380	510,467	1,755,380	510,467	4,885,389
Net loss	\$ (1,687,049)	\$ (1,925,315)	\$ (4,413,849)	\$ (4,298,251)	\$ (96,485,604)
Loss per basic and diluted common share	\$ (0.04)	\$ (0.04)	\$ (0.10)	\$ (0.10)	
Weighted average number of shares outstanding	46,861,347	44,846,064	46,645,663	44,595,902	

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY

Period from July 31, 2007 to January 31, 2008

(Unaudited)

	Common Stock		Capital In	Deficit	Total
	Number of	Amount	Excess of par	Accumulated	Stockholders'
	Shares		Value	During	Equity
				Development	
				Stage	
Balance at July 31, 2007	46,280,880	\$ 46,281	\$ 97,803,954	\$ (92,071,755)	\$ 5,778,480
Exercise of stock options and warrants	664,000	664	392,256	—	392,920
Share-based compensation	—	—	1,864,789	—	1,864,789
Net loss	—	—	—	(4,413,849)	(4,413,849)
Balance at January 31, 2008	46,944,880	\$ 46,945	\$ 100,060,999	\$ (96,485,604)	\$ 3,622,340

See accompanying notes to condensed financial statements.

ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS

Six months ended January 31, 2008 and 2007,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2008

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2008
	2008	2007	
Cash flows from operating activities:			
Net loss	\$ (4,413,849)	\$ (4,298,251)	\$ (96,485,604)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:			
Gain on sale of marketable equity securities	-	-	(25,963)
Depreciation and amortization	24,155	19,175	1,683,195
Loss on disposal of property and equipment	-	-	18,926
Loss on lease termination	-	-	30,964
Share-based compensation	1,864,789	1,240,718	12,497,330
Amortization of deferred rent	78,143	-	92,298
Amortization of debt discount	-	-	594,219
Amortization of deferred compensation	-	-	11,442,000
Changes in assets and liabilities:			
Increase in prepaid expenses	(141,099)	(170,668)	(351,173)
Increase in loan receivable, related party	(4,764)	(4,763)	(89,110)
Decrease (increase) in other assets	35,000	-	(350,000)
Increase in interest payable-related party	-	-	744,539
Increase (decrease) in accounts payable	459,933	(920,388)	1,399,354
Increase in accrued payroll and expenses, related parties	-	-	2,348,145
(Decrease) increase in accrued expenses	(129,712)	(155,916)	1,986,286
Increase in deferred revenue	5,100,000	-	5,200,000
Net cash provided by (used in) operating activities	2,872,596	(4,290,093)	(59,264,594)
Cash flows from investing activities:			
Purchase of marketable equity securities	-	-	(290,420)
Purchase of short-term investments	-	-	(1,993,644)
Proceeds from sale of marketable equity securities	-	-	316,383
Proceeds from sale of short-term investments	-	-	1,993,644
Capital expenditures	(23,843)	(25,793)	(1,594,839)
Patent costs	-	-	(97,841)
Net cash used in investing activities	(23,843)	(25,793)	(1,666,717)

(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, 2008 and 2007,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2008

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2008
	2008	2007	
Cash flows from financing activities:			
Proceeds from short-term borrowings	\$ -	\$ -	\$ 874,500
Payment of short-term borrowings	-	-	(653,500)
Increase in loans payable - related party, net	-	-	2,628,868
Proceeds from bank debt and other long-term debt, net of costs	-	-	3,667,460
Reduction of bank debt and long-term debt	-	-	(2,966,568)
Payment of capital lease obligation	(1,921)	-	(1,921)
Proceeds from issuance of common stock, net	-	(31,344)	53,102,893
Proceeds from exercise of stock options and warrants, net	392,920	852,750	13,773,510
Proceeds from issuance of convertible debentures, related party	-	-	297,000
Proceeds from issuance of convertible debentures, unrelated party	-	-	416,993
Net cash provided by financing activities	390,999	821,406	71,139,235
Net increase (decrease) in cash and cash equivalents	3,239,752	(3,494,480)	10,207,924
Cash and cash equivalents at beginning of period	6,968,172	11,518,540	-
Cash and cash equivalents at end of period	\$ 10,207,924	\$ 8,024,060	\$ 10,207,924
Supplemental disclosure of cash flow information -			
interest paid	\$ 1,256	\$ 46	\$ 1,715,482
Noncash financing activities:			
Issuance of convertible subordinated debenture for loan payable to officer	\$ -	\$ -	\$ 2,725,000
Issuance of common stock upon the conversion of convertible subordinated debentures, related party	\$ -	\$ -	\$ 3,242,000
Conversion of short-term borrowings to common stock	\$ -	\$ -	\$ 226,000
Conversion of accrued interest, payroll and expenses by related parties to stock options	\$ -	\$ -	\$ 3,194,969
Repurchase of stock options from related party	\$ -	\$ -	\$ (198,417)
Conversion of accrued interest to stock options	\$ -	\$ -	\$ 142,441
Conversion of accounts payable to common stock	\$ -	\$ -	\$ 506,725

(continued)

See accompanying notes to condensed financial statements.

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ALFACELL CORPORATION
(A Development Stage Company)

CONDENSED STATEMENTS OF CASH FLOWS, Continued

Six months ended January 31, 2008 and 2007,
and the Period from August 24, 1981
(Date of Inception) to January 31, 2008

(Unaudited)

	Six Months Ended January 31,		August 24, 1981 (Date of Inception) to January 31, 2008
	2008	2007	
Conversion of notes payable, bank and accrued interest to long-term debt	\$ -	\$ -	\$ 1,699,072
Conversion of loans and interest payable, related party and accrued payroll and expenses, related parties to long-term accrued payroll and other, related party	\$ -	\$ -	\$ 1,863,514
Issuance of common stock upon the conversion of convertible subordinated debentures, other	\$ -	\$ -	\$ 1,584,364
Issuance of common stock for services rendered	\$ -	\$ -	