

NORTHFIELD LABORATORIES INC /DE/

Form 10-Q

April 09, 2008

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

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

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

DELAWARE
(State or other jurisdiction
of incorporation or organization)

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

1560 SHERMAN AVENUE, SUITE 1000,
EVANSTON,
ILLINOIS

60201-4800
(Zip Code)

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

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SIGNATURES

Letter Regarding Unaudited Interim Financial Information

Certification of Steven A. Gould, M.D.

Certification of Donna O Neill-Mulvihill

Certification of Steven A. Gould, M.D.

Certification of Donna O Neill-Mulvihill

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Northfield Laboratories Inc.:

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

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

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

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

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

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Balance Sheets

February 29, 2008 and May 31, 2007

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

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

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

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statement of Operations

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

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

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

NORTHFIELD LABORATORIES INC.

(a company in the development stage)

Statements of Shareholders' Equity (Deficit)

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

			Series A convertible		Series B convertible			Deficit		
Preferred stock	Common stock		preferred stock	preferred stock	preferred stock	preferred stock	Additional	during the	Deferred	Treasury
Number of shares	Number of shares	Aggregate amount	Number of shares	Aggregate amount	Number of shares	Aggregate amount	paid-in capital	development stage	compensation	shares (in thousands)
27,	\$ 3,500,000	\$ 35,000		\$		\$	\$ (28,000)	\$	\$	\$
00			250,000	250,000			670,850	(607,688)		
86	\$ 3,500,000	\$ 35,000	250,000	\$ 250,000		\$	\$ 642,850	\$ (607,688)	\$	\$
								(2,429,953)		(
							2,340,000		(2,340,000)	
									720,000	
87	\$ 3,500,000	\$ 35,000	250,000	\$ 250,000		\$	\$ 2,982,850	\$ (3,037,641)	\$ (1,620,000)	\$ (
					200,633	200,633	6,882,502			

									(3,057,254)	
										566,136
88	\$	3,500,000	\$ 35,000	250,000	\$ 250,000	200,633	\$ 200,633	\$ 9,865,352	\$ (6,094,895)	\$ (1,053,864)
ock er										
8 s of		413,020	4,130					9,749,870		
a of										
ock										
a of		1,250,000	12,500	(250,000)	(250,000)			237,500		
ock										
		1,003,165	10,032			(200,633)	(200,633)	190,601		
ns r		47,115	471					93,759		
ock er										
989 s of		175,525	1,755					4,976,855		
		87,760	878					2,488,356		

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

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(3,490,394)

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

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\$ 36,427,614 \$ (10,376,495) \$ (1,089,060) \$ 2
(5,579,872)

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91	\$	6,476,585	\$ 64,766	\$	\$	\$ 36,427,614	\$ (15,956,367)	\$ (653,764)	\$ 1
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r		90,000	900			503,100	(7,006,495)		(
on									
on								254,025	
92	\$	6,566,585	\$ 65,666	\$	\$	\$ 36,930,714	\$ (22,962,862)	\$ (399,739)	\$ 1
nts									
r		15,000	150			106,890			
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er									
993									
s									
of		374,370	3,744						