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IMMUCELL CORP /DE/  
Form 8-K  
October 15, 2002

=====

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

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

October 1, 2002  
-----  
(Date of earliest event reported)

IMMUCELL CORPORATION  
-----  
(Exact name of registrant as specified in its charter)

0-15507  
-----  
(Commission file number)

DELAWARE  
-----  
(State or other jurisdiction  
of incorporation)

01-0382980  
-----  
(I.R.S. Employer  
Identification No.)

56 Evergreen Drive  
Portland, ME 04103  
-----  
(Address of principal executive offices and zip code)

(207) 878-2770  
-----  
(Registrant's telephone number, including area code)

=====

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On October 1, 2002, the Company agreed to accept \$930,000 from Kamar, Inc. of Steamboat Springs, Colorado in consideration of the early termination of a product license. Since 1988, the Company had marketed the Kamar(R) Heatmount(R) Detector, a product used to detect standing heat in cows, under an exclusive license from Kamar that was set to expire on December 31, 2004. The \$930,000 approximates the expected net contribution from the product over the remaining twenty-seven months of the license term, had it not been terminated. As this license had no book value, the full amount of the proceeds represents a

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pre-tax gain of \$930,000 before associated legal and accounting fees. As a result of this transaction, sales, cost of sales and marketing expenses will be reduced accordingly beginning October 1, 2002. The accompanying pro forma financial information gives effect to this transaction as if it occurred as of the beginning of the periods for the pro forma Statements of Operations and as of June 30, 2002 for the pro forma Balance Sheet.

The Company received \$200,000 at closing and the remaining \$730,000 balance is due, pursuant to a short-term note, no later than October 31, 2002. The short-term note is secured by a trademark security agreement. The Company expects to collect approximately \$261,000 in accounts receivable from customers over the next thirty to sixty days pertaining to related sales made prior to October 1, 2002. The Company expects to transfer related product inventory on hand at September 30, 2002 to Kamar for approximately its cost of \$158,000 no later than October 15, 2002.

A summary of this transaction was provided in a press release dated October 3, 2002, a copy of which is filed as Exhibit 99 to this Current Report on Form 8-K and is incorporated herein by this reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(b) Unaudited pro forma financial information

Schedule 1. Unaudited pro forma Statement of Operations for the year ended December 31, 2001.

Schedule 2. Unaudited pro forma Statement of Operations for the six months ended June 30, 2002.

Schedule 3. Unaudited pro forma Balance Sheet as of June 30, 2002.

(c) Exhibits

2. Termination of Distribution and Licensing Agreement dated October 1, 2002.

99. Press release of the Registrant dated October 3, 2002.

SIGNATURE

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 hereunto duly authorized.

IMMUCELL CORPORATION

Date October 15, 2002  
-----

/s/ Michael F. Brigham  
-----  
Michael F. Brigham  
President and Chief Executive Officer

INDEX TO SCHEDULES

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On October 1, 2002, the Company agreed to accept \$930,000 from Kamar, Inc. of Steamboat Springs, Colorado in consideration of the early termination of a product license. Since 1988, the Company had marketed the Kamar(R) Heatmount(R) Detector, a product used to detect standing heat in cows, under an exclusive license from Kamar that was set to expire on December 31, 2004. The \$930,000 approximates the expected net contribution from the product over the remaining twenty-seven months of the license term, had it not been terminated. As this license had no book value, the full amount of the proceeds represents a pre-tax gain of \$930,000 before associated legal and accounting fees. As a result of this transaction, sales, cost of sales and marketing expenses will be reduced accordingly beginning October 1, 2002. The pro forma financial information provided in Schedules 1-3 gives effect to this transaction as if it occurred as of the beginning of the periods for the pro forma Statements of Operations and as of June 30, 2002 for the pro forma Balance Sheet.

The Company received \$200,000 at closing and the remaining \$730,000 balance is due, pursuant to a short-term note, no later than October 31, 2002. The short-term note is secured by a trademark security agreement. The Company expects to collect approximately \$261,000 in accounts receivable from customers over the next thirty to sixty days pertaining to related sales made prior to October 1, 2002. The Company expects to transfer related product inventory on hand at September 30, 2002 to Kamar for approximately its cost of \$158,000 no later than October 15, 2002.

Further details about the pro forma adjustments are set forth in the notes appearing at the end of the pro forma financial information. The pro forma financial information is not necessarily indicative of the operating results or financial position that would have occurred had the product license been terminated at the beginning of the periods presented or as of the end of the period presented, nor is it necessarily indicative of future operating results or financial condition.

### EXHIBIT INDEX

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Schedule 1

ImmuCell Corporation  
Pro forma Statement of Operations  
Unaudited

|                                 |                         |                       |
|---------------------------------|-------------------------|-----------------------|
| Year Ended<br>December 31, 2001 | Adjustments<br>(Note 1) | Pro forma<br>Adjusted |
|---------------------------------|-------------------------|-----------------------|

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|   |           |           |           |
|---|-----------|-----------|-----------|
| REVENUES:                                   |           |           |           |
| Product sales                               | 6,395,140 | 2,468,235 | 3,926,905 |
| Grant income                                | 132,581   | 0         | 132,581   |
| Royalty income                              | 78,595    | 0         | 78,595    |
| Technology licensing income                 | 45,450    | 0         | 45,450    |
| Sale of option to technology                | 25,000    | 0         | 25,000    |
|   | -----     |           |           |
| Total revenues                              | 6,676,766 | 2,468,235 | 4,208,531 |
| COSTS AND EXPENSES:                         |           |           |           |
| Product costs                               | 3,214,984 | 1,539,616 | 1,675,368 |
| Research and development expenses           | 0         | 0         | 849,174   |
| 849,174                                     |           |           |           |
| Sales and marketing expenses                | 0         | 0         | 684,602   |
| 1,358,563                                   |           | 673,961   |           |
| General and administrative expenses         | 0         | 0         | 583,161   |
| 583,161                                     |           |           |           |
|   | -----     |           |           |
| Total costs and expenses                    | 6,005,882 | 2,213,577 | 3,792,305 |
| Net operating income                        | 670,884   | 254,658   | 416,226   |
| Interest and other income                   | 62,671    | 0         | 62,671    |
| Interest expense                            | (36,515)  | 0         | (36,515)  |
|   | -----     |           |           |
| Net interest and other                      | 26,156    | 0         | 26,156    |
| INCOME BEFORE TAXES                         | 697,040   | 254,658   | 442,382   |
| TAX EXPENSE                                 | 276,605   | 101,055   | 175,550   |
|   | -----     |           |           |
| NET INCOME                                  | 420,435   | 153,603   | 266,832   |
| Net Income per Common Share:                |           |           |           |
| Basic                                       | \$ 0.15   | \$ 0.05   | \$ 0.10   |
| Diluted                                     | \$ 0.15   | \$ 0.06   | \$ 0.09   |
| Weighted Average Common Shares Outstanding: |           |           |           |
| Basic                                       | 2,717,857 | 2,717,857 | 2,717,857 |
| Diluted                                     | 2,836,309 | 2,836,309 | 2,836,309 |

Schedule 2

ImmuCell Corporation  
Pro forma Statement of Operations  
Unaudited

|                             | Six Months Ended<br>June 30, 2002 | Adjustment<br>(Note 1) | Pro forma<br>Adjusted |
|-----------------------------|-----------------------------------|------------------------|-----------------------|
| REVENUES:                   |                                   |                        |                       |
| Product sales               | 3,180,518                         | 1,642,238              | 1,538,280             |
| Grant income                | 190,260                           | 0                      | 190,260               |
| Royalty income              | 25,767                            | 0                      | 25,767                |
| Technology licensing income | 27,270                            | 0                      | 27,270                |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Sale of option to technology                | 30,000    | 0         | 30,000    |
| Total revenues                              | 3,453,815 | 1,642,238 | 1,811,577 |
| COSTS AND EXPENSES:                         |           |           |           |
| Product costs                               | 1,704,956 | 1,012,806 | 692,150   |
| Research and development expenses           | 416,663   | 0         | 416,663   |
| Sales and marketing expenses                | 774,727   | 401,696   | 373,031   |
| General and administrative expenses         | 299,762   | 0         | 299,762   |
| Total costs and expenses                    | 3,196,108 | 1,414,502 | 1,781,606 |
| Net operating income                        | 257,707   | 227,736   | 29,971    |
| Interest and other income                   | 14,259    | 0         | 14,259    |
| Interest expense                            | (19,707)  | 0         | (19,707)  |
| Net interest and other                      | (5,448)   | 0         | (5,448)   |
| INCOME BEFORE TAXES                         | 252,259   | 227,736   | 24,523    |
| TAX EXPENSE                                 | 105,828   | 95,540    | 10,288    |
| NET INCOME                                  | 146,431   | 132,196   | 14,235    |
| Net Income per Common Share:                |           |           |           |
| Basic                                       | \$ 0.05   | \$ 0.04   | \$ 0.01   |
| Diluted                                     | \$ 0.05   | \$ 0.04   | \$ 0.01   |
| Weighted Average Common Shares Outstanding: |           |           |           |
| Basic                                       | 2,734,998 | 2,734,998 | 2,734,998 |
| Diluted                                     | 2,809,248 | 2,809,248 | 2,809,248 |

Schedule 3

IMMUCELL CORPORATION  
PRO FORMA BALANCE SHEET  
UNAUDITED

|   | As of June 30,<br>2002 | Adjustments<br>(Note 2) | Pro forma<br>Adjusted |
|---|------------------------|-------------------------|-----------------------|
| ASSETS  |                        |                         |                       |
| -----   |                        |                         |                       |
| CURRENT ASSETS:   |                        |                         |                       |
| Cash and cash equivalents   | 1,299,280              | 200,000                 | 1,499,280             |
| Short-term investments  | 489,145                | 0                       | 489,145               |
| Short-term note receivable  | 0                      | 730,000                 | 730,000               |
| Accounts receivable, net of allowance for doubtful accounts of \$38,000 | 741,198                | 0                       | 741,198               |
| Inventories   | 764,070                | (158,220)               | 605,850               |
| Current portion of deferred   |                        |                         |                       |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| tax asset  | 78,650    | 0         | 78,650    |
| Prepaid expenses   | 165,658   | 0         | 165,658   |
|  | -----     |           |           |
| Total current assets   | 3,538,001 | 771,780   | 4,309,781 |
| PROPERTY, PLANT AND EQUIPMENT, AT COST:                          |           |           |           |
| Laboratory and manufacturing equipment                           | 1,273,366 | 0         | 1,273,366 |
| Building and improvements  | 1,300,137 | 0         | 1,300,137 |
| Office furniture and equipment                                   | 89,984    | 0         | 89,984    |
| Land   | 50,000    | 0         | 50,000    |
|  | -----     |           |           |
|  | 2,713,487 | 0         | 2,713,487 |
| Less - accumulated deprec  | 1,046,539 | 0         | 1,046,539 |
| Net property, plant and equipment                                | 1,666,948 | 0         | 1,666,948 |
| DEFERRED TAX ASSET   | 1,515,780 | (390,135) | 1,125,645 |
| PRODUCT RIGHTS AND OTHER ASSETS, NET OF AMORTIZATION of \$81,000 |           |           |           |
|  | 289,208   | 0         | 289,208   |
|  | -----     |           |           |
| TOTAL ASSETS   | 7,009,937 | 381,645   | 7,391,582 |

Schedule 3

IMMUCELL CORPORATION  
PRO FORMA BALANCE SHEET  
UNAUDITED

|                                       | As of June 30,<br>2002 | Adjustments<br>(Note 2) | Pro forma<br>Adjusted |
|---------------------------------------|------------------------|-------------------------|-----------------------|
| LIABILITIES AND STOCKHOLDERS' EQUITY  |                        |                         |                       |
| -----                                 |                        |                         |                       |
| CURRENT LIABILITIES:                  |                        |                         |                       |
| Accounts Payable                      | 294,777                | (158,220)               | 136,557               |
| Accrued Expenses                      | 228,077                | 0                       | 228,077               |
| Deferred Revenue                      | 72,280                 | 0                       | 72,280                |
|                                       | -----                  |                         |                       |
| Total current liabilities             | 595,134                | (158,220)               | 436,914               |
| LONG-TERM LIABILITIES:                |                        |                         |                       |
| Long-term portion of deferred revenue | 200,000                | 0                       | 200,000               |
|                                       | -----                  |                         |                       |
| Total long-term liabilities           | 200,000                | 0                       | 200,000               |
| STOCKHOLDERS' EQUITY:                 |                        |                         |                       |
| Common stock                          | 312,558                | 0                       | 312,558               |
| Capital in excess of par value        | 8,935,649              | 0                       | 8,935,649             |
| Accumulated deficit                   | (2,446,669)            | 539,865                 | (1,906,804)           |
| Treasury stock at cost                | (586,735)              | 0                       | (586,735)             |
|                                       | -----                  |                         |                       |
| Total stockholders' equity            | 6,214,803              | 539,865                 | 6,754,668             |

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|   |           |         |           |
|---|-----------|---------|-----------|
| TOTAL LIABILITIES AND STOCK-<br>HOLDERS' EQUITY | 7,009,937 | 381,645 | 7,391,582 |
|---|-----------|---------|-----------|

ImmuCell Corporation  
Notes to Unaudited Pro Forma Financial Information

Note 1

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The unaudited pro forma statements of operations for the year ended December 31, 2001 (Schedule 1) and for the six months ended June 30, 2002 (Schedule 2) give effect to the disposition of the product license covering the sale of the Kamar(R) Heatmount(R) Detector product in consideration of \$930,000 as of the beginning of the periods reported. The reported sales and cost of sales figures were reduced by the amounts attributable to the licensed product. Additionally, the reported sales and marketing expenses were reduced by the cost of advertisement placements and marketing royalties pertaining directly to the licensed product. No pro forma adjustment was made to reflect any overhead or general and administrative costs, as none of these amounts are directly attributable to the product license that has been terminated. The historical tax rates of 39.68% and 41.95% for the twelve month period ended December 31, 2001 and for the six month period ended June 30, 2002, respectively, were utilized in estimating the pro forma tax provisions. These unaudited pro forma financial statements should be read in conjunction with the historical financial statements and notes thereto of ImmuCell Corporation.

Note 2

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The unaudited pro forma balance sheet as of June 30, 2002 (Schedule 3) gives effect to the disposition of the product license covering the sale of the Kamar(R) Heatmount(R) Detector product in consideration of \$930,000 as of June 30, 2002. The increase in cash of \$200,000 was received on October 1, 2002. The \$730,000 note receivable is due from Kamar by October 31, 2002. Approximately \$158,000 in inventory shall be acquired by Kamar by October 15, 2002 and net against amounts due from the Company to Kamar as of September 30, 2002. The historical tax rate of 41.95% for the six month period ended June 30, 2002 was applied to the \$930,000 pre-tax gain to allocate approximately \$390,000 against the Company's long-term deferred tax asset. Approximately \$261,000 in accounts receivable is expected to be collected from customers within the thirty to sixty days after September 30, 2002. This unaudited pro forma financial statement should be read in conjunction with the historical financial statements and notes thereto of ImmuCell Corporation.