

Advaxis, Inc.
Form 10-Q
September 12, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to _____ to _____

Commission file number 000-28489

ADVAXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

02-0563870
(IRS Employer Identification No.)

305 College Road East, Princeton, NJ 08540

(Address of principal executive offices)

(609) 452-9813

(Registrant's telephone number)

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

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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

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company” 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 the registrant's common stock, \$0.001 par value, outstanding as of September 5, 2011 was 241,916,493.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

ADVAXIS, INC.
(A Development Stage Company)
BALANCE SHEETS

	(unaudited) July 31, 2011	October 31, 2010
ASSETS		
Current Assets:		
Cash	\$1,814,188	\$108,381
Grant Receivable	-	244,479
Prepaid expenses	50,863	38,511
Other Current Assets	27,221	-
Total Current Assets	1,892,272	391,371
Deferred expenses	277,150	233,322
Property and Equipment (net of accumulated depreciation)	-	28,406
Intangible Assets (net of accumulated amortization)	2,265,738	2,125,991
Deferred Financing Cost	43,349	-
Other Assets	273,336	96,096
TOTAL ASSETS	\$4,751,845	\$2,875,186
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable	\$2,454,501	\$2,586,008
Accrued expenses	1,076,571	647,125
Current portion of Deferred Rent	42,018	
Short-term Convertible Notes and fair value of embedded derivative	4,020,809	751,456
Notes payable – current portion, including interest payable	814,316	687,034
Total Current Liabilities	8,408,215	4,671,623
Deferred Rent	19,213	-
Long-term Convertible Notes	570,295	-
Common Stock Warrant	7,936,668	13,006,194
Total Liabilities	16,934,391	17,677,817
Shareholders' Deficiency:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; Series B Preferred Stock; issued and outstanding 740 at July 31, 2011 and 789 at October 31, 2010.		
Common Stock - \$0.001 par value; authorized 500,000,000 shares, issued and outstanding 240,014,765 at July 31, 2011 and 198,100,817 at October 31, 2010.	240,014	198,101
Additional Paid-In Capital	30,229,185	23,074,978
Promissory Note Receivable	(9,998,210)	(10,659,710)
Deficit accumulated during the development stage	(32,653,535)	(27,416,000)

Total Shareholders' Deficiency	(12,182,546)	(14,802,631)
TOTAL LIABILITIES & SHAREHOLDERS' DEFICIENCY	\$4,751,845	\$2,875,186

The accompanying notes and the report of independent registered public accounting firm should be read in conjunction with the financial statements.

ADVAXIS, INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,		Period from March 1, 2002 (Inception) to July 31, 2011
	2011	2010	2011	2010	
Revenue	\$-	176,768	\$-	\$264,002	\$ 1,863,343
Research & Development Expenses	1,958,518	847,995	6,392,919	2,930,033	21,470,758
General & Administrative Expenses	1,638,287	1,128,952	3,581,888	2,496,873	19,821,786
Total Operating expenses	3,596,805	1,976,947	9,974,807	5,426,906	41,292,544
Loss from Operations	(3,596,805)	(1,800,179)	(9,974,807)	(5,162,904)	(39,429,201)
Other Income (expense):					
Interest expense	(1,769,974)	(316,385)	(2,721,020)	(3,629,592)	(8,471,374)
Other Income	(4,004)	31,287	53,603	48,088	380,221
Gain on note retirement	(115,396)	12,664	(109,492)	77,018	1,546,948
Net changes in fair value of common stock warrant liability and embedded derivative liability	9,127,394	4,127,643	7,134,709	(2,747,729)	11,783,282
Net Loss before benefit for income taxes	3,641,215	2,055,030	(5,617,007)	(11,415,119)	(34,190,124)
Income tax benefit	-	-	379,472	278,978	1,580,473
Net Income (Loss)	3,641,215	2,055,030	(5,237,535)	(11,136,141)	(32,609,651)
Dividends attributable to preferred shares	185,000	-	1,353,686	-	1,397,570
Net Income (Loss) applicable to Common Stock	\$3,456,215	\$2,055,030	\$(6,591,221)	\$(11,136,141)	\$(34,007,221)
Net Income (Loss) per share, basic	\$.02	\$.01	\$(.03)	\$(.08)	
Net Income (Loss) per share, diluted	\$.01	\$.01	\$(.03)	\$(.08)	
Weighted average number of shares outstanding, basic	228,375,277	166,101,987	212,269,995	139,132,168	
Weighted average number of shares, diluted	300,847,826	185,016,037	212,388,256	139,132,168	

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

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ADVAXIS, INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended July 31,		Period from March 1, 2002 (Inception) to July 31, 2011
	2011	2010	
OPERATING ACTIVITIES			
Net loss	\$(5,237,535)	\$(11,136,141)	\$ (32,609,651)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash charges to consultants and employees for options and stock	619,326	472,215	3,624,745
Amortization of deferred financing costs	-	-	260,000
(Increase) Decrease in deferred expenses	(43,830)	169,344	230,578
Amortization of discount on Bridge Loans	455,619	528,989	1,129,505
Impairment of intangible assets	-	-	26,087
Non-cash interest expense	2,198,214	3,084,821	6,662,734
Loss (gain) on change in value of warrants and embedded derivative	(7,134,709)	2,747,728	(11,783,282)
Warrant Expense	71,899	-	278,174
Value of penalty shares issued	-	-	149,276
Depreciation expense	28,406	28,771	195,672
Amortization expense of intangibles	99,274	69,794	561,626
Gain on note retirement	109,492	(77,018)	(1,546,948)
(Increase) in prepaid expenses	(12,352)	(19,540)	(50,864)
Decrease in grant receivable	244,479	-	-
Increase in other current assets	(27,221)	-	(27,221)
Increase in deferred offering expenses	(23,500)	-	(23,500)
Increase in other assets	(140,222)	(45,824)	(234,053)
Increase (decrease) in accounts payable	774,906	121,021	3,942,098
Increase (decrease) in accrued expenses	484,005	(11,745)	1,118,766
Increase in deferred rent	61,231	-	61,231
Increase (decrease) in interest payable	51,469	(171,200)	(108,940)
Net cash used in operating activities	(7,421,049)	(4,238,785)	(28,143,967)
INVESTING ACTIVITIES			
Cash paid on acquisition of Great Expectations	-	-	(44,940)
Purchase of property and equipment	-	(11,369)	(150,093)
Cost of intangible assets	(239,019)	(672,220)	(2,858,401)
Net cash used in Investing Activities	(239,019)	(683,589)	(3,053,434)
FINANCING ACTIVITIES			
Proceeds from convertible debenture	875,000	-	1,915,000
Cash paid for deferred financing costs	(25,000)	-	(584,493)
Principal Payments on notes payable	(613,573)	(1,384,001)	(2,535,283)
Proceeds from notes payable	6,701,775	1,015,000	12,962,634
Net proceeds of issuance of Preferred Stock	1,342,672	4,487,827	8,610,499
Cancellation of Warrants	-	-	(600,000)
Proceeds from exercise of Warrants	1,085,001	170,000	1,255,002

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Net proceeds of issuance of Common Stock	-	-	11,988,230
Net cash provided by Financing Activities	9,365,875	4,288,826	33,011,589
Net increase (decrease) in cash	1,705,807	(633,548)	1,814,188
Cash at beginning of period	108,381	659,822	-
Cash at end of period	\$1,814,188	\$26,274	\$ 1,814,188

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

Supplemental Disclosures of Cash Flow Information

	Nine months ended July 31,		Period from March 1, 2002 (Inception) to July 31, 2011
	2011	2010	
Cash paid for Interest	\$70,372	\$288,842	\$ 603,972

Supplemental Schedule of Noncash Investing and Financing Activities

	Nine months ended July 31,		Period from March 1, 2002 (Inception) to July 31, 2011
	2011	2010	
Equipment acquired under notes payable	\$-	\$-	\$ 45,580
Common stock issued to Founders	\$-	\$-	\$ 40
Notes payable and accrued interest converted to Preferred Stock	\$-	\$-	\$ 15,969
Stock dividend on Preferred Stock	\$-	\$-	\$ 43,884
Accounts Payable from consultants settled with Common Stock	\$-	\$-	\$ 51,978
Notes payable and embedded derivative liabilities converted to Common Stock	\$1,638,673-	\$3,322,092	\$ 5,835,250
Intangible assets acquired with notes payable	\$-	\$-	\$ 360,000
Intangible assets acquired with common stock	\$-	\$70,000	\$ 70,000
Debt discount in connection with recording the original value of the embedded derivative liability	\$3,622,701	\$539,354	\$ 5,781,390
Allocation of the original secured convertible debentures to warrants	\$-	\$-	\$ 214,950
Allocation of the warrants on Bridge Notes as debt discount	\$778,052	\$639,735	\$ 2,430,599
Cancellation of Note Receivable in connection with Preferred Stock Redemption	\$(3,051,000)	\$-	\$ (3,051,000)
Note receivable in connection with exercise of warrants	\$2,389,500	\$6,250,970	\$ 13,049,210
Warrants Issued in connection with issuance of Common Stock	\$-	\$-	\$ 1,505,550
Warrants Issued in connection with issuance of Preferred Stock	\$-	\$-	\$ 3,587,625

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

ADVAXIS, INC.
NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

Advaxis is a biotechnology company developing the next generation of immunotherapies for cancer and infectious diseases. Our novel platform technology is designed to generate a comprehensive immune response by serving as its own adjuvant, directing antigen presentation, increasing tumor infiltrating killer T-cells, and decreasing Tregs/MDSCs in the tumor. Today, the Company has over fifteen (15) distinct constructs in various stages of development, directly developed by the Company and through strategic collaborations with recognized centers of excellence such as: the National Cancer Institute, Cancer Research – UK, the Wistar Institute, the University of Pennsylvania, and the Department of Homeland Security among others.

Since the Company's inception in 2002, it has focused its initial development efforts upon immunotherapies targeting cervical cancer, its predecessor condition, cervical intraepithelial neoplasia, head and neck cancer, breast cancer, prostate cancer, and other cancers and infectious diseases. Although no products have been commercialized to date, research and development and investment continue to be placed behind the pipeline and the advancement of this technology. Pipeline development entails risk and expense. It is anticipated that ongoing operational costs for the Company will continue to increase significantly due to several ongoing clinical trials that began this fiscal year.

Basis of Presentation

The accompanying unaudited interim financial statements include all adjustments (consisting only of those of a normal recurring nature) necessary for a fair statement of the results of the interim period. The October 31, 2010 balance sheet is derived from the audited balance sheet included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2010 (the "Form 10-K"). These interim financial statements should be read in conjunction with the Company's financial statements and notes for the fiscal year ended October 31, 2010 included in the Form 10-K. The Company believes these financial statements reflect all adjustments (consisting only of normal, recurring adjustments) that are necessary for a fair presentation of its financial position and results of operations for the periods presented.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. There is a working capital deficiency, a shareholders' deficiency and recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amount and classification of recorded assets and liabilities should the Company be unable to continue operations. Management's plans are to continue to raise additional funds through the sales of debt or equity securities. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of

revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material. The most significant estimates impact the following transactions or account balances: stock compensation, liabilities (including the embedded derivative liability), warrant valuation, impairment of intangibles, fixed assets and projected operating results.

Net Loss Per Share

Basic net income or basic net loss per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the periods. Diluted earnings per share give effect to dilutive options, warrants, convertible debt and other potential common stock outstanding during the period. Therefore, in the case of a net loss the impact of the potential common stock resulting from warrants, outstanding stock options and convertible debt are not included in the computation of diluted loss per share, as the effect would be anti-dilutive. In the case of net income the impact of the potential common stock resulting from these instruments that have intrinsic value are included in the diluted earnings per share. The table sets forth the number of potential shares of common stock that have been excluded from diluted net income per share. In the calculation of diluted weighted average number of shares (for the three months ending July 31, 2011) approximately 52.3 million shares were included from convertible debt and 20.2 million shares from in-the-money warrants. Approximately 53.5 million warrants (excluding approximately 25.6 million warrants held by an affiliate of Optimus) include anti-dilutive provisions to adjust the number and price of the warrants based on certain types of equity transactions.

	As of July 31,	
	2011	2010
Warrants	96,994	40,550,218
Stock Options	27,317,424	-
Total	27,414,418	40,550,218

The following table sets forth information to compute earnings per share:

	Three Months Ended July 31,	
	2011	2010
	(in thousands except share & per share data)	
Basic net income (loss)	\$ 3,456	\$ 2,055
Less Income from Change in FV assuming note conversions	(2,217)	(261)
Add back unvested stock compensation expense	-	391
Add back interest expense assuming note conversion	1,747	119
Numerator for diluted income (loss) per share after assumed note conversion:	\$ 2,986	\$ 2,304
Weighted average common shares outstanding	228,375,277	166,101,987
Shares upon note conversion	52,321,063	6,205,716
Options	-	2,222,959
Warrants	20,151,486	10,485,375
Diluted weighted average common shares outstanding	300,847,826	185,016,037
Basic net income (loss) per share	\$ 0.02	\$ 0.01
Diluted net income (loss) per share	\$ 0.01	\$ 0.01

Research and Development Expenses

Research and development expenses include, but are not limited to, payroll and personnel expenses, lab expenses, clinical trial and related clinical manufacturing costs, facilities and related overhead costs.

Accounting for Stock-Based Compensation

Stock-based compensation is estimated at the grant date based on the award's fair value as calculated by the Black-Scholes-Merton option-pricing model (hereinafter referred to as the "BSM model") and is recognized as expense over the requisite service period. The BSM model requires various assumptions including volatility, forfeiture rates and expected option life. If any of the assumptions used in the BSM model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period. See Note 5 for information on stock-based compensation expense incurred in the three months ending July 31, 2011.

Warrant Liability/Embedded Derivative Liability

The Company has outstanding Warrants and convertible features (Embedded Derivatives) in its outstanding Senior and Junior Subordinated Promissory Notes. In addition, the Company has outstanding Warrants and convertible features (Embedded Derivatives) on its short-term convertible promissory notes (May 2011 Notes) and an outstanding convertible feature (Embedded Derivative) on its long-term convertible promissory notes with accredited investors. The Warrants and Embedded Derivatives are recorded at their relative fair values at issuance and will continue to be recorded at fair value each subsequent balance sheet date. Any change in value between reporting periods will be recorded at each reporting date. During the three months ended July 31, 2011, the Company reclassified some of its warrants from liabilities to equity resulting from the fact that the convertible promissory notes now, , have a fixed conversion price. In addition, these warrants can only be settled through the issuance of shares and are not subject to anti-dilution provisions. In the three months ended July 31, 2011, the Company reclassified approximately 498,000 warrants, valued at approximately \$58,000, from liabilities to equity.

The convertible features (Embedded Derivatives) and warrants, with anti-dilution provisions and variable settlement options, will continue to be reported as liabilities until such time as they are exercised, expire, or mature at which time these derivatives will be adjusted to fair value and reclassified from liabilities to equity.

Recent Accounting Pronouncements

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-17, Revenue Recognition—Milestone Method (Topic 605) - Milestone Method of Revenue Recognition - a consensus of the FASB Emerging Issues Task Force . This ASU provides guidance to vendors on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. This guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

3. INTANGIBLE ASSETS

Intangible assets primarily consist of legal and filing costs associated with obtaining patents and licenses. The license and patent costs capitalized primarily represent the value assigned to the Company's 20-year exclusive worldwide license agreement with Penn which are amortized on a straight-line basis over their remaining useful lives which are estimated to be twenty years from the effective date of Penn Agreement dated July 1, 2002. The value of the license and patents are based on management's assessment regarding the ultimate recoverability of the amounts paid and the potential for alternative future uses. This license now includes the exclusive right to exploit 32 patents issued and 33 patents pending and applied for in most of the largest markets in the world.

As of July 31, 2011, all gross capitalized costs associated with the licenses and patents filed and granted as well as costs associated with patents pending are \$2,745,368 as shown under license and patents on the table below. The expirations of the existing patents range from 2014 to 2023 but the expirations can be extended based on market approval if granted and/or based on existing laws and regulations. Capitalized costs associated with patent applications that are abandoned without future value are charged to expense when the determination is made not to pursue the application. No other patent applications with future value were abandoned and charged to expense in the current or prior year. Amortization expense for licensed technology and capitalized patent cost is included in general and administrative expenses.

Under the amended and restated agreement we are billed actual patent expenses as they are passed through from Penn and or billed directly from our patent attorney. The following is a summary of intangible assets as of the end of the following fiscal periods:

	(Unaudited)	
	July 31, 2011	October 31, 2010
License	\$ 651,992	\$ 651,992
Patents	2,093,376	1,854,355
Total intangibles	2,745,368	2,506,347
Accumulated Amortization	(479,630)	(380,356)
Intangible Assets	\$ 2,265,738	\$ 2,125,991

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition exceeds its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value.

4. NOTES PAYABLE AND DERIVATIVE INSTRUMENTS

Moore Notes

On September 22, 2008, Advaxis entered into an agreement (the "Moore Agreement") with the Company's Chief Executive Officer, Thomas Moore, pursuant to which the Company agreed to sell senior promissory notes to Mr. Moore, from time to time ("the Moore Notes"). On June 15, 2009, Mr. Moore and the Company amended the Moore Notes to increase the amounts available pursuant to the Moore Agreement from \$800,000 to \$950,000 and change the maturity date of the Moore Notes from June 15, 2009 to the earlier of January 1, 2010 or the Company's next equity financing resulting in gross proceeds to the Company of at least \$6 million.

On February 15, 2010, we agreed to amend the terms of the Moore Notes such that (i) Mr. Moore may elect, at his option, to receive accumulated interest thereon on or after March 17, 2010, (ii) we would begin to make monthly installment payments of \$100,000 on the outstanding principal amount beginning on April 15, 2010; provided, however, that the balance of the principal will be repaid in full on consummation of our next equity financing resulting in gross proceeds to us of at least \$6.0 million and (iii) we would retain \$200,000 of the repayment amount for investment in our next equity financing.

On March 17, 2011, in connection with a loan made by our Chief Executive Officer, Thomas A. Moore, to us in the amount of \$230,000, we agreed to further amend and restate the terms of the amended and restated senior promissory note held by Mr. Moore (the "Moore Notes") . Under the terms of the amended and restated Moore Notes: (i) the maturity date is the earlier of (x) the date of consummation of an equity financing by us in an amount of \$6.0 million or more and (y) the occurrence of any event of default as defined in the Moore Notes, (ii) Mr. Moore may elect, at his option, to receive accumulated interest thereon on or after April 15, 2011, (iii) we will make monthly installment payments of \$100,000 on the outstanding principal amount beginning on June 15, 2011, and (iv) we may retain, at the option of Mr. Moore, \$200,000 of the repayment amount for investment in our next equity financing.

For the three and nine months ending July 31, 2011, the Company paid Mr. Moore \$200,000 in principal and approximately \$5,500 in interest. As of July 31, 2011, the Company was not in default under the terms of the Moore Agreement. As of July 31, 2011, the Company owed Mr. Moore approximately \$673,000 in principal and approximately \$115,000 in accrued interest under the Moore Notes.

Senior Convertible Promissory Notes

Effective June 18, 2009, the Company entered into a Note Purchase Agreement with certain accredited investors, pursuant to which such investors acquired senior convertible promissory notes of the Company. At July 31, 2011, the Company had one outstanding senior convertible promissory note with \$88,824 in principal value and \$26,471 in accrued interest remaining. During August 2011, the Company received a notice of intent to convert the principal and accrued interest on this outstanding senior convertible promissory note into shares of the Company's common stock. On August 19, 2011, the Company issued 768,633 shares of common stock to this investor in full satisfaction of this senior convertible promissory note.

Junior Subordinated Convertible Promissory Notes

At October 31, 2010, the Company had approximately \$688,000 in outstanding principal related to its Junior Subordinated Convertible Promissory Notes. During the nine months ended July 31, 2011, the Company entered into Junior Subordinated Convertible Promissory Notes in the aggregate principal value of \$1,886,851 (\$11,765 during the current three month period ended July 31, 2011) for aggregate net purchase prices of \$1,670,000 (\$10,000 during the current three month period ended July 31, 2011). These notes had maturity dates ranging from December 31, 2010 to October 31, 2012 (the note entered into during the current three month period ended July 31, 2011 had a maturity date of May 12, 2012).

During the nine month period ended July 31, 2011, the Company repaid approximately \$374,000 in principal and interest (approximately \$26,300 during the current three month period ended July 31, 2011).

In May 2011, the Company converted or had investors agree to convert approximately \$1,167,000 of principal and interest on these outstanding junior subordinated convertible promissory notes into shares of the Company's common stock.

As of July 31, 2011, the Company had approximately \$1,045,000 in outstanding junior subordinated convertible promissory notes with Original Issue Discount ("OID") amounts ranging from 5% to 15% and with maturity dates ranging from August 1, 2011 to May 12, 2012.

We refer to all Senior Convertible Promissory Notes and Junior Subordinated Convertible Promissory Notes as "Bridge Notes".

The Bridge Notes are convertible into shares of the Company's common stock at an exercise price contingent on the completion of an equity financing. For every dollar invested in our Bridge Notes, each Investor received warrants to purchase between 1½ and 2½ shares of common stock (the "Bridge Warrants") subject to adjustments upon the occurrence of certain events as more particularly described below and in the form of Warrant. As of July 31, 2011, substantially all of the Bridge Warrants have an exercise price of \$.15 per share. The Bridge Notes may be prepaid in whole or in part at the option of the Company without penalty at any time prior to the Maturity Date. The warrants may be exercised on a cashless basis under certain circumstances.

May 2011 Note Financing

On May 9, 2011, we entered into a Note Purchase Agreement with certain accredited investors, whereby the Company issued to investors acquired approximately \$7.1 million of our convertible promissory notes, which we refer to as the May 2011 Notes, for an aggregate purchase price of approximately \$6.0 million in a private placement. The May 2011 Notes were issued with an original issue discount of 15%. Each investor paid \$0.85 for each \$1.00 of principal amount of May 2011 Notes purchased at the closing on May 12, 2011. The May 2011 Notes are convertible into shares of our common stock, at a per share conversion price equal to \$0.15. Additionally, each investor received a warrant to purchase such number of shares of our common stock equal to 50% of such number of shares of our common stock issuable upon conversion of the May 2011 Note at an exercise price of \$0.15 per share.

The May 2011 Notes mature on May 12, 2012. We may redeem the May 2011 Notes, at the option of the Company only, under certain circumstances. The warrants are exercisable at any time on or before May 12, 2014. The warrants may be exercised on a cashless basis under certain circumstances. To the extent an investor does not elect to convert its May 2011 Notes as described above, the principal amount not so converted on or prior to the maturity date shall be payable in cash on the maturity date.

The May 2011 Notes may be converted by the investors, at the option of such investor, in whole or in part. However, except as otherwise provided, only 85% of the initial principal amount of each May 2011 Note is convertible prior to maturity. The May 2011 Notes and warrants include a limitation on conversion or exercise, which provides that at no time will an investor be entitled to convert any portion of the May 2011 Notes or exercise any of the warrants, to the extent that after such conversion or exercise, such investor (together with its affiliates) would beneficially own more than 4.99% of the outstanding shares of our common stock as of such date.

In connection with the May 2011 offering, we entered into a Registration Rights Agreement, dated as of May 9, 2011 with the investors. Pursuant to such agreement, we agreed with the investors to provide certain rights to register under the Securities Act of 1933, as amended, the shares of our common stock issuable upon any conversion of the May 2011 Notes and the exercise of the warrants, and agreed to file a registration statement within 45 days of the closing of the May 2011 offering to register the offering of the shares of our common stock issuable upon conversion of the May 2011 Notes and the exercise of the warrants.

Rodman & Renshaw, LLC acted as the exclusive placement agent in connection with the May 2011 offering and received compensation of a cash placement fee equal to 6% of the aggregate purchase price paid by investors in the May 2011 offering amounting to \$360,000 and warrants to purchase 1,887,448 shares of our common stock, which warrants are exercisable at \$0.15 per share and shall expire on May 12, 2014.

During the three months ending July 31, 2011, the Company converted approximately \$671,500 of principal on these outstanding May 2011 Notes into 4,476,665 shares of the Company's common stock.

We refer to all convertible promissory notes with a maturity date less than one year (both the Bridge Notes and May 2011 Notes) collectively as "Short-term Convertible Promissory Notes"

Activity related to the Short-term Convertible Promissory Notes from issuance is as follows:

Convertible Notes – Principal Value – Issued	\$13,712,879
Principal payments on Bridge Notes	(1,916,104)
Note Conversions	(4,256,820)
Original Issue Discount, net of accreted interest	(1,312,241)
Fair Value of Attached Warrants at issuance	(4,617,096)
Fair Value of Embedded Derivatives at issuance	(5,331,114)
Accreted interest on embedded derivative and warrant liabilities	6,654,706
Convertible Notes- as of July 31, 2011	\$2,934,210
Embedded Derivatives Liability at July 31, 2011	1,086,599
Short-Term Convertible Notes and fair value of embedded derivative	\$4,020,809

BioAdvance Note

BioAdvance Biotechnology Greenhouse of Southeastern Pennsylvania Notes ("BioAdvance") received notes from the Company for \$10,000 dated November 13, 2003 and \$40,000 dated December 17, 2003 that were each due on the fifth anniversary date thereof. The Company owed approximately \$40,000 in principal and \$13,630 in interest to BioAdvance. In May 2011, the Company repaid BioAdvance \$50,000 in full satisfaction of the outstanding note.

Long-term Convertible Promissory Notes

On April 28, 2011, Advaxis, Inc. issued and sold to an accredited investor a convertible promissory note of the Company (“Long-term Convertible Promissory Notes”) in the aggregate principal amount of \$500,000 (together with the related ancillary documents, the “A-Note”) in return for the payment in cash from the Investor of \$500,000. The A-Note bears interest in the form of a one time interest charge of 8% of the principal amount of the A-Note, payable with the A-Note’s aggregate principal amount outstanding on the maturity date, April 28, 2014. The A-Note is convertible, in whole or in part, into shares of the Company’s common stock, \$0.001 par value, at a per share conversion price equal to 80% of the average of the two lowest trade prices for the Common Stock in the 20 trading days previous to the effective date of each such conversion, subject to a conversion floor of \$0.15. The A-Note may be prepaid by the Company without penalty beginning twelve months after issue date of the A-Note. To the extent the Investor does not elect to convert the A-Note as described above, the principal amount of the A-Note not so converted shall be payable in cash on the maturity date.

On April 28, 2011, the Company also issued and sold to the same accredited investor a convertible promissory note of the Company (“Long-term Convertible Promissory Notes”) in the aggregate principal amount of \$800,000 (together with the related ancillary documents, the “B-Note” and together with the A-Note, the “Company Notes”). The B-Note bears interest in the form of a one time interest charge of 8% of the principal amount of the B-Note, payable with the B-Note’s aggregate principal amount outstanding on the maturity date, April 28, 2014. All or any portion of the aggregate principal and interest outstanding under the B-Note is convertible, at the option of the Investor from time to time (subject to the prior pre-payment of the such principal amount of the C-Note (as defined below) equal to the such principal amount of the B-Note subject to such conversion), into shares of Common Stock, at a per share conversion price equal to 80% of the average of the two lowest trade prices for the Common Stock in the 20 trading days previous to the effective date of each such conversion, subject to a conversion floor of \$0.15.

Concurrently with the issuance of the B-Note, the Investor issued and delivered to the Company a secured and collateralized promissory note (together with the related ancillary documents, the “C-Note”), which served as the sole consideration paid to the Company for the Company’s issuance of the B-Note to the Investor. The C-Note was issued in the aggregate principal amount of \$800,000, bears interest in the form of a one time interest charge of 8% of the principal amount of the C-Note, payable with the C-Note’s aggregate principal amount outstanding on the maturity date, April 28, 2014. The C-Note is to be secured by \$800,000 of an unspecified money market fund, or other assets, having a value of at least \$800,000.

Immediately after the purchase by the Investor of the B-Note for the C-Note, the Investor delivered to the Company the sum of \$80,000 in cash as a pre payment on the principal amount outstanding under the C-Note. While no further mandatory principal or interest payments are due on the C-Note until its maturity date, the C-Note contemplates (but does not require) further voluntary pre payments by the Investor on the C-Note to the Company at the approximate rate of \$250,000 per month, beginning seven months after the issuance of the C-Note, or commencing on or about November 28, 2011, but only provided: (i) all requests by the Investor for conversion of principal and interest on the B-Note are honored and (ii) the Common Stock issued upon such conversions of portions of the principal and interest on the B-Note may be freely resold by the Investor without the requirement of any restrictive legend pursuant to applicable securities laws, rules and regulations.

Additionally, the Investor may purchase up to an additional \$2.4 million in aggregate principal amount of notes in the form of the B-Note from the Company (each, an “Additional B-Note”). The purchase price for each such Additional B-Note issued to the Investor will be paid by the issuance by the Investor to the Company of an additional note in the form of the C-Note (each, an “Additional C-Note”), with such Additional B-Notes and Additional C-Notes containing the same terms and provisions described above.

We refer to all convertible promissory notes, with a maturity date greater than one year collectively as “Long-term Convertible Promissory Notes”

As of July 31, 2011, the Company owed \$626,400 in outstanding principal under the Long-term Convertible Promissory Notes. Due to the conversion feature into a variable number of shares these notes are valued at fair value at each report period. As of July 31, 2011, the fair value of the notes was \$570,295.

Derivative Instruments

The table below lists the Company's derivative instruments as of July 31, 2011:

Description	Principal	Original Issue Discount	Warrant Liability	Embedded Derivative Liability
Total Valuation at October 31, 2010	\$777,154	\$21,937	\$13,006,194	\$81,028
Issuance of November 2010 Bridge Notes	931,579	96,579	391,076	150,156
Exchange of November 2010 Bridge Notes	17,175	17,175	86,963	9,389
Issuance of January 2011 Bridge Notes	452,941	57,941	173,808	41,024
Note Payoffs	(187,582)			
Issuance of Warrants			35,523	
Accreted Interest		(73,363)		
Exercise of Warrants			(1,382,847)	
Change in FV			(3,789,889)	(51,972)
Total Valuation at January 31, 2011	1,991,267	120,269	8,520,828	229,625
Issuance of Q2 2011 Bridge Notes	473,392	43,392	121,238	71,336
Issuance of Long-term Convertible Promissory Notes	626,400			-
Note Payoffs	(159,675)			(5,904)
Issuance of Warrants			2,990,520	
Accreted Interest		(74,422)		
Exercise of Warrants			(639,960)	
Change in FV			4,915,676	763,523
Total Valuation at April 30, 2011	\$2,931,384	\$89,239	\$15,908,302	\$1,058,580
Issuance of Q3 2011 Bridge Notes	11,765	1,765	4,968	5,051
Issuance of May 2011 Notes	7,077,936	1,553,254	-	2,719,345
Note Payoffs	(26,316)			(8,860)
Additional warrants issued to Bridge Note holder			36,376	
Exchange of Bridge Notes	8,033	8,033		2,656
Conversion of Bridge Notes	(1,164,947)			(381,209)
Conversion of May 2011 Notes	(671,500)			(166,980)
Exchanges/Exercises of October 2007 Warrants			(1,186,959)	
Reclassification of Warrant liability to Equity			(58,121)	
Accreted Interest		(340,050)		
Reclassification of Embedded Derivative Liability – Bridge Notes				(190,449)
Change in FV			(6,767,898)	(1,951,535)
Total Valuation at July 31, 2011	\$8,166,355	1,312,241	7,936,668	1,086,599

Warrants

As of July 31, 2011, there were outstanding warrants to purchase 123,533,070 shares of our common stock with exercise prices ranging from \$0.15 to \$0.1952 per share. Information on the outstanding warrants is as follows:

Type	Exercise Price	Amount	Expiration Date	Type of Financing
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Common Stock Purchase Warrant	\$ 0.15	50,044,155	February 2011 – October 2012	2007 Securities Purchase Agreement
Common Stock Purchase Warrant	\$0.15	23,593,122	May 2014	May 2011 Convertible Debt Financing
Common Stock Purchase Warrant	\$ 0.15 - \$0.17	21,900,101	January 2013 – April 2015	Bridge Notes
Common Stock Purchase Warrant	\$ 0.15-\$0.1952	446,956	February 2012	Vendor & Other
Common Stock Purchase Warrant	\$ 0.15	1,938,698	May 2014 - November 2015	Placement Agent – Convertible Debt Financing
	Subtotal	97,923,032		
Common Stock Purchase Warrant	TBD (1)	25,610,038	July 2013 – April 2014	Optimus Preferred Stock Agreement (7/19/2010)
	Grand Total	123,533,070		

(1) For purposes of this warrant, exercise price means an amount per warrant share equal to the closing sale price of a share of common stock on the applicable tranche notice date.

Warrant Liability/Embedded Derivative Liability

The fair value of the Warrants and Embedded Derivatives are estimated using the BSM model.

The Company computes valuations, each quarter, using the BSM model for each derivative instrument to account for the various possibilities that could occur due to changes in the inputs to the BSM model as a result of contractually-obligated changes (for example, changes in strike price to account for down-round provisions). The Company effectively weights each calculation based on the likelihood of occurrence to determine the value of the derivative at the reporting date. As of July 31, 2011, the fair value of the Warrants and Embedded Derivatives were determined to be approximately \$7.9 million and \$1.4 million, respectively. For the three and nine month periods ending July 31, 2011, respectively, we recorded income of approximately \$9.1 million and \$7.1 million, respectively, for net changes in the fair value of the common stock warrant liability and embedded derivative liability.

5. ACCOUNTING FOR STOCK BASED COMPENSATION PLANS

The Company records compensation expense associated with stock options based on the estimated fair value of each option award that was granted using the Black-Scholes option valuation model.

The table below summarizes compensation expenses from share-based payment awards:

	For the three months ending July 31,	
	2011	2010
Research and development	\$ 95,263	\$ 29,042
General and Administrative	104,005	61,225
Total stock compensation expense recognized	\$ 199,268	\$ 90,267

Total unrecognized estimated compensation expense related to non-vested stock options granted and outstanding as of July 31, 2011 was approximately \$904,000 which is expected to be recognized over a weighted-average period of approximately two years.

No options were exercised over the three and nine month periods ended July 31, 2011. For the three and nine month periods ended July 31, 2011, the Company granted 0 and 850,000 options, respectively, at a weighted average Black Scholes value and exercise price of approximately \$0.12.

6. COMMITMENTS AND CONTINGENCIES

University of Pennsylvania

On May 10, 2010, we entered into a second amendment to the Penn license agreement pursuant to which we acquired exclusive licenses for an additional 27 patent applications related to our proprietary Listeria vaccine technology. As part of this amendment we exercised our option for the rights to seven additional patent dockets, including 23 additional patent applications, at an option exercise fee payable in the form of \$35,000 in cash and \$70,000 in our common stock (approximately 388,889 shares of our common stock based on a price of \$0.18 per share) and agreed to pay historical patent costs incurred by the University of Pennsylvania at a cost of approximately \$462,000. As of July 31, 2011, the Company owed Penn approximately \$225,000 under all licensing agreements.

During the three months ending July 31, 2011, the Company paid approximately \$121,000 to Penn under all licensing agreements.

Other

Pursuant to a Clinical Research Service Agreement, the Company is obligated to pay Pharm-Olam International for service fees related to our Phase I clinical trial. As of July 31, 2011, the Company has an outstanding balance of \$223,620 on this agreement.

On June 19, 2009 we entered into a Master Agreement and on July 8, 2009 we entered into a Project Agreement with Numoda, a leading clinical trial and logistics management company, to oversee Phase II clinical activity with ADXS11-001 for the treatment of invasive cervical cancer and CIN. Numoda will be responsible globally for integrating oversight and logistical functions with the clinical research organizations, contract laboratories, academic laboratories and statistical groups involved. The scope of this agreement covers over three years and is estimated to cost approximately \$11.2 million for both trials. Per the agreement, the Company is permitted to pay a portion of

outstanding charges to Numoda in the form of the Company's common stock and during May 2010, the Company issued 3,500,000 shares of its common stock to an affiliate of Numoda in satisfaction of \$595,000 in services rendered by Numoda to the Company under the Master Agreement. The Company has recorded deferred expenses on the balance sheet for this amount and amortizes this amount to expense over the life of the agreement. At July 31, 2011, there was a zero balance in deferred expenses related to the Numoda project. From inception of these agreements through July 31, 2011, the Company has paid Numoda approximately \$6.1 million.

New Office & Laboratory Lease

In April 2011, the Company entered into a Sublease Agreement and relocated the current offices and laboratory to a 9,143 square foot leased facility in Princeton, NJ approximately 12 miles south of its former location. The agreement is for a period of approximately twenty months at the rate of approximately \$15,600 per month plus utilities. Utility costs are estimated to be \$7,200 per month and are capped at approximately \$10,700 per month. Under the current lease, the Company expects to spend approximately \$72,000 through October 31, 2011 and approximately \$312,000 for the fiscal year ended October 31, 2012. The Company made an initial payment of approximately \$54,000 prior to entering the new facility. As an inducement to enter into the agreement, the company will receive rent abatement for a specified number of months through July 31, 2011. The agreement has a termination date of November 29, 2012 and the Company is in discussions with building owner for lease terms beyond this date.

7. SHAREHOLDERS' EQUITY

Series B Preferred Stock Financing

On July 19, 2010, the Company entered into a Series B Preferred Stock Purchase Agreement with Optimus (the "Series B Purchase Agreement"), pursuant to which Optimus agreed to purchase, upon the terms and subject to the conditions set forth therein and described below, up to \$7.5 million of the Company's newly authorized, non-convertible, redeemable Series B preferred stock ("Series B Preferred Stock") at a price of \$10,000 per share. Under the terms of the Series B Purchase Agreement, subject to the Company's ability to maintain an effective registration statement for the Warrant Shares (as defined below), the Company may from time to time until July 19, 2013, present Optimus with a notice to purchase a specified amount of Series B Preferred Stock. Subject to satisfaction of certain closing conditions, Optimus is obligated to purchase such shares of Series B Preferred Stock on the 10th trading day after the date of the notice. The Company will determine, in its sole discretion, the timing and amount of Series B Preferred Stock to be purchased by Optimus, and may sell such shares in multiple tranches. Optimus will not be obligated to purchase the Series B Preferred Stock upon the Company's notice (i) in the event the average closing sale price of the Company's common stock during the nine trading days following delivery of such notice falls below 75% of the closing sale price of the Company's common stock on the trading day prior to the date such notice is delivered to Optimus, or (ii) to the extent such purchase would result in the Company and its affiliates beneficially owning more than 9.99% of the Company's outstanding common stock. The Series B Preferred Stock is only redeemable at the option of the Company as set forth in the Company's Certificate of Designations of Preferences, Rights and Limitations of Series B Preferred Stock and not otherwise subject to redemption or repurchase by the Company in any circumstances.

Pursuant to the Series B Purchase Agreement, on July 19, 2010, the Company issued to an affiliate of Optimus a three-year warrant to purchase up to 40,500,000 shares of the Company's common stock (the "Warrant Shares"), at an initial exercise price of \$0.25 per share, subject to adjustment as described below. The warrant consists of and is exercisable in tranches, with a separate tranche being created upon each delivery of a tranche notice under the Series B Purchase Agreement. On each tranche notice date, that portion of the warrant equal to 135% of the tranche amount will vest and become exercisable, and such vested portion may be exercised at any time during the exercise period on or after such tranche notice date. On and after the first tranche notice date and each subsequent tranche notice date, the exercise price of the warrant will be adjusted to the closing sale price of a share of the Company's common stock on the applicable tranche notice date. The exercise price of the warrant may be paid (at the option of the affiliate of Optimus) in cash or by its issuance of a four-year, full-recourse promissory note, bearing interest at 2% per annum, and secured by a specified portfolio of assets. However, such promissory note is not due or payable at any time that (a) the Company is in default of any preferred stock purchase agreement for Series B Preferred Stock or any warrant issued pursuant thereto, any loan agreement or other material agreement or (b) there are any shares of the Series B Preferred Stock issued or outstanding.

On April 4, 2011, the Company and Optimus entered into an amendment to the Preferred Stock Purchase Agreement dated July 19, 2010 between the Company and Optimus. Under the amendment Optimus remains obligated, from time to time until July 19, 2013, to purchase up to an additional 284 shares of non-convertible, redeemable Series B Preferred Stock, \$0.001 par value per share (the "Series B Preferred Stock") at a purchase price of \$10,000 per share upon notice from the Company to the Investor, subject to the satisfaction of certain conditions set forth in the Purchase Agreement.

In order to satisfy certain conditions set forth in the Purchase Agreement that would allow the Company to require the Investor to purchase the remaining shares of Series B Preferred Stock under the Purchase Agreement, the Amendment provides that, among other things, the Company will issue to the Holder a three-year warrant (the "Additional Warrant") to purchase up to an additional 25,560,000 shares of the Company's common stock, at an initial exercise price of \$0.15 per share, subject to adjustment as described below. The Additional Warrant will become exercisable on the

earlier of (i) the date on which a registration statement registering for resale the shares of the Company's common stock issuable upon exercise of the Additional Warrant (the "Warrant Shares") becomes effective and (ii) the first date on which such Warrant Shares are eligible for resale without limitation under Rule 144 (assuming a cashless exercise of the Additional Warrant). The Additional Warrant consists of and is exercisable in tranches, with a separate tranche being created upon each delivery of a tranche notice under the Purchase Agreement. On each tranche notice date, that portion of the Additional Warrant equal to 135% of the tranche amount will vest and become exercisable, and such vested portion may be exercised at any time during the exercise period on or after such tranche notice date. On and after the first tranche notice date and each subsequent tranche notice date, the exercise price of the Additional Warrant will be adjusted to the closing sale price of a share of the Company's common stock on the applicable tranche notice date. The exercise price of the Additional Warrant may be paid (at the option of the Investor) in cash or by the Investor's issuance of a four-year, full-recourse promissory note (each, a "Promissory Note"), bearing interest at 2% per annum, and secured by specified portfolio of assets. However, no Promissory Note will be due or payable at any time that (a) the Company is in default of any preferred stock purchase agreement for Series B Preferred Stock or any warrant issued pursuant thereto, any loan agreement or other material agreement or (b) there are any shares of the Company's Series B Preferred Stock issued or outstanding. The Additional Warrant also provides for cashless exercise in certain circumstances. If a "Funding Default" (as such term is defined in the Additional Warrant) occurs and the Additional Warrant has not previously been exercised in full, the Company has the right to demand surrender of the Additional Warrant (or any remaining portion thereof) without compensation, and the Additional Warrant will automatically be cancelled.

On April 4, 2011, the Company and the Holder also entered into an Amended and Restated Security Agreement to ensure that any Promissory Note issued upon exercise of the Additional Warrant will be entitled to the benefits of the security and collateral provisions of the Security Agreement dated as of July 19, 2010.

From November 1, 2010, through July 31, 2011 the Company issued and sold 177 shares of non-convertible, redeemable Series B Preferred Stock to Optimus pursuant to the terms of a Preferred Stock Purchase. Prior to closing on the Preferred Stock purchase, the company received \$300,000 from Optimus in exchange for promissory notes (subsequently repaid at closing). The Company received gross proceeds of \$1.47 million (net proceeds of \$1.34 million) from this transaction.

In connection with these transactions, Optimus exercised 15,752,903 warrants at exercise prices ranging from \$.15 to \$.155. In addition, on April 4, 2011, under an amendment to the Preferred Stock Purchase Agreement dated July 19, 2010, the Company issued Optimus a three-year warrant to purchase 25,560,000 shares of the Company's common stock at an initial exercise price of \$0.15. As of July 31, 2011, 25,610,038 warrants remained outstanding.

As of July 31, 2011, the Company continued to have 284 shares of its Series B Preferred Stock available for sale to Optimus at a gross purchase price of \$10,000. Under the terms of the May 2011 Notes, the Company may issue Optimus securities only to the extent the net proceeds of such issuance are used to repay May 2011 Noteholders.

Warrants

During the three months ending July 31, 2011, investors in the Company exercised 4,642,811 warrants at a price of \$0.15 per share, resulting in total proceeds to the Company of approximately \$696,000. For the nine months ended July 31, 2011, investors in the Company exercised 7,233,341 warrants at a price of \$0.15, resulting in total proceeds to the Company of approximately \$1,085,000. In addition, in an effort to reduce the number of the warrants outstanding from the October 17, 2007 private placement by Advaxis, Inc. (the "Company"), the Company has entered into exchange agreements with certain of the holders of such warrants pursuant to which such holders received shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), and/or warrants to purchase shares of Common Stock in amounts that were determined in such negotiations. As of July 31, 2011, the Company has exchanged October 2007 warrants to purchase 25,844,458 shares of Common Stock in return for 5,840,748 shares of Common Stock and new warrants to purchase an 11,096,297 shares of Common Stock. The new warrants issued pursuant to the exchanges are identical to the October 2007 warrants, except that such warrants do not contain any economic anti-dilution adjustment. Therefore, the Company reduced the total number of outstanding warrants, subject to anti-dilution provisions, from approximately 83.7 million to 53.5 million warrants.

On June 24, 2011, certain institutional investors who had previously acquired warrants (the "New Warrants") to purchase 11,096,297 shares of Advaxis, Inc.'s common stock ("Common Stock") in exchange for certain outstanding warrants held by such institutional investors and originally issued on or about October 17, 2007 (the "October 2007 Warrants") (which New Warrants are identical to the October 2007 Warrants, except that the New Warrants do not contain any economic anti-dilution adjustment rights), sold the New Warrants to certain individual investors, including Thomas A. Moore, Advaxis, Inc.'s Chief Executive Officer and Chairman of its Board of Directors, for an aggregate purchase price of \$350,000 (the "Transaction"). Pursuant to the terms and conditions of the Transaction, Mr. Moore received New Warrants exercisable into 3,698,765 shares of Common Stock.

Some of our warrants (except the warrants issued to an affiliate of Optimus) contain "full-ratchet" anti-dilution provisions originally set at \$0.20 with a term of five years. The Optimus transaction on January 11, 2010 triggered the anti dilution provisions of the warrant agreements requiring a reset of both the price of these warrants (from \$.20 to \$.17) and an increase in amount of warrants. Subsequently, the Optimus transaction on September 28, 2010 triggered the anti-dilution provisions of the warrant agreements requiring a reset of both the price of these warrants (from \$0.17 to \$0.15) and an increase in the amount of warrants. Therefore, any future financial offering or instrument issuance below \$0.15 per share of the Company's common stock or warrants will cause further anti-dilution and/or repricing provisions in approximately 53.5 million of our outstanding warrants.

8. FAIR VALUE

The authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact. The guidance describes a fair value hierarchy based on the levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 — Quoted prices in active markets for identical assets or liabilities
- Level 2— Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or corroborated by observable market data or substantially the full term of the assets or liabilities
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the value of the assets or liabilities

In accordance with FASB ASC 820, “Fair Value Measurements and Disclosures”, the following table represents the Company’s fair value hierarchy for its financial liabilities measured at fair value on a recurring basis as of July 31, 2011:

	Level 3 — 2011
Fair Value of Embedded Derivative	\$ 1,086,599
Common Stock Warrants	\$ 7,936,668
Total	\$ 9,023,267

. Accordingly, the derivatives were valued using the Black-Scholes model as described in Note 4

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of July 31, 2011 and October 31, 2010:

July 31, 2011	Level 1	Level 2	Level 3	Total
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