Sevion Therapeutics, Inc.
Form 10-Q
November 14, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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 No. 001-31326

SEVION THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**84-1368850**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

721 Route 202/206, Suite 130
Bridgewater, NJ 08807
(Address of principal executive offices)

(908) 864-4444
(Registrant's telephone number, including area code)

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: x 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 (§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: x 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 definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨

Non-accelerated filer ¨ Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: ¨ No: x

13,866,627 shares of the issuer's common stock, par value $0.01 per share, were outstanding as of October 31, 2014.

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements (Unaudited).

Certain information and footnote disclosures required under United States generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. However, Sevion Therapeutics, Inc., a Delaware corporation, and its wholly owned subsidiaries, Senesco, Inc., a New Jersey corporation and Fabrus, Inc., a Delaware corporation (collectively, "Sevion" or the "Company"), believe that the disclosures are adequate to assure that the information presented is not misleading in any material respect.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the entire fiscal year.

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2014	June 30, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$3,837,139	$6,111,340
Accounts receivable	43,133	43,133
Prepaid research supplies and expenses	163,147	1,069,925
Total Current Assets	4,043,419	7,224,398
Equipment, furniture and fixtures, net	262,633	223,475
Patent costs, net	123,531	2,178,867
Acquired research and development	9,800,000	9,800,000
Goodwill	13,902,917	13,902,917
Security deposit	5,171	5,171
TOTAL ASSETS	$28,137,671	$33,334,828
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$613,020	$901,180
Accrued expenses	1,074,168	923,991
Total Current Liabilities	1,687,188	1,825,171
Deferred tax liability	3,920,000	3,920,000
Other liabilities	99,728	99,728
TOTAL LIABILITIES	5,706,916	5,844,899
COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $0.01 par value, authorized 5,000,000 shares Series A 10,297 shares issued and 580 and 580 shares outstanding, respectively (liquidation preference of $609,000 and $594,500 at September 30, 2014 and June	6	6

30, 2014, respectively)		
Common stock, $0.01 par value, authorized 500,000,000 shares, issued and outstanding 13,846,361 and 13,846,361, respectively	138,463	138,463
Capital in excess of par	115,770,859	115,631,726
Accumulated deficit	(93,478,573)	(88,280,266)
Total Stockholders' Equity	22,430,755	27,489,929
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$28,137,671	$33,334,828

See Notes to Condensed Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED ONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited)

	Three Months Ended September 30,	
	2014	2013
Licensing Revenue	$ -	$ 100,000
Operating expenses:		
General and administrative	774,600	856,631
Research and development	2,120,156	810,937
Write-off of patents	2,290,836	185,161
Total operating expenses	5,185,592	1,852,729
Loss from operations	(5,185,592)	(1,752,729)
Interest expense - net	1,785	(31,604)
Net loss	(5,183,807)	(1,784,333)
Preferred dividends	(14,500)	(21,623)
Loss applicable to common shares	(5,198,307)	(1,805,956)
Other comprehensive loss	-	-
Comprehensive loss	$ (5,198,307)	$ (1,805,956)
Basic and diluted net loss per common share	$ (0.38)	$ (0.78)
Basic and diluted weighted-average number of common shares outstanding	13,846,361	2,307,926

See Notes to Condensed Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(unaudited)

	Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2014	580	$ 6	13,846,361	$138,463	$115,631,726	$(88,280,266)	$27,489,929
Stock-based compensation	-	-	-	-	139,133	-	139,133
Dividends accrued and unpaid at September 30, 2014	-	-	-	-	-	(14,500)	(14,500)
Net loss	-	-	-	-	-	(5,183,807)	(5,183,807)
Balance at September 30, 2014	580	$ 6	13,846,361	$138,463	$115,770,859	$(93,478,573)	$22,430,755

See Notes to Condensed Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net loss	$ (5,183,807)	$ (1,784,333)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	139,133	124,466
Depreciation and amortization	60,146	74,793
Write-off of intangibles	2,290,836	185,161
Write-off of prepaid research supplies	669,750	-
(Increase) decrease in operating assets:		
Prepaid expenses and other current assets	237,028	352,705
Increase (decrease) in operating liabilities:		
Accounts payable	(288,160)	366,504
Accrued expenses	135,677	10,239
Net cash used in operating activities	(1,939,397)	(670,465)
Cash flows from investing activities:		
Capitalized Patent costs	(260,477)	(142,943)
Purchase of equipment, furniture and fixtures	(74,327)	-
Net cash used in investing activities	(334,804)	(142,943)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants, net and exercise of warrants and options	-	290
Net cash provided by financing activities	-	290
Net (decrease) increase in cash and cash equivalents	(2,274,201)	(813,118)
Cash and cash equivalents at beginning of period	6,111,340	1,602,294
Cash and cash equivalents at end of period	$ 3,837,139	$ 789,176
Supplemental disclosure of non-cash transactions:		
Conversion of preferred stock into common stock	$ -	$ 73,331
Issuance of common stock for dividend payments on preferred stock	$ -	$ 12,623
Dividends accrued on preferred stock	$ 14,500	$ 9,000
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 543	$ 32,197

See Notes to Condensed Consolidated Financial Statements

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SEVION THERAPUETICS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Basis of Presentation:

The financial statements included herein have been prepared by Sevion Therapeutics, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

On September 29, 2014, the Company changed its name from Senesco Technologies, Inc. to Sevion Therapeutics, Inc.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary to present fairly its financial position as of September 30, 2014 and the results of its operations for the three months ended September 30, 2014 and cash flows for the three months ended September 30, 2014.

Certain prior year amounts have been reclassified from general and administrative expenses to research and development expenses for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flows from operations in the Consolidated Condensed Statement of Cash Flows, and had no effect on the previously reported Consolidated Condensed Statement of Operations for any period.

Interim results are not necessarily indicative of results for the full fiscal year.

Note 2 – Liquidity:

As shown in the accompanying condensed consolidated financial statements, the Company has a history of losses with an accumulated deficit of $93,478,573 and has generated minimal revenues by licensing its technology for certain crops to companies willing to share in its development costs. In addition, the Company's technology may not be ready for commercialization for several years. The Company expects to continue to incur losses for the next several years because it anticipates that its expenditures on research and development and administrative activities will significantly exceed its revenues during that period. The Company cannot predict when, if ever, it will become profitable.

As of September 30, 2014, the Company had cash and cash equivalents in the amount of $3,837,139, which consisted of checking accounts and money market funds. The Company estimates that its cash and cash equivalents as of September 30, 2014 will cover its expenses through at least March 31, 2015.

On October 22, 2014, the Company's board of directors decided to suspend all development of the Company's Factor 5A technology based on the Company's limited capital resources and the totality of the safety and efficacy data resulting from our Phase 1b/2a clinical trial. Depending on the Company's future capital resources, possible options for the program are to (i) reformulate the drug to alleviate some of the adverse events observed in the clinical trial and to enhance the efficacy, (ii) partner or sell the program or (iii) discontinue development. The Company's board of directors continues to evaluate the alternatives.

The Company will need additional capital to operate and expand its research program and plans to raise additional capital possibly through the exercise of outstanding warrants, placement of debt instruments, equity instruments or any combination thereof. However, the Company may not be able to obtain adequate funds for its operations when needed or on acceptable terms. If the Company is unable to raise additional funds, it will need to do one or more of the following:

- delay, scale-back or eliminate some or all of its research and product development programs;
- license third parties to develop and commercialize products or technologies that it would otherwise seek to develop and commercialize itself;
- seek strategic alliances or business combinations;
- attempt to sell the Company;
- cease operations; or
- declare bankruptcy.

Note 3 – Patent Costs:

The Company conducts research and development activities, the cost of which is expensed as incurred, in order to generate patents that can be licensed to third parties in exchange for license fees and royalties. Because the patents are the basis of the Company's future revenue, the patent costs are capitalized. The capitalized patent costs represent the outside legal fees incurred by the Company to submit and undertake all necessary efforts to have such patent applications issued as patents. The Company incurred $260,477 and $142,943 of such costs for the three months ended September 30, 2014 and 2013, respectively.

The length of time that it takes for an initial patent application to be approved is generally between four to six years. However, due to the unique nature of each patent application, the actual length of time may vary. If a patent application is denied, the associated cost of that application would be written off. Additionally, should a patent application become impaired during the application process, the Company would write down or write off the associated cost of that patent application.

Issued patents are being amortized over a period of 17 years from inception, the expected economic life of the patent. During the three months ended September 30, 2014 and 2013, the Company recorded amortization expense in the amount of $24,977 and $74,270, respectively.

The Company assesses the impairment in value of intangible assets whenever events or circumstances indicate that their carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following: