

Sevion Therapeutics, Inc.
Form 10-Q
February 16, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2015

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

(State or other jurisdiction of incorporation or organization)

84-1368850

(IRS Employer Identification No.)

4045 Sorrento Valley Boulevard

San Diego, CA 92121

(Address of principal executive offices)

(858) 909-0749

(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: 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: 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

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

Yes: No:

20,420,608 shares of the issuer's common stock, par value \$0.01 per share, were outstanding as of February 5, 2016.

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**CONSOLIDATED BALANCE SHEETS****(unaudited)**

	December 31, 2015	June 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$2,366,573	\$3,334,626
Prepaid expenses and other current assets	321,361	395,100
Total Current Assets	2,687,934	3,729,726
Equipment, furniture and fixtures, net	124,299	185,948
Acquired research and development	9,800,000	9,800,000
Goodwill	2,980,951	5,780,951
Security deposits	50,770	50,770
TOTAL ASSETS	\$15,643,954	\$19,547,395
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$63,504	\$232,033
Accrued expenses	450,929	408,705
Other current liabilities	54,722	137,778
Total Current Liabilities	569,155	778,516
Warrant and stock right liabilities	2,330,492	2,502,047
Deferred tax liability	3,920,000	3,920,000
Other liabilities	99,728	122,038
TOTAL LIABILITIES	6,919,375	7,322,601
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, \$0.01 par value, authorized 5,000,000 shares Series C 235,837 shares issued and 235,004 and 235,837 outstanding, respectively (liquidation preference of \$2,350 and \$2,358 at December 31, 2015 and June 30, 2015, respectively)	2,350	2,358
	4	4

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Series A 10,297 shares issued and 380 and 380 shares outstanding, respectively
(liquidation preference of \$389,504 and \$399,000 at December 31, 2015 and June
30, 2015, respectively)

Common stock, \$0.01 par value, authorized 500,000,000 shares, issued and outstanding 20,420,608 and 18,752,813 at December 31, 2015 and June 30, 2015, respectively	204,206	187,528
Capital in excess of par	119,899,641	119,217,880
Accumulated deficit	(111,381,622)	(107,182,976)
Total Stockholders' Equity	8,724,579	12,224,794
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,643,954	\$ 19,547,395

See Notes to Condensed Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(unaudited)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2015	2014	2015	2014
Licensing Revenue	\$ 37,500	\$ -	\$ 75,000	\$ -
Operating expenses:				
General and administrative	401,102	1,253,226	988,375	2,027,826
Research and development	594,504	1,371,930	1,196,087	3,492,086
Impairment of goodwill	2,800,000	8,121,966	2,800,000	8,121,966
Impairment and write-off of patents	-	-	-	2,290,836
Total operating expenses	3,795,606	10,747,122	4,984,462	15,932,714
Loss from operations	(3,758,106)	(10,747,122)	(4,909,462)	(15,932,714)
Other non-operating income (expense)				
Change in fair value of stock right	(448,725)	-	(426,391)	-
Change in fair value of warrant liability	351,500	-	1,300,061	-
Interest income (expense) - net	(89)	995	(371)	2,780
Net loss	(3,855,420)	(10,746,127)	(4,036,163)	(15,929,934)
Preferred dividends	(14,114)	(17,722)	(162,483)	(32,222)
Loss applicable to common shares	(3,869,534)	(10,763,849)	(4,198,646)	(15,962,156)
Other comprehensive loss	-	-	-	-
Comprehensive loss	\$ (3,869,534)	\$ (10,763,849)	\$ (4,198,646)	\$ (15,962,156)
Basic and diluted net loss per common share	\$ (0.19)	\$ (0.78)	\$ (0.21)	\$ (1.15)
Basic and diluted weighted-average number of common shares outstanding	20,420,608	13,866,627	20,213,530	13,856,439

See Notes to Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY****FOR THE SIX MONTHS ENDED DECEMBER 31, 2015****(unaudited)**

	Preferred Stock		Common Stock		Capital in Excess of Par Value	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance at June 30, 2015	236,217	\$ 2,362	18,752,813	\$ 187,528	\$ 119,217,880	\$(107,182,976)	\$ 12,224,794
Stock issued for Cash	66,667	667	959,996	9,600	1,142,130	-	1,152,397
Warrant Liability	-	-	-	-	(559,261)	-	(559,261)
Derivative Stock Right	-	-	-	-	(142,854)	-	(142,854)
Stock-based compensation	-	-	-	-	88,833	-	88,833
Preferred stock converted into common stock	(67,500)	(675)	675,000	6,750	(6,075)	-	-
Deemed Dividend Preferred stock	-	-	-	-	135,701	(135,701)	-
Dividends Paid			32,799	328	23,287	(17,280)	6,335
Dividends accrued and unpaid at Dec 31, 2015	-	-	-	-	-	(9,502)	(9,502)
Net loss	-	-	-	-	-	(4,036,163)	(4,036,163)
Balance at December 31, 2015	235,384	\$ 2,354	20,420,608	\$ 204,206	\$ 119,899,641	\$(111,381,622)	\$ 8,724,579

See Notes to Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

	Six Months Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (4,036,163)	\$ (15,929,934)
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash income related to change in fair value		
- stock right	426,391	-
- warrant liability	(1,300,061)	-
Stock-based compensation expense	88,833	379,171
Depreciation and amortization	61,649	100,220
Impairment of goodwill	2,800,000	8,121,966
Write-off of intangibles	-	2,290,836
Write-off of prepaid research supplies	-	669,750
Deferred rent	(30,366)	45,224
(Increase) decrease in operating assets:		
Accounts receivable	-	(160,782)
Prepaid expenses and other current assets	73,739	337,728
Security deposit	-	(50,770)
Increase (decrease) in operating liabilities:		
Accounts payable	(168,529)	404,061
Accrued expenses	39,057	170,026
Deferred revenue	(75,000)	150,000
Net cash used in operating activities	(2,120,450)	(3,472,504)
Cash flows from investing activities:		
Capitalized Patent costs	-	(420,339)
Purchase of equipment, furniture and fixtures	-	(111,045)
Net cash used in investing activities	-	(531,384)
Cash flows from financing activities:		
Proceeds from issuance of common stock and warrants, net and exercise of warrants and options	1,152,397	-
Net cash provided by financing activities	1,152,397	-
Net (decrease) increase in cash and cash equivalents	(968,053)	(4,003,888)
Cash and cash equivalents at beginning of period	3,334,626	6,111,340
Cash and cash equivalents at end of period	\$ 2,366,573	\$ 2,107,452

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Supplemental disclosure of non-cash transactions:

Conversion of preferred stock into common stock	\$ 6,075	\$ -
Allocation of equity proceeds to warrants	\$ 559,261	\$ -
Allocation of equity proceeds to stock rights	\$ 142,854	\$ -
Allocation of preferred stock proceeds to beneficial conversion feature	\$ 135,701	\$ -
Issuance of common stock for dividend payments on preferred stock	\$ 23,615	\$ 32,222
Dividends accrued on preferred stock	\$ (9,502) \$ (14,500
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ 132

See Notes to Consolidated Financial Statements