

Sevion Therapeutics, Inc.
Form 10-Q
May 14, 2015

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 March 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

84-1368850

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(State or other jurisdiction of incorporation or organization) (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:

16,387,522 shares of the issuer's common stock, par value \$0.01 per share, were outstanding as of May 11, 2015.

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)**

	March 31, 2015	June 30, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$469,980	\$6,111,340
Prepaid expenses and other current assets	128,167	1,113,058
Total Current Assets	598,147	7,224,398
Equipment, furniture and fixtures, net	226,753	223,475
Patent costs, net	463,135	2,178,867
Acquired research and development	9,800,000	9,800,000
Goodwill	5,780,951	13,902,917
Security deposits	50,770	5,171
TOTAL ASSETS	\$16,919,756	\$33,334,828
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$656,470	\$901,180
Accrued expenses	825,815	923,990
Other current liabilities	173,234	-
Total Current Liabilities	1,655,519	1,825,170
Deferred tax liability	3,920,000	3,920,000
Other liabilities	138,244	99,728
TOTAL LIABILITIES	5,713,763	5,844,898
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, \$0.01 par value, authorized 5,000,000 shares Series A 10,297 shares issued and 380 and 580 shares outstanding, respectively (liquidation preference of \$399,000 and \$594,500 at March 31, 2015 and June 30, 2014, respectively)	4	6
	139,751	138,463

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Common stock, \$0.01 par value, authorized 500,000,000 shares, issued and outstanding 13,975,140 and 13,846,361 at March 31, 2015 and June 30, 2014, respectively

Capital in excess of par	116,545,088	115,631,726
Accumulated deficit	(105,478,850)	(88,280,265)
Total Stockholders' Equity	11,205,993	27,489,930
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$16,919,756	\$33,334,828

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Licensing Revenue	\$ 37,500	\$ -	\$ 37,500	\$ 100,000
Operating expenses:				
General and administrative	1,027,240	1,162,599	3,055,066	2,877,320
Research and development	235,255	966,344	3,727,341	2,508,098
Impairment of goodwill	-	-	8,121,966	-
Write-off of patents	-	-	2,290,836	185,161
Total operating expenses	1,262,495	2,128,943	17,195,209	5,570,579
Loss from operations	(1,224,995)	(2,128,943)	(17,157,709)	(5,470,579)
Interest income (expense) - net	(2,080)	(17,811)	703	(80,146)
Net loss	(1,227,075)	(2,146,754)	(17,157,006)	(5,550,725)
Preferred dividends	(9,356)	(2,877,511)	(41,578)	(2,919,751)
Loss applicable to common shares	(1,236,431)	(5,024,265)	(17,198,584)	(8,470,476)
Other comprehensive loss	-	-	-	-
Comprehensive loss	\$(1,236,431)	\$(5,024,265)	\$(17,198,584)	\$(8,470,476)
Basic and diluted net loss per common share	\$(0.09)	\$(0.87)	\$(1.24)	\$(2.21)
Basic and diluted weighted-average number of common shares outstanding	13,958,261	5,806,353	13,889,921	3,838,200

See Notes to Condensed Consolidated Financial Statements

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

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Capital in Excess of Par Value	Accumulated Deficit	Stockholders' Equity
Balance at June 30, 2014	580	\$ 6	13,846,361	\$ 138,463	\$ 115,631,726	\$(88,280,266)	\$27,489,929
Stock-based compensation	-	-	-	-	877,573	-	877,573
Preferred stock converted into common stock	(200)	(2)	100,000	1,000	(998)	-	-
Dividends paid	-	-	28,779	288	36,787	(22,575)	14,500
Dividends accrued and unpaid at March 31, 2015	-	-	-	-	-	(19,003)	(19,003)
Net loss	-	-	-	-	-	(17,157,006)	(17,157,006)
Balance at March 31, 2015	380	\$ 4	13,975,140	\$ 139,751	\$ 116,545,088	\$(105,478,850)	\$11,205,993

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(17,157,006)	\$(5,550,725)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	877,573	735,977
Depreciation and amortization	138,956	238,904
Impairment of goodwill	8,121,966	-
Write-off of intangibles	2,290,836	185,161
Write-off of prepaid research supplies	669,750	-
Deferred rent	99,250	-
(Increase) decrease in operating assets:		
Prepaid expenses and other current assets	315,141	719,349
Security deposit	(45,599)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(249,212)	(312,384)
Accrued expenses	(98,176)	333,845
Deferred revenue	112,500	-
Net cash used in operating activities	(4,924,021)	(3,649,873)
Cash flows from investing activities:		
Capitalized Patent costs	(600,081)	(409,637)
Purchase of equipment, furniture and fixtures	(117,258)	-
Net cash used in investing activities	(717,339)	(409,637)
Cash flows from financing activities:		
Repayment of line of credit	-	(2,187,082)
Exercise of warrants and options, net	-	10,842,325
Net cash provided by financing activities	-	8,655,243
Net (decrease) increase in cash and cash equivalents	(5,641,360)	4,595,733
Cash and cash equivalents at beginning of period	6,111,340	1,602,294
Cash and cash equivalents at end of period	\$ 469,980	\$ 6,198,027
Supplemental disclosure of non-cash transactions:		
Conversion of preferred stock into common stock	\$ 2	\$ 731
Issuance of common stock for dividend payments on preferred stock	\$ 41,578	\$ 89,885
Dividends accrued on preferred stock	\$ (19,003)	\$ (29,000)
Supplemental disclosure of cash flow information:		

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Cash paid for interest	\$ 2,209	\$ 85,629
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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 March 31, 2015 and the results of its operations for the three and nine months ended March 31, 2015 and cash flows for the nine months ended March 31, 2015.

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 \$105,478,850 and has generated minimal revenues by licensing its technology 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.

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. During the quarter ended March 31, 2015, the Company determined that it would discontinue the development of the Company's Factor 5A technology.

Also, on October 22, 2014, the Company's board of directors decided to close the Company's Bridgewater, New Jersey office on November 30, 2014 in order to consolidate all of the Company's operations in its San Diego, California location and terminated its research agreement with the University of Waterloo on December 31, 2014. In connection with the closure and the termination of the agreement with the University of Waterloo, the Company paid \$47,000 of termination benefits and associated employee costs. These costs are reported as research and development expenses at March 31, 2015.

In addition, given the Company's limited capital resources, in December 2014, the Company decided to temporarily reduce its research and development spending on the Company's antibody program. In the meantime, the Company continues to evaluate all strategic alternatives, including strategic partnering arrangements, acquiring additional assets, divesting certain existing assets, and/or equity or debt financings. We cannot assure you that the Company will be able to consummate a strategic transaction or a financing transaction.

As of March 31, 2015, the Company had cash and cash equivalents in the amount of \$469,980 in checking accounts. The Company received net proceeds of \$2,744,721 from the issuance of preferred stock, common stock and warrants on May 1, 2015 and May 7, 2015. The Company estimates that its cash as of March 31, 2015, together with the net proceeds from the issuance of preferred stock, common stock and warrants, will cover its expenses through at least November 30, 2015.

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 – Intangibles:

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. The Company

estimates the patents it has filed have a future beneficial value, therefore, the patent costs are capitalized. The capitalized patent costs represent the outside legal and filing fees incurred by the Company to submit and undertake all necessary efforts to have such patent applications issued as patents. The Company incurred \$42,796 and \$156,405 of such costs for the three months ended March 31, 2015 and 2014, respectively. The Company incurred \$600,081 and \$409,637 of such costs for the nine months ended March 31, 2015 and 2014, 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 March 31, 2015 and 2014, the Company recorded amortization expense in the amount of \$0 and \$85,161, respectively. During the nine months ended March 31, 2015 and 2014, the Company recorded amortization expense in the amount of \$24,977 and \$237,341, 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:

- significant negative industry trends;
- significant underutilization of the assets;
- significant changes in how the Company uses the assets or its plans for their use; and
- changes in technology and the appearance of competing technology.

If a triggering event occurs and the Company's review determines that the future undiscounted cash flows related to the asset group will not be sufficient to recover their carrying value, the Company will reduce the carrying values of these assets down to its estimate of fair value and continue amortizing them over their remaining useful lives.

Due to the decrease in the market value of the Company at December 31, 2014, the Company determined that there was a triggering event that required the Company to review if there had been an impairment to the Acquired Research and Development in the amount of \$9,800,000, capitalized patent costs in the amount of \$283,393 and the Goodwill in the amount of \$13,902,917 as of December 31, 2014. The Company first evaluated the Company's Acquired Research and Development and Capitalized Patent Costs for impairment. Based on that review, the Company determined that no impairment exists at March 31, 2015. The Company then evaluated its Goodwill. The Company's evaluation used its market capitalization plus a control premium (which is considered a level 2 input in the fair value hierarchy) in determining the amount of the impairment. The Company concluded that there is an impairment based on the significant change in the Company's market value during the period. As a result of this evaluation, the Company determined that the Goodwill was impaired and recorded an impairment charge in the amount of \$8,121,966 at December 31, 2014. The Company determined that there was no additional impairment charges required at March 31, 2015.

In October 2014, the Company decided to continue to develop its intellectual property only with respect to the human health therapeutic targets and would be reviewing such patents on a patent by patent basis to determine which specific ones to continue to develop. Also, in October 2014, the Company decided to suspend all development of the 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. As the Company was unable to determine if or when the development would be resumed, the Company was unable to determine what the future undiscounted cash flows from these patents could be. Therefore, as of September 30, 2014, the Company determined that the carrying value of its patents and patent applications related to Factor 5A were impaired. Accordingly, the Company recorded an impairment of the full

carrying value of its patents related to Factor 5A in the amount of \$2,290,836 on September 30, 2014. During the quarter ended March 31, 2015, the Company determined that it would discontinue the development of the Company's Factor 5A technology and would no longer maintain those patents.

Additionally, during the quarter ended September 30, 2014, the Company concluded its Phase 1b/2a clinical trial but did not use all of the material purchased for the clinical trial. As the Company has put the clinical program for this product candidate on hold, the Company wrote-off the cost of the remaining material in the amount of \$669,750 to research and development costs at September 30, 2014.

Note 4 - Loss Per Share:

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of the Company's Common Stock assumed to be outstanding during the period of computation. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional shares of Common Stock that would have been outstanding if the potential shares of Common Stock had been issued and if the additional shares of Common Stock were dilutive.

For all periods presented, basic and diluted loss per share are the same, as any additional Common Stock equivalents would be anti-dilutive. Potentially dilutive shares of Common Stock have been excluded from the calculation of the weighted average number of dilutive shares of Common Stock as follows:

	March 31,	
	2015	2014
Common Stock to be issued upon conversion of convertible preferred stock	190,000	290,000
Outstanding warrants	3,977,594	3,765,995
Outstanding options	2,077,706	275,085
Total potentially dilutive shares of Common Stock	6,245,300	4,331,080

Note 5 – Stock-Based Compensation:

The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, the awards vest based upon time-based conditions or achievement of specified goals and milestones.

During the nine months ended March 31, 2015, the Company issued 421,000 options that are subject to vesting first based upon specified goals and milestones and then based upon time-based conditions. On the issuance date, such options had an aggregate Black-Scholes value of \$256,929. As of March 31, 2015, the Company reviewed the specified goals and milestones on an employee by employee basis. Based upon the review, the Company has

estimated that it was probable that, on average, the employees would achieve 69% of the target goals. As a result, the Company is recognizing 69% of the fair value of the options ratably over the time-based period.

Also, during the nine months ended March 31, 2015, the Company issued an additional 771,336 options that either vested immediately or were subject to time-based conditions only. On the issuance date, such options had an aggregate Black-Scholes value of \$408,977.

On November 30, 2014, Leslie J. Browne Ph.D.'s employment with the Company was terminated. Under the terms of his retention agreement, all of his unvested options were accelerated and became immediately exercisable. Accordingly, the Company recognized the full Black-Scholes value of the options granted to Dr. Browne on November 18, 2014 in the amount of \$25,495.

Other employees that held options were also terminated by the Company on November 30, 2014. As such, all unvested performance options that were granted to such employees on November 18, 2014 will not vest and the Company will not be recognizing the Black-Scholes value of those options in the amount of \$17,601.

Additionally, on January 8, 2015, Ronald A. Martell resigned from the Company. In connection with his resignation, all unvested options granted to Mr. Martell will not vest and the Company will not be recognizing the Black-Scholes value of those options in the amount of \$34,044.

The fair value of each stock option granted or vesting has been determined using the Black-Scholes model. The material factors incorporated in the Black-Scholes model in estimating the value of the options include the following:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Risk-free interest rate (1)	0.96%-1.50%	None	0.14 - 2.32%	1.65 - 2.66%
Expected volatility (2)	88%-285%	None	85%-285%	0.99
Dividend yield	None	None	None	None
Expected life (3)	3.0 - 5.0	None	3.0 - 10.0	5.5 - 10.0

(1) Represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the option term.

(2) Estimated volatility was determined based upon the historical volatility of the Company's common stock.

(3) Expected life for time based stock options was estimated using the "simplified" method, as allowed under the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 110. Expected life for performance based stock options was the actual term of the option.

The economic values of the options will depend on the future price of the Company's Common Stock, which cannot be forecast with reasonable accuracy.

Stock option activity under the Company's 2008 Plan and 1998 Plan for the nine months ended March 31, 2015 is summarized as follows:

	Aggregate Number	Weighted Average Exercise Price	Exercise Price Range
Outstanding, June 30, 2014	979,304	\$ 9.49	\$ 2.65 - \$ 345.00
Granted	1,192,336	0.73	\$ 0.54 - \$ 0.83
Exercised	-		-
Cancelled	(90,537)	8.09	\$0.83 - \$ 140.00
Expired	(3,397)	301.70	\$ 29.00 - \$ 345.00
Outstanding, March 31, 2015	2,077,706	\$ 4.04	\$ 0.54 - \$ 140.00
Options exercisable at March 31, 2015	1,179,607	\$ 5.72	
Weighted average fair value of options granted during the nine months ended March 31, 2015		\$0.56	

As of March 31, 2015, the aggregate intrinsic value of stock options outstanding was \$22,685, with a weighted-average remaining term of 7.5 years. The aggregate intrinsic value of stock options exercisable at that same date was \$22,685, with a weighted-average remaining term of 6.0 years. As of March 31, 2015, the Company has 2,842,218 shares available for future stock option grants.

Stock-based compensation expense for the three months ended March 31, 2015 and March 31, 2014 amounted to \$498,402 and \$268,720, respectively. Stock based compensation expense for the nine months ended March 31, 2015 and March 31, 2014 amounted to \$877,573 and \$735,977, respectively.

As of March 31, 2015, total stock-based compensation expense not yet recognized related to stock option grants amounted to approximately \$969,000, which will be recognized over the next 44 months.

Note 6 – Income Taxes:

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No provision for income taxes has been made for the three months and nine months ended March 31, 2015 and 2014 given the Company's losses in 2014 and 2013 and available net operating loss carryforwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carryforwards in any year or in total may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations.

The deferred tax liability in the amount of \$3,920,000 was recorded in connection with the related intangible assets from the Company's acquisition of Fabrus, Inc. in May 2014.

Note 7 - Fair Value Measurements:

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of March 31, 2015 and June 30, 2014:

	Carrying Value	Fair Value Measurement at March 31, 2015		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$469,980	\$ 469,980	\$ -	\$ -

	Carrying Value	Fair Value Measurement at June 30, 2014		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$6,111,340	\$ 6,111,340	\$ -	\$ -

Note 8 – Revenue Recognition

During the three month period ended December 31, 2014, the Company received certain nonrefundable upfront fees in connection with a collaboration agreement. The Company has determined that the upfront fees do not have standalone value and was not separable from the research and development services to be delivered. Due to the lack of standalone value for the collaboration agreement and research and development services, the upfront payment is being recognized ratably using the straight line method through December 2015, the expected term of the agreement. For the three and nine months ended March 31, 2015, the Company recognized revenue in the amount of \$37,500 under this agreement.

Note 9 – Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies that are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue From Contracts With Customers, (“ASU 2014-09”). Pursuant to ASU 2014-09, an entity should

recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For a public entity, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company has not yet determined the impact of adoption on the financial statements.

In June 2014, the FASB issued ASU No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.” This ASU requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition, and apply existing guidance under the Stock Compensation Topic of the ASC as it relates to awards with performance conditions that affect vesting to account for such awards. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. We are currently evaluating the potential impact that this ASU may have on our financial position and results of operations.

In August 2014, the FASB issued Accounting Standard Update (“ASU”) 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. Under the new guidance, management will be required to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The provisions of this ASU are effective for annual periods beginning after December 15, 2016, and for annual and interim periods thereafter. We are currently evaluating the potential impact that this ASU may have on our financial statements or disclosures.

In November 2014, the FASB issued ASU No. 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is more akin to Debt or to Equity. The amendments in this update clarify how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. Specifically, the amendments clarify that an entity should consider all relevant terms and features—including the embedded derivative feature being evaluated for bifurcation—in evaluating the nature of the host contract. The amendments in this update are effective for public companies for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted. The Company is currently evaluating the potential impact that this ASU may have on our financial statements or disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. The guidance requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The standard also aligns the GAAP presentation with International Financial Reporting Standards and will remedy the long-standing conflict with the guidance in FASB Concepts Statement No. 6, Elements of Financial Statements, which indicates that debt issuance costs do not meet the definition of an asset, because they provide no future economic benefit. For public companies, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the standard is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted for financial statements that have not been previously issued. The new guidance will be applied on a retrospective basis. The Company believes that the adoption of this standard will have no impact on its financial position, results of operations or cash flows.

Note 10 – Subsequent Event

On May 1, 2015 and May 7, 2015, the Company entered into separate subscription agreements (each, a “Subscription Agreement”) with certain accredited investors (the “Investors”) whereby the Company sold (the “Offering”) units of its securities (the “Units”) with each Unit consisting of one share of the Company’s common stock, par value \$0.01 per share (the “Common Stock”) or, at the election of the Investor, shares of the Company’s newly designated 0% Series C Convertible Preferred stock (the “Preferred Stock”) and a warrant to purchase one half of one share of Common Stock at an exercise price of \$1.50 per share (the “Warrants”). Each Unit was sold for \$0.75 per Unit for aggregate gross proceeds to the Company of approximately \$3.0 million and net proceeds of approximately \$2.7 million. The Company issued 2,381,001 Units consisting of Common Stock and 1,650,020 Units consisting of 165,002 shares of Preferred Stock, which are convertible into 1,650,020 shares of Common Stock. The Common Stock, Preferred Stock and Warrants are collectively referred to herein as the “Securities.”

Subscription Agreement

The Subscription Agreement contains customary representations, warranties and covenants, including, but not limited to, for a period of twenty-four months from the Final Closing Date (as defined in the Subscription Agreement) the Company shall not, without the consents of those Investors holding a majority of the then issues shares of Common Stock and Preferred Stock (including the Lead Investors, as defined in the Subscription Agreement), enter into any Equity Line of Credit or Variable Rate Transactions (as such terms are defined in the Subscription Agreement). The Subscription Agreement provides the Investors with price protection whereby, until the earlier of (i) eighteen months from the Final Closing Date (as defined in the Subscription Agreement) and (ii) the date the Common Stock is listed for trading on a national securities exchange (the “Price Protection Period”), if the Company sells its Common Stock at less than \$0.75 per share, then immediately afterwards, the Company shall issue to each Investor, without the payment of additional consideration, additional unregistered shares of Common Stock so that such Investor’s percentage ownership in the Company remains the same.

Also in the Subscription Agreement, each Investor agreed that, for a period of six months after the Final Closing Date (as defined in the Subscription Agreement), they would not, directly or indirectly, offer, sell, offer to sell, contract to sell, hedge, pledge or otherwise transfer or dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future) any of the Securities purchased by the Investor in the Offering. In addition, each Investor agreed that, for the period beginning on the six month anniversary of the Initial Lockup Date (as defined in the Subscription Agreement) and ending on the one year anniversary of the Initial Lockup Date, the Investor may only sell up to 50% of each of the Securities so purchased in the Offering.

Description of Series C Convertible Preferred Stock

The Preferred Stock will be convertible at the option of the holder of the Preferred Stock at any time into shares of Common Stock at a conversion rate determined by dividing the Stated Value plus the Unpaid Dividend Amount (as such terms are defined in the certificate of designations) of the Preferred Stock, by the conversion price (the "Conversion Rate"). The Stated Value of the Preferred Stock is \$7.50 and the conversion price is \$0.75, subject to adjustment. The conversion price is subject to adjustment if the Company issues equity securities (other than certain excluded securities) at a price per share less than the conversion price, such that the conversion price will equal the price per share of such equity securities. The holder of shares of Preferred Stock will not have the right to convert any portion of its Preferred Stock if the holder, together with its affiliates, would beneficially own in excess of 4.99% of the number of shares of the Company's Common Stock outstanding immediately after giving effect to its conversion.

The Preferred Stock is entitled to receive dividends (on an as-converted to Common Stock basis) to and in the same form as dividends actually paid on shares of Common Stock.

Except as otherwise expressly required by law, holders of Preferred Stock are entitled to the number of votes equal to the number of shares of Common Stock issuable upon conversion of the Preferred Stock, subject to beneficial ownership limitations on conversion. Except as otherwise expressly required by law, holders of Preferred Stock shall vote together with the holders of Common Stock and not vote as a separate class. In addition, without the prior written consent of the holders of at least 60% of the outstanding shares of Preferred Stock including the Lead Investors voting together as a single class, the Company may not (a) amend its certificate of incorporation or bylaws in any manner that adversely alters or changed any rights, preferences, privileges or powers, or restrictions provided for the benefit of the holders of the Preferred Stock; (b) increase or decrease (other than by conversion) the authorized number of shares of Preferred Stock; (c) issue any shares of Preferred Stock other than pursuant to the Subscription Agreement; or (d) circumvent a right of the Preferred Stock.

If there is a Corporate Event (as defined in the certificate of designations) pursuant to which holders of shares of Common Stock are entitled to receive securities or other assets with respect to or in exchange for shares of Common Stock, the holders of Preferred Stock will have the right to receive upon a conversion of all the shares of Preferred Stock held by it (i) in addition to the shares of Common Stock receivable upon such conversion, such securities or other assets to which such holder of Preferred Stock would have been entitled with respect to such shares of Common Stock had the shares of Common Stock been held by such holder upon the consummation of such Corporate Event or (ii) in lieu of the shares of Common Stock otherwise receivable upon such conversion, such securities or other assets received by the holders of shares of Common Stock in connection with the consummation of the Corporate Event in such amounts as such holder would have been entitled to receive had the shares of Preferred Stock held by such Holder initially been issued with conversion rights for the form of such consideration, as opposed to shares of Common Stock, at a conversion rate commensurate with the Conversion Rate.

In connection with a liquidation event, any payment due on the Preferred Stock shall be made payable prior to, and in preference of, any Common Stock.

In addition, if the Company grants options, purchase rights or other securities to all existing holders of the Common Stock, other than certain exempt issuances, the holders of the Preferred Stock have the right to purchase such number of shares of Common Stock that would have been provided to such holder if such holder held the number of shares of Common Stock underlying the Preferred Stock.

Warrants

Each Warrant has an initial exercise price of \$1.50 per share. The Warrants are immediately exercisable and have a thirty month term. During the Price Protection Period, if the Company issues equity securities (other than certain excluded securities) at a price per share less than the exercise price, such that the exercise price of the Warrants, the exercise price will be lowered to be equal to the price per share of the newly-assigned securities. The Warrants also contain a provision which limits the holder's beneficial ownership to a maximum of 4.99% (which percentage may be increased up to 9.99% upon 60 days notice to the Company). The Warrants also provide a right of cashless exercise if, at the time of exercise, there is no effective registration statement registering the resale of the shares underlying the Warrants.

Registration Rights Agreement

The Company also entered into a Registration Rights Agreement with the Investors dated as of April 30, 2015, by and among the Company and the Investors (the "Registration Rights Agreement"). Pursuant to the Registration Rights Agreement, the Company has agreed to file a registration statement (the "Registration Statement") with the Securities and Exchange Commission within, except for certain limited exceptions, 45 days of the final closing the Offering (the "Filing Deadline") to register 200% of the number of shares of Common Stock issuable upon exercise of the Warrants (collectively, the "Underlying Shares") and to have such Registration Statement declared effective by the Securities and Exchange Commission within 120 days of the filing date (the "Effective Deadline"). In the event the Company does not file the Registration Statement on or before the Filing Deadline or such Registration Statement is not declared effective by the Effective Deadline, the Company will be required to pay to Investors liquidated damages in an amount equal to 1% of the aggregate amount purchase price paid by the Investor for any unregistered securities then held by such Investor up to a maximum of 6%. The Company must file additional registration statements until all of the securities may be sold pursuant to an effective registration statement or the securities become eligible for sale under Rule 144 of the Securities Act of 1933, as amended.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q. The discussion and analysis may contain forward-looking statements that are based upon current expectations and entail various risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this report.

Overview

Our Business

On September 29, 2014, we changed our name from Senesco Technologies, Inc. to Sevion Therapeutics, Inc.

The primary business of Sevion Therapeutics, Inc., a Delaware corporation incorporated in 1999, and its wholly-owned subsidiaries, Senesco, Inc., a New Jersey corporation incorporated in 1998, and Fabrus, Inc., a Delaware corporation incorporated in 2011, collectively referred to as “Sevion,” “we,” “us” or “our,” is to build and develop a portfolio of innovative therapeutics, from both internal discovery and acquisition, for the treatment of cancer and immunological diseases. The Company’s product candidates are derived from multiple key proprietary technology platforms, such as: cell-based arrayed antibody discovery, ultralong antibody scaffolds and Chimerasome nanocages.

Antibody Technology

Antibody Genes - We believe our antibody platforms have broad applicability to human health by allowing the discovery of unique monoclonal antibodies against difficult membrane targets in several therapeutic areas. Our antibody therapeutic candidates target the Kv1.3 ion channel, which is important in the pathogenesis of several autoimmune and inflammatory disorders. Other antibodies in our pipeline target important cell surface molecules involved in cancer progression.

Antibody Discovery Technology - Traditional antibody drug discovery methods, such as phage/yeast display or immunization, rely on competitive selection from a pool of antibodies to identify a lead therapeutic candidate. In these

methods, a mixture of antibodies compete for binding to a purified target, and the antibody molecules that bind the strongest to the target, referred to as high affinity, are ultimately discovered. While these approaches have led to many successful antibody therapeutics, there are at least two drawbacks. First, the drug targets have been limited to only those proteins which can be easily purified. Many important target classes, including multispinning membrane proteins, cannot be easily purified in functional form. Secondly, when discovery is driven by selection based on competitive binding and affinity, the result is a significant limitation in the number of functional lead antibodies. However, the highest affinity antibody isn't always the best therapeutic because lower affinity molecules may have unique activities or lower toxicities than the highest affinity binder. Thus, modulating a pathway more subtly to treat disease is often preferable to affecting it in a binary fashion through competition related to high-affinity binding. We believe the technology to identify (i) antibodies against unpurified targets, particularly multispinning membrane proteins like G Protein Coupled Receptors, or GPCR's, and ion channels, and (ii) a range of antibodies with different affinities and activities will enable us to discover new antibody drug leads compared to existing technologies.

We have developed the world's first "spatially addressed" antibody library with an expansive combinatorial collection of recombinant antibodies in which each well contains a single species of antibody of known concentration, composition and sequence. Our spatially addressed library allows us to evaluate the therapeutic potential of each antibody individually in a non-competitive way and allows direct discovery on the cell surface. This approach is more analogous to traditional small molecule drug discovery and allows us to screen antibodies for functional drug activity as opposed to simple binding properties. This next generation discovery system unlocks epitopes, targets, and functions that are only identifiable in the context of a living cell.

Modified Cow Antibodies - Despite the enormous diversity of the antibody repertoire, human antibodies all have a similar geometry, shape and binding mode. Our scientists have discovered and humanized a novel class of therapeutic antibodies derived from cows that have a highly unusual structure for binding targets. This unique ultralong Complementary Determining Region 3, or CDR3, structural domain found in cow antibodies is comprised of a knob on a stalk that protrudes far from the antibody surface, creating the potential for entirely new types of therapeutic functionality. Using both our humanized spatially addressed antibody library and direct engineering of the knob, we are exploring the ability of utilizing the knob and stalk structure to functionally interact with important therapeutic targets, including GPCRs, ion channels and other multispansing membrane therapeutic targets on the cell surface. Our lead antibody, SVN001, was derived from these efforts.

Antibody Drug Candidates – We have created functional antibodies that modulate GPCRs and ion channels, two classes of targets that have proven difficult to address using conventional antibody discovery approaches.

SVN001 is an ion channel blocking antibody that is potentially the first therapeutic antibody against this target class. SVN001 targets an ion channel, Kv1.3, which has been implicated in a number of different autoimmune disorders including rheumatoid arthritis, psoriasis and multiple sclerosis. By targeting a unique subset of immune cells, SVN001 is not believed to be broadly immunosuppressive, therefore potentially improving the safety profile compared to typical immunosuppressants.

SVN002 is a unique antibody against an oncology target that holds the potential to significantly impact highly metastatic tumors that are resistant to the class of drugs that target vascular endothelial growth factor, or VEGF. The target is highly expressed in clear cell renal carcinoma, where it is associated with poor prognosis.

Other Antibodies

We have discovered fully human antibodies against additional oncology targets, including ErbB2, ErbB3, CXCR4, and GLP1R which have been engineered to have activity in *in vitro* systems. Additionally, we have early stage antibodies against other undisclosed targets which were derived from our addressed library platform.

Factor 5A

On October 22, 2014, we suspended all development of the Factor 5A technology based on our limited capital resources and the totality of the safety and efficacy data resulting from our Phase 1b/2a clinical trial. During the quarter ended March 31, 2015, we determined that we would discontinue all development of the current formulation of SNS01-T. This decision was based on (i) the previously disclosed results of the phase 1b/2a clinical trial (ii) the estimated cost and timeline of reformulating SNS01-T and (iii) the limited availability of funds. We are continuing to access potential alternatives for the Factor 5A technology, including combining it with our Chimerasome technology.

Research Program

We were advancing SVN001 through preclinical development where it has demonstrated potent activity as well as advancing SVN002 through preclinical development. However, given the Company's limited capital resources, in December 2014, we decided to temporarily reduce our research and development spending on our antibody program until we are able to consummate a strategic transaction or a financing transaction.

On December 18, 2014, we entered into a Collaboration Agreement with CNA Development, LLC, an affiliate of Janssen Pharmaceuticals, Inc. ("Janssen") to discover antibodies using our spatially addressed library platform (the "Collaboration Agreement"). The collaboration facilitated by the Johnson & Johnson Innovation center in California will include discovery of antibodies against multiple targets in several therapeutic areas. We and Janssen will jointly conduct research on antibodies discovered by us, and Janssen will have an option to an exclusive license to develop, manufacture, and commercialize candidates resulting from the collaboration. Under the terms of the agreement, we will receive an up-front payment and research support payments for activities conducted in collaboration with Janssen. For candidates licensed by Janssen, we would be eligible to receive payments upon the achievement of certain development and commercial milestones potentially totaling up to \$125 million as well as low single digit royalties on product sales.

On September 1, 1998, we entered into, and had extended through August 31, 2015, a research and development agreement with the University of Waterloo and Dr. John Thompson, our scientific founder, as the principal inventor. The Research and Development Agreement provided that the University of Waterloo would perform research and development under our direction, and we would pay for the cost of this work and make certain payments to the University of Waterloo. In return for payments made under the Research and Development Agreement, we have all rights to the intellectual property derived from the research. In accordance with the terms of the research and development agreement, we terminated the agreement on December 31, 2014.

In order to pursue the above research initiatives, as well as other research initiatives that may arise, we will use our cash reserves as of March 31, 2015. However, it will be necessary for us to raise a significant amount of additional working capital in the future. If we are unable to raise the necessary funds, we may be required to significantly curtail the future development of some or all of our research initiatives and we will be unable to pursue other possible research initiatives.

We may further expand our research and development program beyond the initiatives listed above to include other diseases and research centers.

Intellectual Property

As previously disclosed, we have suspended all development of the agricultural applications of our intellectual property. As of March 31, 2015, we are not planning to continue to prosecute or maintain these patents.

Also, in October 2014, we decided to suspend all development of the Factor 5A technology based on our limited capital resources and the totality of the safety and efficacy data resulting from our Phase 1b/2a clinical trial. As we were unable to determine if or when the development would be resumed, we were unable to determine what the future undiscounted cash flows from these patents could be. Therefore, as of September 30, 2014, we determined that the carrying value of our patents and patent applications related to Factor 5A were impaired. Accordingly, we recorded an impairment of the full carrying value of our patents related to Factor 5A in the amount of \$2,290,836. During the quarter ended March 31, 2015, we determined that we would no longer continue to prosecute or maintain these patents.

We continue to develop our intellectual property internally and by in-licensing certain intellectual property related to our antibody platforms and our chimerasome technology.

On June 13, 2013, the Supreme Court of the United States of America ruled that naturally-occurring DNA sequences are unpatentable because they are products of nature. The Supreme Court further found that cDNA sequences, which are copies of non-intron containing mRNA sequences created in the laboratory, are patent eligible. We believe that the Supreme Court ruling has little impact on our patent portfolio overall and no impact on our human therapeutic patents, which do not rely on claims on naturally-occurring DNA sequences.

Liquidity and Capital Resources

Overview

For the nine months ended March 31, 2015, net cash of \$4,924,021 was used in operating activities primarily due to a net loss of \$17,157,006 which was reduced by non-cash expenses of \$12,198,331. Cash used in operating activities was increased by changes in operating assets and liabilities in the amount of \$34,654.

The \$34,654 change in operating assets and liabilities was the result of a decrease in prepaid research supplies and expenses in the amount of \$315,141 and an increase in deferred revenue in the amount of \$112,500, which was partially offset by a decrease in accounts payable and accrued expenses in the amount of \$347,388 due to the timing of the expenses and payments and an increase in security deposits in the amount of \$45,599.

During the nine months ended March 31, 2015, cash used for investing activities amounted to \$717,339, which was related to capitalized patent costs and the purchase of equipment, furniture and fixtures.

As of March 31, 2015, our cash balance totaled \$469,980, and we had a working capital deficit of \$1,057,372.

We expect our capital requirements to increase significantly over the next several years as we commence new research and development efforts, increase our business and administrative infrastructure and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives and the cost and timing of the expansion of our business development and administrative staff.

On May 1, 2015 and May 7, 2015, we received aggregate net proceeds of \$2,744,721 from the issuance of preferred stock, common stock and warrants. We anticipate that, based upon our cash balance at March 31, 2015 and the net proceeds from the issuance of preferred stock, common stock and warrants on May 1, 2015 and May 7, 2015, we will be able to fund our operations through at least November 30, 2015. Over such period, we plan to fund our research and development and commercialization activities by:

utilizing our current cash balance and investments;
the placement of additional equity or debt instruments; and

the possible execution of additional licensing agreements for our technology.

We cannot assure you that we will be able to raise money through any of the foregoing transactions on favorable terms, if at all.

Changes to Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates as set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

Results of Operations

Three Months Ended March 31, 2015 and Three Months Ended March 31, 2014

The results of operations for the three months ended March 31, 2015, include the results of operations of Fabrus, Inc., our wholly owned subsidiary that was acquired on May 16, 2014. The results of operations for the three months ended March 31, 2014 do not include the results of operations of Fabrus, Inc.

The net loss for the three months ended March 31, 2015 was \$1,227,075. The net loss for the three months ended March 31, 2014 was \$2,146,754. Such a change represents a decrease in net loss of \$919,679, or 42.8%. This decrease in net loss was primarily the result of a decrease in general and administrative and research and development expenses.

Revenue

Revenue in the amount of \$37,500 for the three months ended March 31, 2015 represented the amortization of deferred revenue.

There was no revenue during the three months ended March 31, 2014.

We may receive future milestone payments in connection with our current license agreements. Additionally, we may receive future royalty payments from our license agreements if and when our partners commercialize their products containing our technology. However, it is difficult for us to determine our future revenue expectations because our future milestone payments are primarily contingent on our partners' successful implementation of their development plan, we have no history of receiving royalties and the timing and outcome of our experiments, the timing of signing new partner agreements and the timing of our partners moving through the development process into commercialization is difficult to accurately predict.

General and Administrative Expenses

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Three Months Ended March 31,
2015 2014 Change %
(in thousands, except % values)

Payroll and benefits	\$98	\$158	\$ (60)	(38.0)%
Investor relations	13	147	(134)	(91.1)%
Professional fees	205	465	(260)	(55.9)%
Other general and administrative	254	104	150	144.2 %
	570	874	(304)	(34.8)%
Stock-based compensation	457	289	168	58.1 %
Total general and administrative	\$1,027	\$1,163	\$ (136)	(11.7)%

Payroll and benefits were lower primarily due to the closing the New Jersey office during the quarter ended December 31, 2014.

Investor relations fees were lower primarily due to the expenses incurred during the three months ended March 31, 2014 relating to an investor relations program that started in August 2013. We did not incur those expenses during the three months ended March 31, 2015.

Professional fees were lower primarily as a result of legal fees and consulting costs incurred during the three months ended March 31, 2014 in connection with the activity related to the acquisition of Fabrus, Inc. We did not incur those costs during the three months ended March 31, 2015.

Other general and administrative expenses were higher primarily due to an increase in Delaware franchise taxes, which was partially offset by a decrease in travel and director fees.

Stock-based compensation was higher primarily due to an option issued in connection with a consulting agreement during the three months ended March 31, 2015.

We expect cash-based general and administrative expenses to remain relatively unchanged over the next twelve months.

Research and Development Expenses

Research and development expenses for the three months ended March 31, 2015 include costs incurred by Senesco, Inc. in the amount of \$202,000, which was offset by a gain on forgiveness of debt the amount of \$443,000, and costs incurred by Fabrus, Inc. in the amount of \$476,000.

Research and development expenses for the three months ended March 31, 2014 do not include any costs incurred by Fabrus, Inc., as the Company acquired Fabrus, Inc. in May 2014.

	Three Months Ended March 31,			
	2015	2014	Change	%
	(in thousands, except % values)			
Payroll and benefits	\$ 380	\$ 42	\$ 338	804.8 %
Phase 1b/2a clinical trial	47	555	(508)	(91.5)%
Research supplies	58	-	58	-
Research contract with the University of Waterloo	(18)	63	(81)	(128.5)%
Consultants	30	126	(96)	(76.7)%
Rent	94	-	94	-
Depreciation and amortization	38	85	(47)	(55.2)%
Other research and development...	8	77	(69)	(89.6)%
	637	948	(311)	(32.6)%
Gain on forgiveness of debt	(443)	-	(443)	-
	194	948	(754)	(79.5)%
Stock-based compensation	41	18	23	127.8 %

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Total research and development \$235 \$966 \$ (731) (75.7)%

Payroll and benefits were higher primarily due to an increase in headcount due to the acquisition of Fabrus, Inc. in May 2014.

Phase 1b/2a clinical trial expenses were lower because we concluded patient dosing in the trial during the quarter ended September 30, 2014.

· Research supplies were higher primarily due to the acquisition of Fabrus, Inc. research programs in May 2014.

Research contract with the University of Waterloo is lower due to the termination of the agreement on December 31, 2014 and an overaccrual of termination costs in December 2014.

Consultants were lower primarily due to the completion of patient dosing in our Phase 1b/2a clinical trial in September 2014 and the suspension of the SNS01-T program.

Rent was higher due to the addition of laboratory space in San Diego, California in connection with the acquisition of Fabrus, Inc. in May 2014.

Legal was higher due to the impairment in the agricultural patent costs at June 30, 2014 and the Factor 5A human health patents in September 2014. As a result, the legal fees in connection with the prosecution of these patents are now being expensed as incurred instead of capitalized.

Depreciation and amortization was lower due to the impairment of the agricultural patents at June 30, 2014 and the Factor 5A human health patents at September 30, 2014. As a result, we are no longer incurring amortization charges on those patents. This was partially offset by an increase in depreciation in connection with the equipment acquired in connection with the acquisition of Fabrus, Inc. in May 2014.

The gain on forgiveness of debt represents settlements of accounts payable with certain vendors for an amount less than was recorded.

Stock-based compensation was higher primarily due to the Black-Scholes value of options issued in connection with the acquisition of Fabrus, Inc. in May 2014; and option grants in November 2014, which are being charged to operations over the vesting period.

If we are able to raise additional capital or complete a strategic transaction, we expect our research and development costs to increase as we resume development of our antibody program.

Nine Months Ended March 31, 2015 and Nine Months Ended March 31, 2014

The results of operations for the nine months ended March 31, 2015, include the results of operations of Fabrus, Inc., our wholly owned subsidiary that was acquired on May 16, 2014. The results of operations for the nine months ended March 31, 2014 do not include the results of operations of Fabrus, Inc.

The net loss for the nine months ended March 31, 2015 was \$17,157,006. The net loss for the nine months ended March 31, 2014 was \$5,550,725. Such a change represents an increase in net loss of \$11,606,281, or 209.1%. This increase in net loss was primarily the result of an impairment of goodwill, patents written off, an increase in general and administrative expenses and research and development expenses.

Revenue

Revenue in the amount of \$37,500 for the nine months ended March 31, 2015 represented the amortization of deferred revenue.

Total revenue in the amount of \$100,000 during the nine months ended March 31, 2014 consisted of a milestone payment in connection with an agricultural license agreement.

General and Administrative Expenses

	Nine Months Ended March 31, 2015 2014 Change %			
	(in thousands, except % values)			
Payroll and benefits	\$964	\$452	\$ 512	113.3%
Investor relations	154	672	(518)	(77.0)%
Professional fees	664	681	(17)	2.4 %
Other general and administrative	530	261	269	103.1%
	2,312	2,066	246	11.9 %
Stock-based compensation	743	812	(69)	(8.4)%
Total general and administrative	\$3,055	\$2,878	\$ 177	6.2 %

Payroll and benefits were higher primarily as a result of severance payments due to terminated employees as a result of closing the New Jersey office in November 2014 and as a result of hiring a new CEO in June 2014.

Investor relations fees were lower primarily due to the expenses incurred during the nine months ended March 31, 2014 relating to an investor relations program that started in August 2013. We did not incur those expenses this year.

Professional fees were lower primarily as a result of a decrease in consultants used in connection with the Fabrus, Inc. acquisition during the nine months ended March 31, 2014, which was mostly offset by an increase in accounting fees due to the additional bookkeeping, consulting and auditing fees related to the acquisition of Fabrus, Inc. and an increase in legal fees due to the closing of the New Jersey office.

Other general and administrative expenses were higher primarily due to an increase in Delaware franchise taxes, moving costs and travel, which was partially offset by a decrease in director fees.

Stock-based compensation was lower primarily because grants of stock and options issued during the nine months ended March 31, 2014 had a higher black-scholes value than options issued during the nine months ended March 31, 2015.

Research and Development Expenses

Research and development expenses for the nine months ended March 31, 2015 include costs incurred by Senesco, Inc. in the amount of \$2,485,000, which was offset by a gain on forgiveness of debt the amount of \$443,000, and costs incurred by Fabrus, Inc. in the amount of \$1,685,000.

Research and development expenses for the nine months ended March 31, 2014 do not include any costs incurred by Fabrus, Inc., as the Company acquired Fabrus, Inc. in May 2014.

	Nine Months Ended March 31,			
	2015	2014	Change	%
	(in thousands, except % values)			
Payroll and benefits	\$1,078	\$129	\$949	735.6 %
Phase 1b/2a clinical trial	717	1,305	(588)	(45.0)%
Research supplies	193	12	181	1508.3%
Research contract with the University of Waterloo	285	294	(9)	(3.0)%
Consultants	293	381	(88)	(23.0)%
Rent	239	-	239	-
Legal	227	21	206	980.9 %
Depreciation and amortization	136	237	(101)	(42.6)%
Other research and development	197	77	120	155.8 %
	3,365	2,456	909	37.0 %
Gain on forgiveness of debt	(443)	-	(443)	-
	2,922	2,456	466	18.9 %
Write-off of prepaid research supplies	670	-	670	-
Stock-based compensation	135	51	84	164.7 %
Total research and development	\$3,727	\$2,507	\$1,220	48.6 %

Payroll and benefits were higher primarily due to an increase in headcount due to the acquisition of Fabrus, Inc. in May 2014.

Phase 1b/2a clinical trial expenses were lower because we concluded patient dosing in the trial during the quarter ended September 30, 2014.

· Research supplies were higher primarily due to the acquisition of Fabrus, Inc. research programs in May 2014.

Research contract with the University of Waterloo is lower due to the termination of the agreement on December 31, 2014.

Consultants were lower primarily due to the completion of patient dosing in our Phase 1b/2a clinical trial in September 2014 and the suspension of the SNS01-T program, which was partially offset by the addition of consultants in connection with the acquisition of Fabrus, Inc. in May 2014.

Rent was higher due to the addition of laboratory space in San Diego, California in connection with the acquisition of Fabrus, Inc. in May 2014.

Legal was higher due to the impairment in the agricultural patent costs at June 30, 2014 and the Factor 5A human health patents in September 2014. As a result, the legal fees in connection with the prosecution of these patents are now being expensed as incurred instead of capitalized.

Depreciation and amortization was lower due to the impairment of the agricultural patents at June 30, 2014 and the Factor 5A human health patents at September 30, 2014. As a result, we are no longer incurring amortization charges on those patents. This was partially offset by an increase in depreciation in connection with the equipment acquired in connection with the acquisition of Fabrus, Inc. in May 2014.

Other research and development costs were higher primarily due to the acquisition of Fabrus, Inc. in May 2014 and moving the Fabrus, Inc. lab to a new facility in October 2014.

The gain on forgiveness of debt represents settlements of accounts payable with certain vendors for an amount less than was recorded.

During the quarter ended September 30, 2014, we concluded our Phase 1b/2a clinical trial but did not use all of the material purchased for the clinical trial. As we have put the clinical program for this product candidate on hold, we wrote-off the cost of the remaining material at September 30, 2014.

Stock-based compensation was higher primarily due to the Black-Scholes value of options issued in connection with the acquisition of Fabrus, Inc. in May 2014, which is being charged to operations over the vesting period.

Impairment of Goodwill

As of December 31, 2014, we reviewed the underlying assumptions and current market conditions and determined that the goodwill recorded in connection with the acquisition of Fabrus, Inc. on May 16, 2014 was impaired. Accordingly we recorded an impairment of goodwill in the amount of \$8,121,966.

Write-off of patents

In October 2014, we put the development of Factor 5A for human health applications on hold. As we did not know if or when the development would be resumed, we are unable to determine what the future undiscounted cash flows

from these patents will be. As such, we recorded an impairment to all of these patent costs in the net amount of \$2,290,836 at September 30, 2014 and are expensing any future patent costs related to Factor 5A as incurred. During the quarter ended March 31, 2015, we determined that we would discontinue the prosecution and maintenance of the Factor 5A patents.

Contractual Obligations and Contingent Liabilities

During the nine months ended March 31, 2015, there were changes to our contractual obligations and commitments as follows:

On November 17, 2014, we entered into a Retention Agreement with our VP-Preclinical Research, whereby he began receiving severance payments and additional benefits for six (6) months following his termination of employment on November 30, 2014.

On November 30, 2014, we entered into a Retention Agreement with our Chief Financial Officer, whereby he will receive severance payments and additional benefits through December 15, 2015 following his separation from the Company (subject to certain restrictions). If he were to voluntarily terminate his employment or be terminated for cause prior to earlier of the filing of our quarterly report on Form 10-Q for the period ended March 31, 2015 or May 29, 2015, then he would not receive the severance payments and additional benefits.

On November 19, 2014, the Company, as subtenant, executed a sublease agreement dated October 8, 2014 (the “Sublease Agreement”), effective as of October 10, 2014 (the “Effective Date”), relating to the rental of approximately 10,571 square feet of office and laboratory space located at 4045 Sorrento Valley Boulevard, San Diego, California 92121. The term of the Sublease Agreement will begin on the Effective Date and will continue through October 31, 2016. The Sublease Agreement provides for monthly base rental payments of \$22,728 per month, payable in advance on the first day of each month, with a free rent period for months 2 through 6. Monthly base rental payments will increase by 3% on each anniversary of the Effective Date of the Sublease Agreement. In addition, the Company has paid a security deposit in an amount equal to \$30,000.

Effective December 31, 2014, we terminated our Research Agreement with the University of Waterloo.

The following table lists our cash contractual obligations as of March 31, 2015:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Facility, Rent and Operating Leases	\$551,598	\$346,427	\$205,171	\$ —	\$ —
Employment and Consulting Agreements	\$196,664	\$196,664	\$ —	\$ —	\$ —
Total Contractual Cash Obligations	\$748,262	\$543,091	\$205,171	\$ —	\$ —

Also, on January 8, 2015, Ronald A. Martell delivered to us notice of his resignation as Chief Executive Officer and as a member of the Board, effective upon delivery of the notice. Our board of directors accepted Mr. Martell's notice of resignation and thanked him for his service. Mr. Martell had served as our Chief Executive Officer and as a member of our board of directors since June 2014.

Off Balance-Sheet Arrangements

We do not have any off balance-sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Foreign Currency Risk

Our financial statements are denominated in United States dollars and all of our contracts are denominated in United States dollars. Therefore, we believe that fluctuations in foreign currency exchange rates will not result in any material adverse effect on our financial condition or results of operations. In the event we derive a greater portion of our revenues from international operations or in the event a greater portion of our expenses are incurred internationally and denominated in a foreign currency, then changes in foreign currency exchange rates could affect our results of operations and financial condition.

Interest Rate Risk

We invest in high-quality financial instruments, primarily money market funds, with an effective duration of the portfolio of less than one year, which we believe are subject to limited credit risk. We currently do not hedge our interest rate exposure. Due to the short-term nature of our investments, we do not believe that we have any material exposure to interest rate risk arising from our investments.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

The principal executive officer and principal financial officer have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of March 31, 2015. Based on this evaluation, they have concluded that our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

(b) Changes in internal controls.

No change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the three month period ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

The more prominent risks and uncertainties inherent in our business are described below. However, additional risks and uncertainties may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations may suffer.

Risks Related to Our Business

Recurring losses and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and we may not be able to continue as a going concern.

Our recurring losses from operations and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our consolidated financial statements for the fiscal year ended June 30, 2014. Substantial doubt about our ability to continue as a going concern may create negative reactions to the price of the common shares of our stock and we may have a more difficult time obtaining financing.

We have prepared our financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should we be unable to continue in existence.

Based on the cash on hand at March 31, 2015 and the aggregate net proceeds from the issuance of preferred stock, common stock and warrants on May 1, 2015 and May 7, 2015, we believe we have enough cash to fund operations

through at least November 30, 2015.

We have a limited operating history and have incurred substantial losses and expect to incur future losses.

We are a development stage biotechnology company with a limited operating history and limited assets and capital. We have incurred losses each year since inception and had an accumulated deficit of \$105,478,850 at March 31, 2015. We have generated minimal revenues by licensing our technology to companies willing to share in our development costs. In addition, our technology may not be ready for commercialization for several years. We expect to continue to incur losses for the next several years because we anticipate that our expenditures on research and development and administrative activities will significantly exceed our revenues during that period. We cannot predict when, if ever, we will become profitable.

We will need additional capital to fund our operations until we are able to generate a profit.

Our operations to date have required significant cash expenditures. Our future capital requirements will depend on the results of our research and development activities, preclinical and clinical studies, and competitive and technological advances.

We will need to obtain more funding in the future through collaborations or other arrangements with research institutions and corporate partners, or public and private offerings of our securities, including debt or equity financing. We may not be able to obtain adequate funds for our operations from these sources when needed or on acceptable terms. Future collaborations or similar arrangements may require us to license valuable intellectual property to, or to share substantial economic benefits with, our collaborators. If we raise additional capital by issuing additional equity or securities convertible into equity, our stockholders may experience dilution and our share price may decline. Any debt financing may result in restrictions on our spending.

If we are unable to raise additional funds, we will need to do one or more of the following:

- delay, scale-back or eliminate some or all of our research and product development programs;
- provide licenses to third parties to develop and commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves;
- seek strategic alliances or business combinations;
- attempt to sell our company;
- cease operations; or
- declare bankruptcy.

Based on the cash on hand as of March 31, 2015 and the aggregate net proceeds from the issuance of preferred stock, common stock and warrants on May 1, 2015 and May 7, 2015, we believe that at the projected rate of spending we should have sufficient cash to maintain our present operations at least through November 30, 2015.

We may be adversely affected by the current economic environment.

Our ability to obtain financing, invest in and grow our business, and meet our financial obligations depends on our operating and financial performance, which in turn is subject to numerous factors. In addition to factors specific to our business, prevailing economic conditions and financial, business and other factors beyond our control can also affect our business and ability to raise capital. We cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Materials necessary to manufacture some of our compounds currently under development may not be available on commercially reasonable terms, or at all, which may delay our development and commercialization of these compounds.

Some of the materials necessary for the manufacture of our compounds under development may, from time to time, be available either in limited quantities, or from a limited number of manufacturers, or both. Our contract manufacturers need to obtain these materials for our clinical trials and, potentially, for commercial distribution when and if we obtain marketing approval for these compounds. Suppliers may not sell us these materials at the time we need them or on commercially reasonable terms. If we are unable to obtain the materials needed to conduct our clinical trials, product testing and potential regulatory approval could be delayed, adversely affecting our ability to develop the product candidates. Similarly, if we are unable to obtain critical manufacturing materials after regulatory approval has been obtained for a product candidate, the commercial launch of that product candidate could be delayed or there could be a shortage in supply, which could materially affect our ability to generate revenues from that product candidate. If suppliers increase the price of manufacturing materials, the price for one or more of our products may increase, which may make our products less competitive in the marketplace. If it becomes necessary to change suppliers for any of these materials or if any of our suppliers experience a shutdown or disruption at the facilities used to produce these materials, due to technical, regulatory or other reasons, it could harm our ability to manufacture our products.

We depend on a limited number of technologies and, if our technologies are not commercially successful, we will have no alternative source of revenue.

Our primary business is the development and licensing of technology to (i) discover and engineer monoclonal antibodies and (ii) identify, isolate, characterize and promote or silence genes which control the death of cells in humans and plants. Our future revenue and profitability critically depend upon our ability, or our licensees' ability, to successfully develop apoptosis and senescence gene technology and later license or market such technology. We have conducted experiments on certain crops with favorable results and have conducted certain preliminary cell-line and animal experiments, which have provided us with data upon which we have designed additional research programs. However, we cannot give any assurance that our technology will be commercially successful or economically viable for any crops or human therapeutic applications.

In addition, no assurance can be given that adverse consequences might not result from the use of our technology such as the development of negative effects on humans or plants or reduced benefits in terms of crop yield or protection. Our failure to obtain market acceptance of our technology or the failure of our current or potential licensees to successfully commercialize such technology would have a material adverse effect on our business.

We outsource much of our research and development activities and, if we are unsuccessful in maintaining our alliances with these third parties, our research and development efforts may be delayed or curtailed.

We rely on third parties to perform much of our research and development activities. At this time, we have limited internal capabilities to perform our own research and development activities. Accordingly, the failure of third party

research partners to perform under agreements entered into with us, or our failure to renew important research agreements with these third parties, may delay or curtail our research and development efforts.

We have significant future capital needs and may be unable to raise capital when needed, which could force us to delay or reduce our research and development efforts.

As of March 31, 2015, we had a cash balance of \$469,980 and a working capital deficit of \$1,057,372. We received net proceeds in the amount of \$2,744,721 from the issuance of preferred stock, common stock and warrants on May 1, 2015 and May 7, 2015. Using our available reserves as of March 31, 2015 and the net proceeds from the issuance of preferred stock, common stock and warrants, we believe that we can operate according to our current business plan at least through November 30, 2015.

To date, we have generated minimal revenues and anticipate that our operating costs will exceed any revenues generated over the next several years. Therefore, we will be required to raise additional capital in the future in order to operate in accordance with our current business plan, and this funding may not be available on favorable terms, if at all. If we are unable to raise additional funds, we will need to do one or more of the following:

- delay, scale back or eliminate some or all of our research and development programs;
- provide a license to third parties to develop and commercialize our technology that we would otherwise seek to develop and commercialize ourselves;
- seek strategic alliances or business combinations;
- attempt to sell our company;
- cease operations; or
- declare bankruptcy.

In addition, in connection with any funding, if we need to issue more equity securities than our certificate of incorporation currently authorizes we will need stockholder approval. If stockholder approval is not obtained or if adequate funds are not available, we may be required to curtail operations significantly or to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates, products or potential markets. Investors may experience dilution in their investment from future offerings of our common stock. For example, if we raise additional capital by issuing equity securities, such an issuance would reduce the percentage ownership of existing stockholders. In addition, assuming the exercise of all options and warrants outstanding and the conversion of the preferred stock into common stock, as of March 31, 2015, we had 476,821,106 shares of common stock authorized but unissued and unreserved, which may be issued from time to time by our board of directors. Furthermore, we may need to issue securities that have rights, preferences and privileges senior to our common stock. Failure to obtain financing on acceptable terms would have a material adverse effect on our liquidity.

Since our inception, we have financed all of our operations through equity and debt financings. Our future capital requirements depend on numerous factors, including:

- the scope of our research and development;
- our ability to attract business partners willing to share in our development costs;
- our ability to successfully commercialize our technology;
- competing technological and market developments;
- our ability to enter into collaborative arrangements for the development, regulatory approval and commercialization of other products; and
- the cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights.

Our business depends upon our patents and proprietary rights and the enforcement of these rights. Our failure to obtain and maintain patent protection may increase competition and reduce demand for our technology.

As a result of the substantial length of time and expense associated with developing products and bringing them to the marketplace in the biotechnology industry, obtaining and maintaining patent and trade secret protection for technologies, products and processes is of vital importance. Our success will depend in part on several factors, including, without limitation:

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- our ability to obtain patent protection for our technologies and processes;
- our ability to preserve our trade secrets; and

our ability to operate without infringing the proprietary rights of other parties both in the United States and in foreign countries.

Our success depends in part upon the grant of patents from our pending patent applications. In addition, we have licensed certain antibody technology from The Scripps Research Institute, or Scripps, pursuant to a license agreement dated August 8, 2014. If we are in breach of this license agreement, and Scripps elects to terminate the agreement, this termination could have a material adverse effect to our business in the future.

Although we believe that our technology is unique and that it will not violate or infringe upon the proprietary rights of any third party, we cannot assure you that these claims will not be made or if made, could be successfully defended against. If we do not obtain and maintain patent protection, we may face increased competition in the United States and internationally, which would have a material adverse effect on our business.

Since patent applications in the United States are maintained in secrecy until patents are issued, and since publication of discoveries in the scientific and patent literature tend to lag behind actual discoveries by several months, we cannot be certain that we were the first creator of the inventions covered by our pending patent applications or that we were the first to file patent applications for these inventions.

In addition, among other things, we cannot assure you that:

- our patent applications will result in the issuance of patents;
- any patents issued or licensed to us will be free from challenge and if challenged, would be held to be valid;
- any patents issued or licensed to us will provide commercially significant protection for our technology, products and processes;
- other companies will not independently develop substantially equivalent proprietary information which is not covered by our patent rights;
- other companies will not obtain access to our know-how;
- other companies will not be granted patents that may prevent the commercialization of our technology; or

we will not incur licensing fees and the payment of significant other fees or royalties to third parties for the use of their intellectual property in order to enable us to conduct our business.

Our competitors may allege that we are infringing upon their intellectual property rights, forcing us to incur substantial costs and expenses in resulting litigation, the outcome of which would be uncertain.

Patent law is still evolving relative to the scope and enforceability of claims in the fields in which we operate. We are like most biotechnology companies in that our patent protection is highly uncertain and involves complex legal and technical questions for which legal principles are not yet firmly established. In addition, if issued, our patents may not contain claims sufficiently broad to protect us against third parties with similar technologies or products, or provide us with any competitive advantage.

The PTO and the courts have not established a consistent policy regarding the breadth of claims allowed in biotechnology patents. The allowance of broader claims may increase the incidence and cost of patent interference proceedings and the risk of infringement litigation. On the other hand, the allowance of narrower claims may limit the scope and value of our proprietary rights.

The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant problems and costs in protecting their proprietary rights in these foreign countries.

We could become involved in infringement actions to enforce and/or protect our patents. Regardless of the outcome, patent litigation is expensive and time consuming and would distract our management from other activities. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we could because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any patent litigation could limit our ability to continue our operations.

If our technology infringes the intellectual property of our competitors or other third parties, we may be required to pay license fees or damages.

If any relevant claims of third party patents that are adverse to us are upheld as valid and enforceable, we could be prevented from commercializing our technology or could be required to obtain licenses from the owners of such patents. We cannot assure you that such licenses would be available or, if available, would be on acceptable terms. Some licenses may be non-exclusive and, therefore, our competitors may have access to the same technology licensed to us. In addition, if any parties successfully claim that the creation or use of our technology infringes upon their intellectual property rights, we may be forced to pay damages, including treble damages.

Our security measures may not adequately protect our unpatented technology and, if we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology may be adversely affected.

Our success depends upon know-how, unpatentable trade secrets, and the skills, knowledge and experience of our scientific and technical personnel. We require all employees to disclose and assign to us the rights to their ideas, developments, discoveries and inventions. All of the current employees have also entered into Non-disclosure, Non-competition and Invention Assignment Agreements. We also attempt to enter into similar agreements with our consultants, advisors and research collaborators. We cannot assure you that adequate protection for our trade secrets, know-how or other proprietary information against unauthorized use or disclosure will be available.

We occasionally provide information to research collaborators in academic institutions and request that the collaborators conduct certain tests. We cannot assure you that the academic institutions will not assert intellectual property rights in the results of the tests conducted by the research collaborators, or that the academic institutions will grant licenses under such intellectual property rights to us on acceptable terms, if at all. If the assertion of intellectual property rights by an academic institution is substantiated, and the academic institution does not grant intellectual property rights to us, these events could limit our ability to commercialize our technology.

As we evolve from a company primarily involved in the research and development of our technology into one that is also involved in the commercialization of our technology, we may have difficulty managing our growth and expanding our operations.

As our business grows, we may need to add employees and enhance our management, systems and procedures. We may need to successfully integrate our internal operations with the operations of our marketing partners, manufacturers, distributors and suppliers to produce and market commercially viable products. We may also need to manage additional relationships with various collaborative partners, suppliers and other organizations. Expanding our business may place a significant burden on our management and operations. We may not be able to implement improvements to our management information and control systems in an efficient and timely manner and we may discover deficiencies in our existing systems and controls. Our failure to effectively respond to such changes may make it difficult for us to manage our growth and expand our operations.

We have no marketing or sales history and depend on third party marketing partners. Any failure of these parties to perform would delay or limit our commercialization efforts.

We have no history of marketing, distributing or selling biotechnology products, and we are relying on our ability to successfully establish marketing partners or other arrangements with third parties to market, distribute and sell a commercially viable product both here and abroad. Our business plan envisions creating strategic alliances to access needed commercialization and marketing expertise. We may not be able to attract qualified sub-licensees, distributors or marketing partners, and even if qualified, these marketing partners may not be able to successfully market human therapeutic applications developed with our technology. If our current or potential future marketing partners fail to provide adequate levels of sales, our commercialization efforts will be delayed or limited and we may not be able to generate revenue.

We will depend on joint ventures and strategic alliances to develop and market our technology and, if these arrangements are not successful, our technology may not be developed and the expenses to commercialize our technology will increase.

In its current state of development, our technology is not ready to be marketed to consumers. We intend to follow a multi-faceted commercialization strategy that involves the licensing of our technology to business partners for the purpose of further technological development, marketing and distribution. We have and are seeking business partners who will share the burden of our development costs while our technology is still being developed, and who will pay us royalties when they market and distribute products incorporating our technology upon commercialization. The establishment of joint ventures and strategic alliances may create future competitors, especially in certain regions abroad where we do not pursue patent protection. If we fail to establish beneficial business partners and strategic alliances, our growth will suffer and the continued development of our technology may be harmed.

Competition in the human therapeutic industry is intense and technology is changing rapidly. If our competitors market their technology faster than we do, we may not be able to generate revenues from the commercialization of our technology.

There are many large companies working in the therapeutic antibody field and similarly may develop technologies related to antibody discovery. These companies include Genentech, Inc., Amgen, Inc., Biogen Idec, Inc., Novartis AG, Janssen Biotech, Inc., Sanofi-aventis U.S. LLC, Regeneron Pharmaceuticals, Inc., Bristol-Myers Squibb Company, Teva Pharmaceutical Industries Ltd, Pfizer, Inc., Takeda Pharmaceutical Company Limited, Kyowa Hokko Kirin Pharma, Inc., Daiichi Sankyo Company Limited, Astellas Pharma, Inc., Merck & Co. Inc., AbbVie, Inc., Seattle Genetics, Inc., and Immunogen, Inc. Similarly, there are several small companies developing technologies for antibody discovery, including Adimab LLC, X-body Biosciences, Inc., Innovative Targeting Solutions, Inc., Heptares Therapeutics Ltd, Kymab Ltd., and Novimmune SA. Other companies are working on unique scaffolds, including Ablynx NV and ArGen-X N.V.

We may be unable to compete successfully against our current and future competitors, which may result in price reductions, reduced margins and the inability to achieve market acceptance for products containing our technology. Many of these competitors have substantially greater financial, marketing, sales, distribution and technical resources than us and have more experience in research and development, clinical trials, regulatory matters, manufacturing and marketing. We anticipate increased competition in the future as new companies enter the market and new technologies become available. Our technology may be rendered obsolete or uneconomical by technological advances or entirely different approaches developed by one or more of our competitors, which will prevent or limit our ability to generate revenues from the commercialization of our technology.

Our business is subject to various government regulations and, if we or our licensees are unable to obtain regulatory approval, we may not be able to continue our operations.

Use of our technology, if developed for human therapeutic applications, is subject to FDA regulation. The FDA must approve any drug or biologic product before it can be marketed in the United States. In addition, prior to being sold outside of the United States, any products resulting from the application of our human therapeutic technology must be approved by the regulatory agencies of foreign governments. Prior to filing a new drug application or biologics license application with the FDA, we would have to perform extensive clinical trials, and prior to beginning any clinical trial, we would need to perform extensive preclinical testing which could take several years and may require substantial expenditures.

We have performed clinical trials in connection with our human therapeutic applications, which are subject to FDA approval. Additionally, federal, state and foreign regulations relating to human therapeutic applications developed through biotechnology are subject to public concerns and political circumstances, and, as a result, regulations have changed and may change substantially in the future. Accordingly, we may become subject to governmental regulations or approvals or become subject to licensing requirements in connection with our research and development efforts. We may also be required to obtain such licensing or approval from the governmental regulatory agencies described above, or from state agencies, prior to the commercialization of our human therapeutic technology. If unfavorable governmental regulations are imposed on our technology or if we fail to obtain licenses or approvals in a timely manner, we may not be able to continue our operations.

Preclinical studies of our human therapeutic applications may be unsuccessful, which could delay or prevent regulatory approval.

Preclinical studies may reveal that our human therapeutic technology is ineffective or harmful, and/or may be unsuccessful in demonstrating efficacy and safety of our human therapeutic technology, which would significantly limit the possibility of obtaining regulatory approval for any drug or biologic product manufactured with our technology. The FDA requires submission of extensive preclinical, clinical and manufacturing data to assess the efficacy and safety of potential products. Any delay in receiving approval for any applicable IND from the FDA would result in a delay in the commencement of the related clinical trial. Additionally, we could be required to perform additional preclinical studies prior to the FDA approving any applicable IND. Furthermore, the success of preliminary studies does not ensure commercial success, and later-stage clinical trials may fail to confirm the results of the preliminary studies.

Our success will depend on the success of our clinical trials of our human therapeutic applications.

It may take several years to complete the clinical trials of a product candidate, and failure of one or more of our clinical trials can occur at any stage of testing. We believe that the development of our product candidate involves significant risks at each stage of testing. If clinical trial difficulties and failures arise, our product candidate may never be approved for sale or become commercially viable.

There are a number of difficulties and risks associated with clinical trials. These difficulties and risks may result in the failure to receive regulatory approval to sell our product candidate or the inability to commercialize our product candidate. The possibility exists that:

we may discover that the product candidate does not exhibit the expected therapeutic results in humans, may cause harmful side effects or have other unexpected characteristics that may delay or preclude regulatory approval or limit commercial use if approved;

the results from early clinical trials may not be statistically significant or predictive of results that will be obtained from expanded advanced clinical trials;

institutional review boards or regulators, including the FDA, may hold, suspend or terminate our clinical research or the clinical trials of our product candidate for various reasons, including noncompliance with regulatory requirements or if, in their opinion, the participating subjects are being exposed to unacceptable health risks;

subjects may drop out of our clinical trials;

our preclinical studies or clinical trials may produce negative, inconsistent or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical studies or clinical trials; and

the cost of our clinical trials may be greater than we currently anticipate.

Clinical trials for our human therapeutic technology will be lengthy and expensive and their outcome is uncertain.

Before obtaining regulatory approval for the commercial sales of any product containing our technology, we must demonstrate through clinical testing that our technology and any product containing our technology is safe and effective for use in humans. Conducting clinical trials is a time-consuming, expensive and uncertain process and typically requires years to complete. In our industry, the results from preclinical studies and early clinical trials often are not predictive of results obtained in later-stage clinical trials. Some products and technologies that have shown promising results in preclinical studies or early clinical trials subsequently fail to establish sufficient safety and efficacy data necessary to obtain regulatory approval. At any time during clinical trials, we or the FDA might delay or halt any clinical trial for various reasons, including:

occurrence of unacceptable toxicities or side effects;

ineffectiveness of the product candidate;

· negative or inconclusive results from the clinical trials, or results that necessitate additional studies or clinical trials;

· delays in obtaining or maintaining required approvals from institutions, review boards or other reviewing entities at clinical sites;

· delays in patient enrollment; or

· insufficient funding or a reprioritization of financial or other resources.

Any failure or substantial delay in successfully completing clinical trials and obtaining regulatory approval for our product candidates could severely harm our business.

If our clinical trials for our product candidates are delayed, we would be unable to commercialize our product candidates on a timely basis, which would materially harm our business.

Planned clinical trials may not begin on time or may need to be restructured after they have begun. Clinical trials can be delayed for a variety of reasons, including delays related to:

- obtaining an effective IND or regulatory approval to commence a clinical trial;
- negotiating acceptable clinical trial agreement terms with prospective trial sites;
- obtaining institutional review board approval to conduct a clinical trial at a prospective site;
 - recruiting qualified subjects to participate in clinical trials;
 - competition in recruiting clinical investigators;
- shortage or lack of availability of supplies of drugs for clinical trials;
- the need to repeat clinical trials as a result of inconclusive results or poorly executed testing;
 - the placement of a clinical hold on a study;

the failure of third parties conducting and overseeing the operations of our clinical trials to perform their contractual or regulatory obligations in a timely fashion; and

exposure of clinical trial subjects to unexpected and unacceptable health risks or noncompliance with regulatory requirements, which may result in suspension of the trial.

We believe that our product candidates have significant milestones to reach, including the successful completion of clinical trials, before commercialization. If we have significant delays in or termination of clinical trials, our financial results and the commercial prospects for our product candidates or any other products that we may develop will be adversely impacted. In addition, our product development costs would increase and our ability to generate revenue could be impaired.

Any inability to license from third parties their proprietary technologies or processes which we use in connection with the development of our technology may impair our business.

Other companies, universities and research institutions have or may obtain patents that could limit our ability to use our technology in a product candidate or impair our competitive position. As a result, we would have to obtain licenses from other parties before we could continue using our technology in a product candidate. Any necessary licenses may not be available on commercially acceptable terms, if at all. If we do not obtain required licenses, we may not be able to develop our technology into a product candidate or we may encounter significant delays in development while we redesign methods that are found to infringe on the patents held by others.

We face potential product liability exposure far in excess of our limited insurance coverage.

We may be held liable if any product we or our collaborators develop causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Regardless of merit or eventual outcome, product liability claims could result in decreased demand for our product candidates, injury to our reputation, withdrawal of patients from our clinical trials, substantial monetary awards to trial participants and the inability to commercialize any products that we may develop. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling or testing our products. We have obtained limited product liability insurance coverage for our clinical trials; however, our insurance may not reimburse us or may not be sufficient to reimburse us for expenses or losses we may suffer. Moreover, if insurance coverage becomes more expensive, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If we obtain marketing approval for any of our product candidates, we intend to expand our insurance coverage to include the sale of commercial products, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, juries have awarded large judgments in class action lawsuits for claims based on drugs that had unanticipated side effects. In addition, the pharmaceutical and biotechnology industries, in general, have been subject to significant medical malpractice litigation. A successful product liability claim or series of claims brought against us could harm our reputation and business and would decrease our cash reserves.

We depend on our key personnel and, if we are not able to attract and retain qualified scientific and business personnel, we may not be able to grow our business or develop and commercialize our technology.

We are highly dependent on our scientific advisors, consultants and third-party research partners. Our success will also depend in part on the continued service of our key employees and our ability to identify, hire and retain additional qualified personnel in an intensely competitive market. Additionally, we do not have employment agreements with our key employees. We do not maintain key person life insurance on any member of management. The failure to attract and retain key personnel could limit our growth and hinder our research and development efforts.

Certain provisions of our charter, by-laws, Delaware law and stock plans could make a takeover difficult.

Certain provisions of our certificate of incorporation and by-laws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. Our certificate of incorporation authorizes our board of directors to issue, without stockholder approval, 5,000,000 shares of preferred stock with voting, conversion and other rights and preferences that could adversely affect the voting power or other rights of the holders of our common stock.

In addition, we are subject to the Business Combination Act of the Delaware General Corporation Law which, subject to certain exceptions, restricts certain transactions and business combinations between a corporation and a stockholder owning 15% or more of the corporation's outstanding voting stock for a period of three years from the date such stockholder becomes a 15% owner. These provisions may have the effect of delaying or preventing a change of control of us without action by our stockholders and, therefore, could adversely affect the value of our common stock.

Furthermore, in the event of our merger or consolidation with or into another corporation, or the sale of all or substantially all of our assets in which the successor corporation does not assume our outstanding equity awards or issue equivalent equity awards, our current equity plans require the accelerated vesting of such outstanding equity awards.

Risks Related to Our Common Stock

Penny stock regulations may impose certain restrictions on marketability of our securities.

The SEC has adopted regulations which generally define a “penny stock” to be any equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. As a result, our common stock is subject to rules that impose additional sales practice requirements on broker dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by such rules, the broker dealer must make a special suitability determination for the purchase of such securities and have received the purchaser’s written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker dealer must also disclose the commission payable to both the broker dealer and the registered representative, current quotations for the securities and, if the broker dealer is the sole market maker, the broker dealer must disclose this fact and the broker dealer’s presumed control over the market.

Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Broker-dealers must wait two business days after providing buyers with disclosure materials regarding a security before effecting a transaction in such security. Consequently, the “penny stock” rules restrict the ability of broker dealers to sell our securities and affect the ability of investors to sell our securities in the secondary market and the price at which such purchasers can sell any such securities, thereby affecting the liquidity of the market for our common stock.

Stockholders should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- control of the market for the security by one or more broker-dealers that are often related to the promoter or issuer;
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- “boiler room” practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Our management is aware of the abuses that have occurred historically in the penny stock market.

Our management and other affiliates have significant control of our common stock and could significantly influence our actions in a manner that conflicts with our interests and the interests of other stockholders.

As of March 31, 2015, our executive officers and directors together beneficially own approximately 27% of the outstanding shares of our common stock, assuming the exercise of options and warrants which are currently exercisable or will become exercisable within 60 days of March 31, 2015, held by these stockholders. Additionally, there are four shareholders that each beneficially own more than 5% of the outstanding shares of our common stock. As a result, these stockholders, acting together, will be able to exercise significant influence over matters requiring approval by our stockholders, including the election of directors, and may not always act in the best interests of other stockholders. Such a concentration of ownership may have the effect of delaying or preventing a change in control of us, including transactions in which our stockholders might otherwise receive a premium for their shares over then-current market prices.

A significant portion of our total outstanding shares of common stock may be sold in the market in the near future, which could cause the market price of our common stock to drop significantly.

As of March 31, 2015, we had 13,975,140 shares of our common stock issued and outstanding and 380 shares of convertible preferred stock outstanding which can convert into 190,000 shares of common stock. As of March 31, 2015, all of our outstanding shares of common stock are registered pursuant to registration statements on Forms S-1 or S-3 or are either eligible to be sold under Rule 144 of the Securities Act of 1933, as amended, or are in the public float. In addition, we have registered 1,876,722 shares of our common stock underlying warrants previously issued and still outstanding and we registered 4,917,670 shares of our common stock underlying options granted or to be granted under our stock option plans. Consequently, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, may have a material adverse effect on our stock price.

Our common stock has a limited trading market, which could limit your ability to resell your shares of common stock at or above your purchase price.

Our common stock is currently quoted on the OTCQB Marketplace, operated by the OTC Markets Group, or OTCQB, and our common stock currently has a limited trading market. We cannot assure you that an active trading market will develop or, if developed, will be maintained. As a result, our stockholders may find it difficult to dispose of shares of our common stock and, as a result, may suffer a loss of all or a substantial portion of their investment.

The market price of our common stock may fluctuate and may drop below the price you paid.

We cannot assure you that you will be able to resell the shares of our common stock at or above your purchase price. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

quarterly variations in operating results;
the progress or perceived progress of our research and development efforts;
changes in accounting treatments or principles;
announcements by us or our competitors of new technology, product and service offerings, significant contracts, acquisitions or strategic relationships;
additions or departures of key personnel;
future offerings or resales of our common stock or other securities;
stock market price and volume fluctuations of publicly-traded companies in general and development companies in particular; and
general political, economic and market conditions.

For example, during the quarter ended March 31, 2015, our common stock traded between \$0.51 and \$0.90 per share.

Because we do not intend to pay, and have not paid, any cash dividends on our shares of common stock, our stockholders will not be able to receive a return on their shares unless the value of our common stock appreciates and they sell their shares.

We have never paid or declared any cash dividends on our common stock, and we intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Therefore, our stockholders will not be able to receive a return on their investment unless the value of our common stock appreciates and they sell their shares.

Our stockholders may experience substantial dilution as a result of the conversion of convertible preferred stock, the exercise of options and warrants to purchase our common stock, or due to anti-dilution provisions relating to any on the foregoing.

As of March 31, 2015, we have outstanding 380 shares of convertible preferred stock which may convert into 190,000 shares of our common stock and warrants to purchase 3,977,594 shares of our common stock. In addition, as of March 31, 2015, we have reserved 4,919,924 shares of our common stock for issuance upon the exercise of options

granted or available to be granted pursuant to our stock option plan, all of which may be granted in the future. Furthermore, in connection with the preferred stock agreements, we are required to reserve an additional 116,236 shares of common stock. The conversion of the convertible preferred stock and the exercise of these options and warrants will result in dilution to our existing stockholders and could have a material adverse effect on our stock price. The conversion price of the convertible preferred stock is also subject to certain anti-dilution adjustments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibits.

Exhibit No.	Description
10.1	Consulting Agreement, dated as of January 9, 2015, by and between Sevion Therapeutics, Inc. and The David Stephen Group LLC (Incorporated by reference to Exhibit 10.6 on the Form 10-Q filed on February 17, 2015).
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith).
31.2	Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith).
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. (furnished herewith).
32.2	Certification of principal financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350. (furnished herewith).
101.1	

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Financial Statements from the Quarterly Report on Form 10-Q of Sevion Therapeutics, Inc. for the quarter ended March 31, 2015, filed on May 14, 2015, formatted in XBRL: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Stockholder's Equity; (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to Condensed Consolidated Financial Statements. (filed herewith).

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEVION THERAPEUTICS, INC.

DATE: May 14, 2015 By: /s/ David Rector
David Rector
Chief Executive Officer
(Principal Executive Officer)

DATE: May 14, 2015 By: /s/ Joel Brooks
Joel Brooks
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)