Sevion Therapeutics, Inc.
Form 10-Q
November 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

or

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

For the transition period from _ to _____

Commission File No. 001-31326

SEVION THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

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

10210 Campus Point Drive, Suite 150

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: x No: ¨

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

Yes: x No: ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company or an emerging growth company. See definitions of "accelerated filer", "large accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ¨

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

Yes: ¨ No: x

51,414,613 shares of the issuer's common stock, par value $0.01 per share, were outstanding as of October 31, 2017.

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, Fabrus, Inc., a Delaware corporation and Sevion Sub Ltd., an Israeli company (collectively, “Sevion” or the “Company”), believe that the disclosures are adequate to assure that the information presented is not misleading in any material respect.

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

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2017	June 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$957,874	$33,198
Prepaid expenses and other current assets	80,582	251,223
Total Current Assets	1,038,456	284,421
Equipment, furniture and fixtures, net	42,771	50,979
Acquired research and development	5,500,000	5,500,000
Security deposits	9,800	9,800
TOTAL ASSETS	$6,591,027	$5,845,200
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$108,569	$191,597
Accrued expenses	255,385	330,301
Notes Payable	712,335	407,122
Derivative Liability	-	1,844,974
Total Current Liabilities	1,076,289	2,773,994
Deferred tax liability	2,200,000	2,200,000
TOTAL LIABILITIES	3,276,289	4,973,994
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $0.01 par value, authorized 1,228,500 shares Series C shares 158,336 issued and outstanding at June 30, 2017 (liquidation preference of $1,583 at June 30, 2017)	-	1,583
Convertible preferred stock, $0.01 par value, authorized 5,000,000 shares Series A 10,297 shares issued and 270 outstanding at June 30, 2017		

(liquidation preference of $280,418 at June 30, 2017)	-	3
Common stock, $0.01 par value, authorized 500,000,000 shares, issued and outstanding 51,414,613 and 29,202,799 at September 30, 2017 and June 30, 2017 respectively	514,146	292,028
Capital in excess of par	126,006,164	122,401,918
Accumulated deficit	(123,205,572)	(121,824,326)
Total Stockholders' Equity	3,314,738	871,206
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$6,591,027	$5,845,200

See Notes to Condensed Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,	
	2017	2016
Operating expenses:		
General and administrative	491,810	480,020
Research and development	135,639	280,240
Gain on sale of patents	-	(149,728)
Impairment of acquired R&D	-	1,600,000
Total operating expenses	627,449	2,210,532
Loss from operations	(627,449)	(2,210,532)
Other non-operating income (expense)		
Change in fair value of stock right	-	428,315
Change in fair value of warrant liability	-	208,714
Change in fair value of note derivative	(512,104)	-
Interest expense	(127,425)	(74)
Net loss before income tax benefit	(1,266,978)	(1,573,577)
Income tax benefit	-	640,000
Net Loss	(1,266,978)	(933,577)
Preferred dividends	(114,268)	(9,502)
Net loss applicable to common shares	$(1,381,246)	$(943,079)
Basic and diluted net loss per common share	$(0.03)	$(0.05)
Basic and diluted weighted-average number of common shares outstanding	41,480,470	20,496,385

See Notes to Consolidated Financial Statements

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SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

(unaudited)

	Preferred Stock		Common Stock		Capital in Excess	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	of Par Value	Deficit	Equity
Balance at June 30, 2017	158,606	$1,586	29,202,799	$292,028	$122,401,918	$(121,824,326)	$871,206
Stock issued for Cash	-	-	10,000,000	100,000	1,400,000	-	1,500,000
Stock issued due to note conversion	-	-	7,704,903	77,049	2,122,418	-	2,199,467
Stock-based compensation	-	-	-	-	626	-	626
Preferred stock converted into common stock	(158,606)	(1,586)	4,468,800	44,688	(43,102)	-	-
Deemed dividend - preferred stock	-	-	-	-	114,268	(114,268)	-
Dividends paid	-	-	38,111	381	10,036	-	10,417
Net loss	-	-	-	-	-	(1,266,978)	(1,266,978)
Balance at September 30, 2017	$-	-	51,414,613	$514,146	$126,006,164	$(123,205,572)	$3,314,738

See Notes to Consolidated Financial Statements

SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	$(1,266,978)	$(933,577)
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash (income) expense related to change in fair value of:		
- stock right	-	(428,315)
- warrant liability	-	(208,714)
Noncash charge for accretion of debt discount	122,821	
Noncash charge for note conversion to common stock	512,104	
Gain on sale of patents	-	(149,728)
Stock-based compensation expense	626	8,205
Depreciation and amortization	8,208	11,635
Write-off of intangibles	-	1,600,000
Deferred Tax	-	(640,000)
Deferred rent	-	(16,204)
(Increase) decrease in operating assets:		
Prepaid expenses and other current assets	170,641	82,973
Security deposit	-	(5,000)
Increase (decrease) in operating liabilities:		
Accounts payable	(83,031)	54,569
Accrued expenses	(39,715)	50,412
Net cash used in operating activities	(575,324)	(573,744)
Cash flows from investing activities:		
Proceeds from sale of patents	-	50,000
Net cash provided by (used in) investing activities	-	50,000
Cash flows from financing activities:		
Proceeds from issuance of common stock	1,500,000	-
Net cash provided by financing activities	1,500,000	-
Net (decrease) increase in cash and cash equivalents	924,676	(523,744)
Cash and cash equivalents at beginning of period	33,198	810,808
Cash and cash equivalents at end of period	$957,874	$287,064

See Notes to Consolidated Financial Statements

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SEVION THERAPEUTICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

	Three Months Ended September 30, 2017	2017
Supplemental disclosure of non-cash transactions:		
Conversion of convertible note into common stock	$2,199,467	$-
Conversion of preferred stock into common stock	$43,102	-
Issuance of common stock for dividend payments on preferred stock	$10,417	-
Dividends accrued on preferred stock	$-	$9,502
Deemed dividend - preferred stock	$114,268	$-

See Notes to Consolidated Financial Statements

SEVION THERAPEUTICS, 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 (the "SEC"). 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, 2017.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary to present fairly its financial position as of September 30, 2017, the results of its operations for the three months ended September 30, 2017 and cash flows for the three months ended September 30, 2017.

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 $123,205,572 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 May 31, 2017, the Company entered into an agreement (the "Agreement"), which was amended on August 1, 2017, with Sevion Acquisition Co. Ltd., an Israeli company and the Company's wholly-owned subsidiary ("Acquisition

Subsidiary"), and Eloxx Pharmaceuticals Ltd., an Israeli company ("Eloxx"), pursuant to which Eloxx will merge with and into Acquisition Subsidiary, with Eloxx surviving as the Company's wholly-owned subsidiary (the "Transaction"). Consummation of the Transaction is subject to certain closing conditions, including, among other things: (i) approval of the Transaction by the stockholders of Eloxx; (ii) the successful consummation of separate equity financings resulting in cash investments in the Company's business and Eloxx of no less than $12,000,000 each (the "Financing Covenant"); (iii) the entering into a lockup agreement and registration rights agreement by and among the Company, certain of the Company's shareholders and certain holders of Registrable Securities (as defined in the Agreement); (iv) the use by the Company of reasonable best efforts to up-list its Common Stock to The Nasdaq Capital Market; (v) delivery to Eloxx of executed resignation letters by each of the Company's directors and officers, with an effective date to be as agreed upon by the Company and Eloxx; (vi) the adoption by the Company of an amendment to its certificate of incorporation to change its corporate name to Eloxx Pharmaceuticals, Inc.; and (vii) conversion of all of the Company's issued and outstanding shares of preferred stock into shares of its Common Stock. Pursuant to the Agreement, the Transaction must close, if it closes, on or prior to December 31, 2017.

As of September 30, 2017, the Company had cash in the amount of $957,874. The Company estimates that its cash as of September 30, 2017 will cover its operating expenses through December 31, 2017. While the Company believes that consummation of the Transaction would mitigate the substantial doubt raised by its historical operating results and allow the Company to continue its current operations as a going concern for at least the next 12 months, the Company cannot predict with certainty whether the Transaction will be successfully completed or if the proceeds received from the fulfillment of its Financial Covenant will be sufficient to allow it to continue its current operations as a going concern.

If the Company is unable to raise additional funds or complete the Transaction, it will need to do one or more of the following:

- 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.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. Consequently, the audit reports prepared by the Company's independent registered public accounting firm relating to the Company's consolidated financial statements for the years ended June 30, 2017, 2016 and 2015 include an explanatory paragraph expressing substantial doubt about the Company's ability to continue as a going concern. These interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Intangibles:

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.

The Company determined enterprise value to be the most reasonable measurement of Intangibles for purposes of the analysis. The Company concluded that there was no impairment based on the Company's market value for the three months ended September 30, 2017 and determined that there was an impairment of $1,600,000 for the three months ended September 30, 2016.

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:

	September 30,	
	2017	2016
Common Stock to be issued upon conversion of convertible preferred stock - Series A	-	506,666
Common Stock to be issued upon conversion of convertible preferred stock - Series C	-	2,350,040
Common Stock to be issued upon conversion of notes payable and accrued interest	2,542,905	-
Outstanding warrants	5,011,591	8,660,915
Outstanding options	2,319,267	1,915,338
Total potentially dilutive shares of Common Stock	9,873,763	13,432,959

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.

There was no stock option activity under the Company’s 2008 Plan and 1998 Plan for the three months ended September 30, 2017. Total options outstanding at September 30, 2017 were 2,319,267 with a weighted average exercise price of $2.59. Total options exercisable were 2,300,615 as of September 30, 2017.

As of September 30, 2017, the aggregate intrinsic value of stock options outstanding was $0 with a weighted-average remaining term of 6.12 years. As of September 30, 2017, the Company had 5,119,433 shares available for future stock option grants.

Stock-based compensation expense for the three months ended September 30, 2017 and September 30, 2016 was $626 and $8,205, respectively.

As of September 30, 2017, total stock-based compensation expense not yet recognized related to stock option grants was $11,266, which will be recognized over the next 14 months.

Note 6 – Notes Payable:

On July 28, 2017, the Company received gross proceeds of $1,500,000 from OPKO Health, Inc. (“OPKO”), one of the Company’s existing shareholders, pursuant to a subscription agreement (the “Subscription Agreement”) by and among the Company, Eloxx, OPKO and certain other subscribers that the Company entered into in connection with the Transaction. Under the Subscription Agreement, the Company sold 10,000,000 shares of its Common Stock to OPKO at a price of $0.15 per share.

The sale of Common Stock to OPKO triggered the mandatory conversion feature in the Company’s outstanding convertible promissory notes (the “Convertible Notes”), such that all of the Convertible Notes became mandatorily convertible on July 28, 2017. The Company recorded a loss of $512,104 as a result of conversion of the Convertible Notes in the principal amount of $1,000,000 and related interest, based on the fair value of the Common Stock issued as a result of the conversion and the carrying amount of the Convertible Notes and related derivative liability. All Convertible Notes ceased accruing interest as of July 28, 2017, the date of conversion.

A portion of the Convertible Notes with principal amount of $750,000 and accrued interest of $20,490, was converted into 7,704,903 shares of Common Stock during the three months ended September 30, 2017.

The remaining Convertible Notes, with principal amount of $250,000 and accrued interest of $4,290, will convert into 2,542,905 shares of Common Stock immediately prior to consummation of the Transaction. The Company recorded the 2,542,905 shares of Common Stock to be issued as a liability in the condensed consolidated balance sheet as of September 30, 2017 at the fair value of the Common Stock as of that date.

Note 7 – Income Taxes:

The deferred tax liability in the amount of $2,200,000 remained in connection with the related Acquired Research and Development from the Company’s acquisition of Fabrus, Inc. in May 2014.

No current provision for income taxes has been made for the three months ended September 30, 2017 and 2016, respectively, given the Company’s losses in 2017 and 2016 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 of 1986 regarding changes in ownership of corporations.

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Note 8 - Fair Value Measurements:

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2017 and June 30, 2017:

	Carrying	Fair Value Measurement at Sept 30, 2017		
	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$957,874	$957,874	$ -	$-

	Carrying	Fair Value Measurement at June 30, 2017		
	Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$33,198	$33,198	$ -	$-
Derivative Liability	$1,844,974	$-	$ -	$1,844,974

The following table summarizes the changes in fair value of the Company’s Level 3 financial investments:

For the quarter ended September 30, 2017

Beginning Balance	$1,844,974
Change in fair value of derivative liability	72,672
Conversion to common stock	(1,917,646)
Ending Balance	$-

Note 9 – Preferred Stock:

Series A:

On July 1, 2017, a holder of the Company's outstanding Series A Preferred Stock exchanged 200 shares of Series A Preferred Stock for 800,000 shares of Common Stock, at an exchange price of $0.25 per share, pursuant to a preferred stock exchange agreement.

On August 11, 2017, pursuant to a Preferred Stock Exchange Agreement, the Company and the holder of the Company's then outstanding 70 shares of Series A Preferred Stock agreed to amend the exchange price of the Series A Preferred Stock from $0.25 per share to $0.10 per share. The Company reviewed the authoritative guidance and determined that the amendment of the exchange price was an extinguishment of the Series A Preferred Stock, not a modification. Management believes that the amendment of the exchange price significantly changes a substantive contractual term of the Series A Preferred Stock provisions which results in an extinguishment. The Company further determined that the difference between carrying value and fair value of the Series A Preferred Stock as a result of the amendment of the exchange price is a deemed dividend to the Series A Preferred Stockholders rather than an expense of the Company, because the amendment of the exchange price is akin to a dividend to the Series A Preferred Stockholders to facilitate the contemplated merger transaction, rather than to enable a capital restructure. Consequently a deemed dividend of $114,268, representing the estimated difference between the carrying value and fair value of the Series A Preferred Stock from amendment of the exchange price, is recorded in the equity section of the balance sheet, and included in the loss per share calculation for the quarter ended September 30, 2017.

On August 24, 2017, a holder of the Company's remaining outstanding Series A Preferred Stock exchanged 70 shares of Series A Preferred Stock for 700,000 shares of Common Stock, at an exchange price of $0.10 per share, pursuant to the preferred stock exchange agreement entered into on August 11, 2017.

Series C:

During the three months ended September 30, 2017, 158,336 shares of Series C Preferred Stock were exchanged for 2,968,800 shares of Common Stock. Each share of Series C Preferred Stock was exchanged for 18.75 shares of Common Stock.

Note 10 – Gain on Sale of Patents:

On September 8, 2015, the Company entered into an agreement to sell certain Intellectual Property consisting of patents, patent applications and license agreements related to those patents and patent applications. The Company is not actively developing any program related to the Intellectual Property included in the agreement. On July 19, 2016, the transaction closed and the Company received $50,000 cash up front and a 19.9% equity interest in the acquiring company. In addition, the reserve established by the Company in the amount of $99,728 for a potential grant liability was reversed as this was assumed by the acquiring company.

The stock received has been recorded under the cost method of accounting. It was determined that the fair value of the Intellectual Property sold and the equity received were $0. Therefore, there is no asset reflected in the consolidated balance sheet as of September 30, 2016. A gain of $149,728 was recognized as other income due to the cash received and the liability relieved exceeding the fair value of the Intellectual Property sold.

Note 11 – 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 FASB issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires that a company recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which the company expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. In July 2015, the FASB approved a proposal to defer the effective date of the guidance

until annual and interim reporting periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company is in the process of evaluating the effect of adoption.

In August 2014, the FASB issued ASU No. 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” (“ASU 2014-15”). ASU 2014-15 amended existing guidance related to the disclosures about an entity’s ability to continue as a going concern. These amendments are intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. These amendments provide guidance to an organization’s management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the financial statement footnotes. The amendments are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. The Company has adopted this standard and there was no material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, which supersedes FASB ASC 840. All entities will be required to record operating leases on the balance sheet as assets and liabilities instead of recording only capital (finance) leases on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2017. The Company is in the process of evaluating the effect of adoption.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation – Stock Compensation: Improvements to Employee Share Based Payment Accounting,” which is intended to simplify several aspects of accounting for share based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company has adopted this standard and there was no material impact on the consolidated financial statements. The Company continues to use the actual average forfeiture rate over the preceding five years for reporting purposes.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which addresses the presentation and classification of certain cash receipts and cash payments in the statement of cash flows under Accounting Standards Codification 230. The standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within those fiscal years. Early application is permitted. The Company does not anticipate that the adoption of this standard will have a material impact on the Company’s financial statements.

In July 2017, the FASB issued ASU No. 2017-11, which amends the FASB Accounting Standards Codification. Part I of ASU No. 2017-11, Accounting for Certain Financial Instruments with Down Round Features, changes the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. The guidance is effective for reporting periods beginning after December 15, 2019 and interim periods within those fiscal years. The Company is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

The Company has assessed other recently issued accounting pronouncements and has determined that they do not apply.

Note 12 – Subsequent Events

The Company has evaluated for any subsequent events through the date of issuance of the financial statements and has determined that no significant subsequent events have occurred.

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

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, Fabrus, Inc., a Delaware corporation incorporated in 2011 and Sevion Sub Ltd., an Israeli company incorporated in 2017, 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. Our product candidates are derived from multiple key proprietary technology platforms, such as: cell-based arrayed antibody discovery and ultralong antibody scaffolds.

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 multispanning 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 multispanning 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 multispanning 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. These cell surface proteins are validated, therapeutically high value targets in the disease fields of oncology and diabetes. Additionally, we have early stage antibodies against other undisclosed targets which were derived from our addressed library platform.

Research Program

We are advancing SVN001 through preclinical development where it has demonstrated potent activity as well as advancing SVN002 through preclinical development. However, given our limited capital resources, we have temporarily reduced 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., or Janssen, to discover antibodies using our spatially addressed library platform. The collaboration, facilitated by the Johnson & Johnson Innovation Center in California, included discovery of antibodies against multiple targets in several therapeutic areas. We and Janssen jointly conducted research on antibodies discovered by us, and Janssen has an option to an exclusive license to develop, manufacture, and commercialize candidates which result from the collaboration. Under the terms of the agreement, we received an up-front payment and research support payments for activities conducted in collaboration with Janssen. The research activities concluded in the third quarter of fiscal 2016 and the final report was transferred to 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.

In order to pursue the above research initiatives, as well as other research initiatives that may arise, we will use our cash reserves. 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.

Intellectual Property

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

Eloxx Transaction

On May 31, 2017, we entered into an agreement, or the Agreement, which was amended on August 1, 2017, with Sevion Acquisition Co. Ltd., an Israeli company and our wholly-owned subsidiary, or Acquisition Subsidiary, and Eloxx Pharmaceuticals Ltd., an Israeli company, or Eloxx, pursuant to which Eloxx will merge with and into Acquisition Subsidiary, with Eloxx surviving as our wholly-owned subsidiary. We refer to the transaction with Eloxx herein as the Transaction. Consummation of the Transaction is subject to certain closing conditions, including, among other things: (i) approval of the Transaction by the stockholders of Eloxx; (ii) the successful consummation of separate equity financings resulting in cash investments in our business and Eloxx of no less than $12,000,000 each, or the Financing Covenant; (iii) the entering into a lockup agreement and registration rights agreement by and among us, certain of our shareholders and certain holders of Registrable Securities (as defined in the Agreement); (iv) the use by us of reasonable best efforts to up-list our common stock to The Nasdaq Capital Market; (v) delivery to Eloxx of executed resignation letters by each of our directors and officers, with an effective date to be as agreed upon by us and Eloxx; (vi) the adoption by us of an amendment to our certificate of incorporation to change our corporate name to Eloxx Pharmaceuticals, Inc.; and (vii) conversion of all of our issued and outstanding shares of preferred stock into

shares of our common stock. Pursuant to the Agreement, the Transaction must close, if it closes, on or prior to December 31, 2017.

Subject to the terms and conditions of the Agreement, at the closing of the Transaction, or the Effective Time, all of the ordinary and preferred shares of Eloxx's stock issued and outstanding as of the Effective Time will be converted, on a pro rata basis, into the right to receive such number of shares of our common stock, which shall constitute, in the aggregate, 71.60% of our issued and outstanding share capital as of the Effective Time, calculated on a Fully Diluted As Converted Basis (as defined in the Agreement), but excluding any then outstanding warrants and options to acquire shares of our common stock and any of the warrants and options to acquire ordinary shares of Eloxx that are assumed by us in connection with the Transaction (as described below), respectively, which amount is subject to adjustment prior to the Effective Time upon the occurrence of specified events, including to account for (i) any additional shares of our capital stock that may be issued prior to the Effective Time and (ii) the payment of expenses by us above certain thresholds (as described in the Agreement) as of the Effective Time. In connection with the Transaction, we will also, at the Effective Time, and subject to the terms of the Agreement, assume each of the (i) outstanding stock options of Eloxx and (ii) outstanding warrants of Eloxx, each of which will be converted into a stock option or warrant, as applicable, to acquire such number of shares of our common stock equal to the number of Eloxx ordinary shares issuable upon exercise of the award multiplied by the Exchange Ratio (as defined in the Agreement), and we will also assume Eloxx's 2013 Share Ownership and Stock Option Plan to the extent it pertains to the Eloxx stock options that are assumed.

On July 28, 2017, we received gross proceeds of $1,500,000 from OPKO Health, Inc., or OPKO, one of our existing shareholders, pursuant to a subscription agreement, which we refer to as the Subscription Agreement, by and among us, Eloxx, OPKO and certain other subscribers that we entered into in connection with the Transaction. The funds we received from OPKO satisfied a portion of our Financing Covenant. If the Transaction does not close, we will not be entitled to keep any portion of the money that we ultimately raise in fulfillment of our Financing Covenant, with the exception of the $1.5 million in gross proceeds we received from OPKO, which is not conditioned upon closing of the Transaction.

On July 1, 2017, pursuant to a preferred stock exchange agreement, certain of our shareholders exchanged 200 shares of our Series A convertible preferred stock for 800,000 shares of our common stock at an exchange price of $0.25 per share. On August 11, we entered into a preferred stock exchange agreement with the holder of our remaining 70 shares of Series A convertible preferred stock. On August 24, pursuant to the preferred stock exchange agreement, we exchanged 70 shares of our Series A convertible preferred stock for 700,000 shares of our common stock, at an exchange price of $0.10 per share.

On September 20, 2017, certain of our shareholders exchanged the remaining 158,336 shares of our Series C convertible preferred stock for 2,968,800 shares of our common stock. There are currently no shares of Series A convertible preferred stock or Series C convertible preferred stock issued and outstanding.

Immediately prior to closing of the Transaction, all of our currently outstanding convertible promissory notes, with principal amount of $250,000 and accrued interest of $4,290, will convert into 2,542,905 shares of our common stock.

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Liquidity and Capital Resources

Overview

For the three months ended September 30, 2017, net cash of $575,324 was used in operating activities primarily due to a net loss of $1,266,978 which was decreased by non-cash expense of $643,759 and by changes in operating assets and liabilities in the amount of $47,895.

The $47,895 change in operating assets and liabilities was the result of a decrease in prepaid expenses in the amount of $170,641 and a decrease in accounts payable and accrued expenses in the amount of $122,746 due to the timing of expenses and payments.

On July 28, 2017, we received gross proceeds of $1,500,000 from OPKO pursuant to the Subscription Agreement in partial satisfaction of our Financial Covenant under the Agreement. The funds we received from OPKO are not conditioned upon closing of the Transaction.

As of September 30, 2017, our cash balance totaled $957,874, and we had a working capital deficit of $37,833.

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, whether we are able to complete the Transaction, and, if we are unable to complete the Transaction, whether we will be able to raise additional funds (apart from any funds we raise in satisfaction of our Financing Covenant, which funds are conditioned upon closing of the Transaction). If we do not complete the Transaction and are unable to raise such additional funds, we do not believe that we will have enough cash to continue as a going concern past December 31, 2017. However, we believe we currently have enough cash to fund operations through December 31, 2017.

Over the next three months, we plan to fund our research and development and commercialization activities:

- by utilizing our current cash balance and investments;

- by raising capital through the placement of equity or debt instruments;

- by completing the Transaction; or

- by raising capital through the 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, or that we will be able to complete the Transaction by December 31, 2017.

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, 2017.

Results of Operations

Three Months Ended September 30, 2017 and Three Months Ended September 30, 2016

The net loss from operations for the three months ended September 30, 2017 was $627,499. The net loss from operations for the three months ended September 30, 2016 was $2,210,532. Such a change represents a decrease in net loss of $1,583,033 or 72%. This decrease in net loss was primarily the result of impairment of Goodwill and Acquired Research and Development for the three months ended September 30, 2016.

Revenue

We did not generate revenues during the three months ended September 30, 2017 and September 30, 2016.

General and Administrative Expenses (000's)

	Three Months ended September 30, 2017	2016	Change	%
Payroll and benefits	$9	$10	$ (1)	-10.0 %
Professional fees	397	297	100	33.7 %
Consultants	15	21	(6)	-28.6 %
Other general & administrative expenses	71	78	(7)	-9.0 %
Delaware Franchise Tax	-	74	(74)	-100.0 %
Total G&A	$492	$480	$ 12	2.5 %

- Professional fees increased due to an increase in legal fees related to our efforts to complete the Transaction during the three months ended September 30, 2017.

- Consultants costs decreased as a result of salary reductions with respect to our Chief Executive Officer, who is treated as a consultant rather than an employee, along with reduced utilization of other consultants to preserve cash.

- Other general & administrative expenses decreased due to continued cost reduction efforts.

- Delaware Franchise Tax decreased due to reduced tax liability computed upon filing of the annual return.

Research and Development Expenses (000's)

	Three Months ended September 30, 2017	2016	Change	%
Payroll and benefits	$89	$129	$ (40)	-31.0%
Patent costs	27	32	(5)	-15.6%
Facility rent	9	86	(77)	-89.5%
Depreciation	8	12	(4)	-33.3%
Other research and development	3	21	(18)	-85.7%
Total research and development	$136	$280	$ (144)	-51.4%

- Payroll and benefits were lower due to a reduction in headcount for our Fabrus subsidiary during the three months ended September 30, 2017.

- Patent costs decreased primarily as a result of discontinuing patent prosecution services for certain of our patents.

- Facility rent decreased for the three months ended September 30, 2017 as a result of our move to a smaller, less expensive facility at the end of October 2016.

- Other research and development expenses decreased because, in an effort to preserve cash on hand, we drastically reduced our research effort.

Contractual Obligations and Contingent Liabilities

There were no material changes to our contractual obligations and commitments described under Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2017.

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 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

Our exposure to market risks for interest rate changes is not significant. Interest rates on our short-term debt are subject to change, however, the effect of interest rate changes would not be material. In addition, we do not currently have cash under investment.

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 September 30, 2017. Based on that evaluation, management has concluded that as of September 30, 2017, our disclosure controls and procedures were not effective due to a material weakness in internal control over financial reporting as noted in the Company's Form 10-K for the year ended June 30, 2017 as filed with the SEC on October 13, 2017. The material weakness identified by management relates to the review of the accounting and calculation surrounding its equity-linked financial instruments, which resulted in material adjustments to our financial statements. The material weakness has not yet been remediated. Management is committed to remediate its control deficiencies that constitute the material weaknesses by implementing changes to our internal control over financial reporting and will continue to review and make the changes necessary in order to improve the overall effectiveness of our internal controls over financial reporting. In addition, management has commenced steps to remediate the material weakness identified and to adequately and appropriately review all equity-linked accounting instruments and related accounting issues. Notwithstanding the material weaknesses that existed as of June 30, 2017, our principal executive officer and

principal financial officer have concluded that the financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material aspects, the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America.

(b) Changes in internal controls.

As a result of the material weaknesses described above, there were changes (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) in internal control over financial reporting during the three-month period ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. Management will continue to evaluate internal controls for effective remediation of the identified material weakness.

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, 2017. 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.

As of September 30, 2017, we had cash in the amount of $957,874. On July 28, 2017, we received gross proceeds of $1,500,000 from OPKO pursuant to the Subscription Agreement in partial satisfaction of our Financing Covenant under the Agreement. The funds we received from OPKO are not conditioned upon closing of the Transaction, but we will not receive any additional funds we raise in fulfilment of the Financing Covenant unless and until we successfully close the Transaction. If we do not complete the Transaction and are unable to raise additional funds (apart from any funds we raise in satisfaction of our Financing Covenant, which funds are conditioned upon closing of the Transaction), we do not believe that we will have enough cash to continue as a going concern past December 31, 2017. However, we believe we currently have enough cash to fund operations through December 31, 2017.

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 $123,205,572 at September 30, 2017. We have generated minimal revenues by licensing our technology for certain crops 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.

Even if we complete the Transaction, 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:

- 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.

We believe that at the projected rate of spending, we should have sufficient cash to maintain our present operations through December 31, 2017 if we do not close the Transaction prior to that date. While we believe that consummation of the Transaction would allow us to continue to fund our current operations for at least the next 12 months, we cannot predict with certainty whether the Transaction will be successfully completed or if the proceeds received in connection with the Transaction will be sufficient to allow us to continue our current operations for the next 12 months.

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 preclinical studies and 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 preclinical studies and 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 discover and engineer monoclonal antibodies. 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 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 therapeutic application.

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 patients that receive our product candidates. 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 September 30, 2017, we had cash in the amount of $957,874. On July 28, 2017, we received gross proceeds of $1.5 million from OPKO, in partial satisfaction of our Financing Covenant under the Agreement. The funds we received from OPKO are not conditioned upon closing of the Transaction, but we will not receive any additional funds we raise in fulfilment of the Financing Covenant unless and until we successfully close the Transaction.

Our historical operating results indicate substantial doubt exists related to our ability to continue as a going concern. While we believe that consummation of the Transaction would mitigate the substantial doubt raised by our historical operating results and allow us to continue as a going concern for at least the next 12 months, we, cannot predict with certainty whether the Transaction will be successfully completed or if the proceeds received in connection with the Transaction will be sufficient to allow us to continue our current operations as a going concern.

If we are unable to raise additional funds and complete the Transaction, 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.

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, as of September 30, 2017, we had 436,135,096 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 maintain 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:

- 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 U.S. Patent and Trademark Office 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 multifaceted 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, Kyawa 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 U.S. Food and Drug Administration, or 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 of our product candidates 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 expect to perform clinical trials in connection with our product candidates, 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 product candidates may be unsuccessful, which could delay or prevent regulatory approval.

Preclinical studies may reveal that one or more of our product candidates 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 product candidates.

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 product candidates 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.

If we are unable to successfully remediate the material weakness in our internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

In connection with the audits of our fiscal year 2017 and 2016 consolidated financial statements, our auditors noted a material weakness in our internal controls, principally relating to the review of the accounting and calculation surrounding our equity-linked financial instruments and convertible notes. A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting that results in more than reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. We cannot assure that any measures that we take to correct this material weakness will fully remediate the deficiencies or material weakness described above. We also cannot assure you that we have identified all of our existing significant deficiencies and material weaknesses, or that we will not in the future have additional significant deficiencies or material weaknesses.

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 September 30, 2017, our executive officers and directors together beneficially own approximately 7% 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 September 30, 2017, held by these stockholders. Additionally, there are two 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 September 30, 2017, we had 51,414,613 shares of our common stock issued and outstanding and 2,542,905 shares of common stock issuable upon conversion of our outstanding convertible promissory notes. Immediately prior to closing of the Transaction, all of our currently outstanding convertible promissory notes, with principal amount of $250,000 and accrued interest of $4,290, will convert into 2,542,905 shares of our common stock. 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 4,917,670 shares of our common stock underlying options granted or available 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 three months ended September 30, 2017, our common stock traded between $0.18 and $0.36 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 debt, 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 September 30, 2017, we had 51,414,613 shares of our common stock issued and outstanding, 2,542,905 shares of common stock issuable upon conversion of our outstanding convertible promissory notes and warrants to purchase 5,011,591 shares of our common stock. Immediately prior to closing of the Transaction, all of our currently outstanding convertible promissory notes, with principal amount of $250,000 and accrued interest of $4,290, will convert into 2,542,905 shares of our common stock. In addition, as of September 30, 2017, we have reserved 7,438,700 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. 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.

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

On July 28, 2017, we received gross proceeds of $1,500,000 from OPKO from the sale of 10,000,000 shares of our common stock at a price of $0.15 per share pursuant to the Subscription Agreement. The common stock was issued in a private placement transaction exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

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	Form of Company Subscription Agreement, by and among the Company and certain investors (Incorporated by reference, Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-31326, filed on

	August 3, 2017).
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	Financial Statements from the Quarterly Report on Form 10-Q of Sevion Therapeutics, Inc. for the quarter ended September 30, 2017, filed on November 14, 2017, 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: November 14, 2017 By: /s/ David Rector
David Rector
Chief Executive Officer
(Principal Executive Officer)

DATE: November 14, 2017 By: /s/ James Schmidt
James Schmidt
Chief Financial Officer
(Principal Financial and Accounting Officer)