TREVENA INC
Form 10-Q
August 04, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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 Number 001-36193

Trevena, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	26-1469215
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1018 West 8th Avenue, Suite A	
King of Prussia, PA	19406
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (610) 354-8840

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $0.001 par value	Shares outstanding as of August 1, 2016: 52,178,174

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," but also are contained elsewhere in this Quarterly Report, as well as in sections such as "Risk Factors" that are incorporated by reference into this Quarterly Report from our most recent Annual Report on Form 10-K (the "Annual Report"). In some cases, you can identify forward-looking statements by the words "may," "might," "will," "could," "would," "should," "expect," "intend," "pla "objective," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue" and "ongoing," or the negative of t terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- our plans to develop and potentially commercialize our product candidates;
- our ability to fund future operating expenses and capital expenditures with our current cash resources;
- our planned clinical trials and preclinical studies for our product candidates;
- the timing and likelihood of obtaining and maintaining regulatory approvals for our product candidates;
- the extent of clinical trials potentially required by the FDA for our product candidates;
- the clinical utility and market acceptance of our product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our intellectual property position; and
- our ability to identify additional product candidates with significant commercial potential that are consistent with our commercial objectives.

You should refer to the “Risk Factors” section of this Quarterly Report and our Annual Report for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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PART I

ITEM 1. FINANCIAL STATEMENTS

TREVENA, INC.

Balance Sheets

	June 30, 2016 (unaudited)	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 36,802,778	$ 46,773,566
Marketable securities	107,707,828	125,864,447
Prepaid expenses and other current assets	3,129,866	1,892,217
Total current assets	147,640,472	174,530,230
Property and equipment, net	807,353	696,280
Restricted cash	112,620	112,620
Intangible asset, net	13,906	14,844
Total assets	$ 148,574,351	$ 175,353,974
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 4,925,372	$ 6,749,625
Accrued expenses and other current liabilities	3,785,223	3,029,782
Deferred revenue	—	3,750,000
Deferred rent	48,086	43,907
Total current liabilities	8,758,681	13,573,314
Loans payable, net	18,249,810	18,185,898
Capital leases, net of current portion	13,176	7,942
Deferred rent, net of current portion	214,679	238,917
Warrant liability	83,517	153,238
Other long term liabilities	270,532	63,200
Total liabilities	27,590,395	32,222,509
Commitments and contingencies (Note 6)		
Stockholders’ equity:		
Common stock—$0.001 par value; 100,000,000 shares authorized, 52,177,674 and 50,802,603 shares issued and outstanding at June 30, 2016 and	52,178	50,802

December 31, 2015, respectively		
Preferred stock—$0.001 par value; 5,000,000 shares authorized, none issued or outstanding at June 30, 2016 and December 31, 2015, respectively	—	—
Additional paid-in capital	340,349,923	325,784,484
Accumulated deficit	(219,493,262)	(182,497,965)
Accumulated other comprehensive income (loss)	75,117	(205,856)
Total stockholders’ equity	120,983,956	143,131,465
Total liabilities and stockholders’ equity	$ 148,574,351	$ 175,353,974

See accompanying notes to financial statements.

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TREVENA, INC.

Statements of Operations and Comprehensive Income (Loss) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenue:				
Collaboration revenue	$ 1,875,000	$ 1,875,000	$ 3,750,000	$ 2,500,000
Total revenue	1,875,000	1,875,000	3,750,000	2,500,000
Operating expenses:				
General and administrative	3,696,682	3,107,263	7,614,432	6,196,885
Research and development	17,203,345	10,275,470	32,956,432	20,874,463
Total operating expenses	20,900,027	13,382,733	40,570,864	27,071,348
Loss from operations	(19,025,027)	(11,507,733)	(36,820,864)	(24,571,348)
Other income (expense):				
Change in fair value of warrant liability	28,234	5,348	69,721	(3,065)
Gain on asset disposal	—	2,656	—	2,656
Miscellaneous income	—	—	221,699	173,535
Interest income	214,376	53,219	407,213	92,688
Interest expense	(433,901)	(72,341)	(873,066)	(142,962)
Total other (expense) income	(191,291)	(11,118)	(174,433)	122,852
Net loss attributable to common stockholders	$ (19,216,318)	$ (11,518,851)	$ (36,995,297)	$ (24,448,496)
Other comprehensive income, net:				
Change in unrealized gains on marketable securities	44,979	2,127	280,973	28,884
Other comprehensive income	44,979	2,127	280,973	28,884
Comprehensive loss	$ (19,171,339)	$ (11,516,724)	$ (36,714,324)	$ (24,419,612)
Per share information:				
Net loss per share of common stock, basic and diluted	$ (0.37)	$ (0.28)	$ (0.71)	$ (0.61)
Weighted average common shares outstanding, basic and diluted	52,174,569	40,809,931	51,762,467	40,034,864

See accompanying notes to financial statements.

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TREVENA, INC.

Statement of Stockholders' Equity (Unaudited)

For the period from January 1, 2016 to June 30, 2016

	Stockholders' Equity Common Stock Number of Shares	$0.001 Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2016	50,802,603	$ 50,802	$ 325,784,484	$ (182,497,965)	$ (205,856)	$ 143,131,465
Stock-based compensation expense	—	—	2,713,109	—	—	2,713,109
Exercise of stock options	23,618	25	61,283	—	—	61,308
Net exercise of common stock warrant	698	—	—	—	—	—
Issuance of common stock, net of issuance costs	1,350,755	1,351	11,791,047	—	—	11,792,398
Unrealized gain on marketable securities	—	—	—	—	280,973	280,973
Net loss	—	—	—	(36,995,297)	—	(36,995,297)
Balance, June 30, 2016	52,177,674	$ 52,178	$ 340,349,923	$ (219,493,262)	$ 75,117	$ 120,983,956

See accompanying notes to financial statements.

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TREVENA, INC.

Statements of Cash Flows (Unaudited)

	Six Months Ended June 30, 2016	2015
Operating activities:		
Net loss	$ (36,995,297)	$ (24,448,496)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	118,547	104,499
Stock-based compensation	2,713,109	1,458,107
Noncash interest expense on loans	271,243	77,549
Revaluation of warrant liability	(69,721)	3,065
Amortization of bond premiums on marketable securities	803,915	548,784
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,237,649)	(214,010)
Accounts payable and accrued expenses	(1,090,571)	(1,307,695)
Deferred revenue	(3,750,000)	7,500,000
Net cash used in operating activities	(39,236,424)	(16,278,197)
Investing activities:		
Purchases of property and equipment	(219,737)	(160,550)
Maturities of marketable securities	55,014,000	35,230,000
Purchases of marketable securities	(37,380,322)	(27,767,435)
Net cash provided by investing activities	17,413,941	7,302,015
Financing activities:		
Proceeds from exercise of common stock options	61,308	196,717
Proceeds from issuance of common stock, net	11,792,398	16,240,932
Capital lease payments	(2,011)	(1,260)
Net cash provided by financing activities	11,851,695	16,436,389
Net (decrease) increase in cash and cash equivalents	(9,970,788)	7,460,207
Cash and cash equivalents—beginning of period	46,773,566	36,205,559
Cash and cash equivalents—end of period	$ 36,802,778	$ 43,665,766
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 601,823	$ 65,413
Capital lease additions	$ 8,944	$ —

See accompanying notes to financial statements.

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TREVENA, INC.

Notes to Unaudited Financial Statements

1. Organization and Description of the Business

Trevena, Inc. (the “Company”) was incorporated in Delaware as Parallax Therapeutics, Inc. on November 9, 2007. The Company began operations in December 2007, and its name was changed to Trevena, Inc. on January 3, 2008. The Company is a clinical stage biopharmaceutical company that discovers, develops and intends to commercialize therapeutics that use a novel approach to target G protein coupled receptors. The Company operates in one segment and has its principal office in King of Prussia, Pennsylvania.

Liquidity

At June 30, 2016, the Company had an accumulated deficit of $219.5 million. The Company’s net loss was $37.0 million and $24.4 million for the six months ended June 30, 2016 and 2015, respectively. The Company expects its cash and cash equivalents of $36.8 million and marketable securities of $107.7 million as of June 30, 2016, together with interest thereon, to be sufficient to fund its operating expenses and capital expenditure requirements into 2018.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”). The Company’s functional currency is the U.S. dollar.

Unaudited Interim Financial Information

The accompanying financial statements are unaudited. The interim unaudited financial statements have been prepared on the same basis as the annual audited financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's balance sheet as of June 30, 2016, its results of operations and its comprehensive income (loss) for the three and six months ended June 30, 2016 and 2015, its statement of stockholders' equity for the period from January 1, 2016 to June 30, 2016 and its cash flows for the six months ended June 30, 2016 and 2015. The financial data and other information disclosed in these notes related to the three and six months ended June 30, 2016 and 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2016, any other interim periods or any future year or period.

Significant Accounting Policies

The Company's significant accounting policies are described in Note 2 of the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Since the date of those financial statements, there have been no changes to the Company's significant accounting policies.

Use of Estimates

Management considers many factors in selecting appropriate financial accounting policies and controls, and in developing the estimates and assumptions that are used in the preparation of these financial statements. Management must apply significant judgment in this process. In addition, other factors may affect estimates, including expected business and operational changes, sensitivity and volatility associated with the assumptions used in developing estimates, and whether historical trends are expected to be representative of future trends. The estimation process often may yield a range of potentially reasonable estimates of the ultimate future outcomes and management must select an amount that falls within that range of reasonable estimates. This process may result in actual results differing materially from those estimated amounts used in the preparation of the financial statements if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. In preparing these financial statements, management used significant estimates in the following areas, among others: stock-based compensation expense, the determination of the fair value of stock-based awards, the fair value of liability-classified common stock warrants, and the accounting for research and development costs, accrued expenses and the recoverability of the Company's net deferred tax assets and related valuation allowance.

Cash, Cash Equivalents, Investments and Concentration of Credit Risk and Off-Balance Sheet Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents, marketable securities and restricted cash. The Company's investment policy includes guidelines on the quality of the institutions and financial instruments and defines allowable investments that the Company believes minimizes the exposure to concentration of credit risk.

The Company considers all highly liquid investments that have maturities of three months or less when acquired to be cash equivalents. Cash equivalents are valued at cost, which approximates their fair market value. The Company maintains a portion of its cash and cash equivalent balances in money market mutual funds that invest substantially all of their assets in U.S. government agency securities, U.S. Treasury securities and reverse repurchase agreements ("RRAs"). RRAs are collateralized by deposits in the form of 'Government Securities and Obligations' for an amount not less than 102% of their value. The Company does not record an asset or liability related to the collateral, as the Company is not permitted to sell or repledge the associated collateral.

The Company maintains its marketable securities balances in the form of U.S. Treasury and U.S. government agency securities. The Company classifies its marketable securities as "available-for-sale", pursuant to ASC Topic 320, Investments—Debt and Equity Securities, carries them at fair market value and classifies them as current assets on its balance sheets. Unrealized gains and losses on marketable securities are recorded as a separate component of accumulated other comprehensive income (loss) included in stockholders' equity. As of June 30, 2016 and December 31, 2015, the Company had $107.7 million and $125.9 million, respectively, in available-for-sale investments, all classified as current assets. See Note 3 for additional information.

The fair value of the Company's investments is determined based on observable market quotes or valuation models using assessments of counterparty credit worthiness, credit default risk of underlying security and overall capital market liquidity. The Company reviews unrealized losses associated with available-for-sale securities to determine the classification as “temporary” or “other-than-temporary” impairment. A temporary impairment results in an unrealized loss being recorded in other comprehensive income (loss). If a decline in the fair value is considered other-than-temporary, based on available evidence, the unrealized loss is transferred from other comprehensive income (loss) to the statement of operations. The Company considers various factors in determining the classification, including the length of time and extent to which the fair value has been less than the Company’s cost basis, the financial condition and near-term prospects of the issuer or investee, and the Company’s ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. There were no charges taken for other-than-temporary declines in fair value of short-term or long-term investments during the three and six months ended June 30, 2016. The Company recorded unrealized gains of $44,979 and $2,127 during the three months ended June 30, 2016 and 2015, respectively, and $280,973 and $28,884 during the six months ended June 30, 2016 and 2015, respectively. Realized gains (losses) are included in interest income (expense) in the statement of operations and comprehensive income (loss) on a specific identification basis. The Company did not record any realized gains or losses during the six months ended June 30, 2016 and 2015.

The Company maintains a letter of credit totaling $112,000 as collateral for the Company’s facility lease obligations in Pennsylvania and has recorded this and accumulated interest thereon as restricted cash on its balance sheet.

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Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments, which include cash and cash equivalents, marketable securities, restricted cash, accounts payable and accrued expenses approximate their fair values, given their short-term nature. The carrying amount of the Company's loans payable at June 30, 2016 and December 31, 2015 is the nominal value of the loan payable, which is the carrying value, exclusive of debt discount and deferred charges. This approximates fair value because the interest rate is reflective of the rate the Company could obtain on debt with similar terms and conditions. Certain of the Company's common stock warrants are carried at fair value, as disclosed below.

The Company has evaluated the estimated fair value of financial instruments using available market information and management's estimates. The use of different market assumptions and/or estimation methodologies could have a significant effect on the estimated fair value amounts. See Note 3 for additional information.

Recent Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update 2016-09, Compensation— Stock Compensation ("ASU 2016-09"). ASU 2016-09 was issued as part of the FASB Simplification Initiative. This update addresses the income tax effects of stock-based payments and eliminates the windfall pool concept, as all of the tax effects related to stock-based payments will now be recorded at settlement (or expiration) through the income statement. The new guidance also permits entities to make an accounting policy election for the impact of forfeitures on the recognition of expense for stock-based payment awards. Forfeitures can be estimated or recognized when they occur. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustment reflected as of the beginning of the fiscal year of adoption. The Company is evaluating the effect this standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires lessees to record most leases on their balance sheets and disclose key information about leasing arrangements in an effort to increase transparency and comparability among organizations. The standard is effective for annual periods beginning after December 15, 2018 and interim periods within that reporting period. Early adoption is permitted. The Company is evaluating the effect this standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer in an amount reflecting the consideration it expects to receive in exchange for those goods or services. Additionally, in March 2016, the FASB issued Accounting Standards Update 2016-08 Revenue from Contracts with Customers, Principal versus Agent Considerations ("ASU 2016-08"). ASU 2016-08 amends the principal versus agent guidance in ASU 2014-09 to clarify how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principal to certain types of arrangements. The effective date for both standards is January 1, 2018, with an option that permits companies to adopt the standard as early as the January 1, 2017. Early application prior to the January 1, 2017 is not permitted. The standards permit the use of either the retrospective or cumulative effect transition method. The Company is evaluating the transition method that they will elect. The adoption of these standards is not expected to have a material impact on the Company's financial statements.

In August 2014, the FASB issued Accounting Standards Update 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"), which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The pronouncement is effective for annual reporting periods ending after December 15, 2016 with early

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adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

3. Fair Value of Financial Instruments

ASC Topic 820, Fair Value Measurement ("ASC 820"), establishes a fair value hierarchy for instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's own assumptions (unobservable inputs). Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances.

ASC 820 identifies fair value as the exchange price, or exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a three-tier fair value hierarchy that distinguishes among the following:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2—Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and models for which all significant inputs are observable, either directly or indirectly.
- Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash, Cash Equivalents and Marketable Securities

All highly liquid investments that have maturities of three months or less when acquired are considered by the Company to be cash equivalents and are valued at cost, which approximates fair market value. The Company classifies its marketable securities as "available-for-sale," carries them at fair market value and classifies them as current assets on its balance sheets. Unrealized gains and losses on marketable securities are recorded as a separate component of accumulated other comprehensive income (loss) included in stockholders' equity. There were no charges taken for other-than-temporary declines in fair value of investments during the three and six months ended June 30, 2016 and 2015. The following table presents the Company's cash and available-for-sale securities' adjusted cost, gross unrealized gains,

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gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or marketable securities as of June 30, 2016 and December 31, 2015:

	June 30, 2016					
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 11,881,989	$ —	$ —	$ 11,881,989	$ 11,881,989	$ —
Level 1 (1):						
Money market funds	14,920,789	—	—	14,920,789	14,920,789	—
Level 2 (2):						
Repurchase agreements	10,000,000	—	—	10,000,000	10,000,000	—
U.S. government agency securities	107,632,711	78,553	(3,436)	107,707,828	—	107,707,828
Subtotal	117,632,711	78,553	(3,436)	117,707,828	10,000,000	107,707,828
Total	$ 144,435,489	$ 78,553	$ (3,436)	$ 144,510,606	$ 36,802,778	$ 107,707,828

	December 31, 2015					
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	$ 20,672,737	$ —	$ —	$ 20,672,737	$ 20,672,737	$ —
Level 1 (1):						
Money market funds	4,100,829	—	—	4,100,829	4,100,829	—
U.S. Treasury securities	12,020,862	92	(1,434)	12,019,520	—	12,019,520
Subtotal	16,121,691	92	(1,434)	16,120,349	4,100,829	12,019,520
Level 2 (2):						
Repurchase agreements	22,000,000	—	—	22,000,000	22,000,000	—
U.S. government agency	114,049,441	269	(204,783)	113,844,927	—	113,844,927

securities						
Subtotal	136,049,441	269	(204,783)	135,844,927	22,000,000	113,844,927
Total	$ 172,843,869	$ 361	$ (206,217)	$ 172,638,013	$ 46,773,566	$ 125,864,447

(1) The fair value of Level 1 securities is estimated based on quoted prices in active markets for identical assets or liabilities.

(2) The fair value of Level 2 securities is estimated based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term on the assets or liabilities.

As of June 30, 2016, the Company held $18.1 million of available-for-sale investment securities with contractual maturity dates of more than one year and less than two years. The Company did not hold any investment securities exceeding a two-year maturity.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers in or out of Level 3 in the hierarchy during the three and six months ended June 30, 2016.

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Warrants

At June 30, 2016, there is an outstanding warrant to purchase up to 20,161 shares of the Company's common stock with a fair value recorded as a liability of $83,517 as it contains a cash settlement feature upon certain strategic transactions. The following table sets forth a summary of changes in the fair value of this warrant liability, which represents a recurring measurement that is classified within Level 3 of the fair value hierarchy, wherein fair value is estimated using significant unobservable inputs:

	Warrant Liability
Balance as of December 31, 2015	153,238
Amounts acquired or issued	—
Changes in estimated fair value	(69,721)
Balance as of June 30, 2016	$ 83,517

On each re-measurement date, the fair value of the warrant classified as a liability is estimated using the Black-Scholes option pricing model. For this liability, the Company develops its own assumptions that do not have observable inputs or available market data to support the fair value. This method of valuation involves using inputs such as the fair value of the Company's common stock, stock price volatility, the contractual term of the warrants, risk-free interest rates and dividend yields. Due to the nature of these inputs, the valuation of the warrants is considered a Level 3 measurement. The following assumptions were used at June 30, 2016 and December 31, 2015 to determine the common stock warrant liability:

	June 30, 2016		December 31, 2015	
Estimated remaining term	5.8	years	6.3	years
Risk-free interest rate	1.1	%	2.0	%
Volatility	76.2	%	67.4	%
Dividend yield	0	%	0	%
Fair value of underlying instrument*	$ 6.30		$ 10.50	

*Trevena, Inc. closing stock price.

The warrant liability is recorded on its own line item on the Company's balance sheets and is marked-to-market at each reporting period with the change in fair value recorded on its own line in the statements of operations and comprehensive income (loss).

In addition to the outstanding warrant to purchase 20,161 shares of common stock discussed above, the Company also has outstanding warrants to purchase an aggregate of 40,689 shares of the Company's common stock. These warrants qualify for equity classification and have been allocated upon the relative fair value of the base instrument and the warrants, according to the guidance of ASC 470-20-25-2. See Note 6 for additional information.

4. Loans Payable

In September 2014, the Company entered into a loan and security agreement with Oxford Finance LLC and Pacific Western Bank (formerly Square 1 Bank), (together the "lenders"), pursuant to which the lenders agreed to lend the Company up to $35.0 million in a three-tranche series of term loans (Term Loans A, B, and C). Upon initially entering into the agreement, the Company borrowed $2.0 million under Term Loan A. On April 13, 2015, the Company amended the agreement with the lenders to change the draw period for Term Loan B. On December 23, 2015, the Company further amended the agreement with the lenders to, among other things, change the draw period for Term Loan C, modify the interest only period, and modify the maturity date of the loan. In December 2015, the Company borrowed the Term Loan B tranche of $16.5 million. The Company's ability to draw an additional $16.5 million under Term Loan C was subject to the satisfaction of one or more specified triggers related to the results of the Company's Phase 2b clinical trial of TRV027, which were announced in May 2016. While certain of the triggers to draw on Term Loan C

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were not attained as of June 30, 2016, the Company is continuing to assess the remaining triggers to determine its eligibility to draw on Term Loan C.

The proceeds from Term Loan A and Term Loan B may be used to satisfy the Company's future working capital needs, potentially including the development of its clinical and preclinical product candidates.

Borrowings accrue interest at a fixed rate of 6.50% per annum. The Company is required to make payments of interest only on borrowings under the loan agreement on a monthly basis through and including January 1, 2017, after which payments of principal in equal monthly installments and accrued interest will be due until the loan matures on March 1, 2020. If, based on the Company's ongoing evaluation, it is eligible to draw on Term Loan C, monthly interest only payments will be extended to January 1, 2018 and the loan maturity date will be extended to December 1, 2020.

The Company paid the lenders a facility fee of $175,000 in connection with the execution of the original agreement and an amendment fee of $20,000 in connection with the execution of the second amendment to the agreement. Upon the last payment date of the amounts borrowed under the agreement, the Company will be required to pay a final payment fee of 6.1% of the aggregate amounts borrowed. In addition, if the Company repays Term Loan A and Term Loan B prior to the applicable maturity date, it will pay the lenders a prepayment fee of 3.0% of the total amount prepaid if the prepayment occurs prior to December 23, 2016, 2.0% of the total amount prepaid if the prepayment occurs between December 23, 2016 and December 23, 2017, and 1.0% of the total amount prepaid if the prepayment occurs on or after December 24, 2017.

The Company's obligations under the loan and security agreement are secured by a first priority security interest in substantially all of the assets of the Company, other than intellectual property. The Company has agreed not to pledge or otherwise encumber its intellectual property, other than through grants of certain permitted non-exclusive or exclusive licenses or other conveyances of its intellectual property.

The loan and security agreement includes affirmative and restrictive covenants, including: (a) financial reporting requirements; (b) limitations on the incurrence of indebtedness; (c) limitations on liens; (d) limitations on certain merger and acquisition transactions; (e) limitations on dispositions of certain assets; (f) limitations on fundamental corporate changes (including changes in control); (g) limitations on investments; (h) limitations on payments and distributions and (i) other covenants. The agreement also contains certain events of default, including for payment defaults, breaches of covenants, a material adverse change in the collateral, the Company's business, operations or condition (financial or otherwise), certain levies, attachments and other restraints on the Company's business, insolvency, defaults under other agreements and misrepresentations.

Three Point Capital, LLC served as a placement agent in connection with the term loans. The Company paid the agent $65,000 upon execution of the agreement and $87,500 upon its draw of Term Loan B.

In connection with entering into the original agreement, the Company issued to the lenders and the placement agent warrants to purchase an aggregate of 7,678 shares of the Company's common stock, and 5,728 remain outstanding as of June 30, 2016. These detachable warrant instruments have qualified for equity classification and have been allocated upon the relative fair value of the base instrument and the warrants, according to the guidance of ASC 470-20-25-2. These warrants are exercisable immediately and have an exercise price of $5.8610 per share. The warrants may be exercised on a cashless basis and will terminate on the earlier of September 19, 2024 or the closing of a merger or consolidation transaction in which the Company is not the surviving entity. In connection with the draw of Term Loan B, the Company issued to the lenders and the placement agent additional warrants to purchase an aggregate of 34,961 shares of the Company's common stock. These warrants have substantially the same terms as those described above, and have an exercise price of $10.6190 per share and an expiration date of December 23, 2025.

As of June 30, 2016, borrowings of $18.5 million attributable to Term Loans A and B remain outstanding. Interest expense of $300,625 and $32,500 was recorded during the three months ended June 30, 2016 and 2015, respectively, and $601,250 and $65,000 was recorded during the six months ended June 30, 2016 and 2015, respectively. The Company incurred lender and third party costs of $225,988 and $106,545, respectively, related to the issuance of Term Loan A. The Company incurred lender and third party costs of $44,058 and $87,500, respectively, related to the

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issuance of Term Loan B. The lender costs are classified as a debt discount and the third party costs are classified as debt issuance costs. Per ASU 2015-03, Interest-Imputation of Interest, debt discount and debt issuance costs are to be presented as a contra-liability to the debt on the balance sheet. These costs will be amortized to interest expense over the life of the loans using the effective interest method. A total of $30,022 and $29,000 of debt discount and debt issuance cost was amortized to interest expense during the three months ended June 30, 2016 and 2015 respectively, and $63,912 and $58,000 of debt discount and debt issuance costs was amortized to interest expense during the six months ended June 30, 2016 and 2015, respectively.

The following table summarizes how the issuance of Term Loans A and B are reflected on the balance sheet at June 30, 2016:

	June 30, 2016
Gross proceeds	$ 18,500,000
Debt discount	(133,768)
Debt issuance costs	(116,422)
Carrying value	$ 18,249,810

5. Stockholders' Equity

Under its certificate of incorporation, the Company was authorized to issue up to 100,000,000 shares of common stock as of June 30, 2016. The Company also was authorized to issue up to 5,000,000 shares of preferred stock as of June 30, 2016. The Company is required, at all times, to reserve and keep available out of its authorized but unissued shares of common stock sufficient shares to effect the conversion of the shares of any outstanding preferred stock and all outstanding stock options and warrants.

Equity Offerings

In February 2016, the Company issued and sold 1,350,755 shares of common stock through Cowen and Company, LLC, pursuant to an at-the-market sales facility dated December 14, 2015. The shares were sold at a weighted average price per share of $9.00. The net offering proceeds to the Company were approximately $11.8 million after deducting related expenses, including commissions.

Equity Incentive Plans

In 2008, the Company adopted the 2008 Equity Incentive Plan, as amended on February 29, 2008, January 7, 2010, July 8, 2010, December 10, 2010, June 23, 2011 and June 17, 2013 (collectively, the “2008 Plan”) that authorized the Company to grant restricted stock and stock options to eligible employees, directors and consultants to the Company.

In 2013, the Company adopted the 2013 Equity Incentive Plan, as amended on March 31, 2014 (collectively, the “2013 Plan”). The 2013 Plan became effective upon the Company’s entry into the underwriting agreement related to its initial public offering in January 2014 and, as of such date, the Company may not make further grants under the 2008 Plan. The 2013 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards and other forms of equity compensation (collectively, stock awards), all of which may be granted to employees, including officers, non-employee directors and consultants of the Company. Additionally, the 2013 Plan provides for the grant of cash and stock based performance awards. The 2013 Plan contains an “evergreen” provision, pursuant to which the number of shares of common stock available for issuance under the plan automatically increases on January 1 of each year beginning in 2015. As of January 1, 2016, the number of shares of common stock that may be issued under the 2013 Plan was automatically increased by 2,032,104 shares, representing 4% of the total number of shares of common stock outstanding on December 31, 2015.

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Under both the 2008 Plan and the 2013 Plan, the amount, terms of grants and exercisability provisions are determined by the board of directors or its designee. The term of the options may be up to 10 years, and options are exercisable in cash or as otherwise determined by the board of directors. Vesting generally occurs over a period of not greater than four years.

The estimated grant-date fair value of the Company's stock-based awards is amortized ratably over the awards' service periods. Stock-based compensation expense recognized was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Research and development	$ 622,746	$ 350,022		