SENESCO TECHNOLOGIES INC
Form 10QSB
November 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(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, 2003

[ ] 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

SENESCO TECHNOLOGIES, INC.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware	84-1368850
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

303 George Street, Suite 420, New Brunswick, New Jersey 08901
(Address of Principal Executive Offices)

(732) 296-8400
(Issuer's Telephone Number, Including Area Code)

Check whether the Issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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: _____

State the number of shares outstanding of each of the Issuer's classes of common stock, as of October 31, 2003:

Class	Number of Shares

Common Stock, $0.01 par value 11,931,079

Transitional Small Business Disclosure Format (check one):

Yes: _____ No: X _____

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION.

ITEM 1. FINANCIAL STATEMENTS.

Certain information and footnote disclosures required under 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, Senesco Technologies, Inc., a Delaware corporation, and its wholly owned subsidiary, Senesco, Inc., a New Jersey corporation (collectively, "Senesco" 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.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEET

	September 30, 2003 (unaudited)
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 278,531

Short-term investments	1,651,562
Prepaid expenses and other current assets	152,541
Total Current Assets	2,082,634
Property and equipment, net	68,322
Intangibles	635,886
Security deposit	7,187
TOTAL ASSETS	$ 2,794,029

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 34,097
Accrued expenses	370,270
Total Current Liabilities	404,367
Grant payable	90,150
TOTAL LIABILITIES	494,517
STOCKHOLDERS' EQUITY:	
Preferred stock, $0.01 par value; authorized 5,000,000 shares, no shares issued	--
Common stock, $0.01 par value; authorized 30,000,000 shares, issued and outstanding 11,880,045 shares	118,800
Capital in excess of par	13,077,853
Deficit accumulated during the development stage	(10,897,141
Total Stockholders' Equity	2,299,512
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,794,029

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended September 30, 2003	For the Three Months Ended September 30, 2002	From Inc on July thro Septemb 200
Revenue..............................	$ --	$ 10,000	$ 2
Operating expenses:			
General and administrative..........	$ 1,139,392	$ 388,024	$ 8,5
Research and development...........	272,001	159,164	3,0
Total operating expenses.............	1,411,393	547,188	11,5
Loss from operations.................	(1,411,393)	(537,188)	(11,3
Sale of state income tax loss.........	--	--	3
Interest income, net..................	10,911	22,556	1
Net Loss.............................	$ (1,400,482)	$ (514,632)	$ (10,8
Basic and diluted net loss per common share................................	$ (0.12)	$ (0.04)	
Basic and diluted weighted average number of common shares outstanding...................	11,880,045	11,880,045	

See Notes to Condensed Consolidated Financial Statements.

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SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH SEPTEMBER 30, 2003

(unaudited)

	Common Stock		Capital in Excess of Par Value	Deficit Accumulate During the Developmen Stage
	Shares	Amount		
Common stock outstanding...........	2,000,462	$ 20,005	$ (20,005)	--
Contribution of capital...........	--	--	85,179	--
Issuance of common stock in reverse merger on January 22, 1999 at $0.01 per share............	3,400,000	34,000	(34,000)	--
Issuance of common stock for cash on May 21, 1999 at $2.63437 per share.................	759,194	7,592	1,988,390	--
Issuance of common stock for placement fees on May 21, 1999 at $0.01 per share....................	53,144	531	(531)	--
Fair market value of options and warrants granted on September 7, 1999..................	--	--	252,578	--
Fair market value of warrants granted on October 1, 1999.........	--	--	171,400	--
Fair market value of warrants granted on December 15, 1999.......	--	--	331,106	--
Issuance of common stock for cash on January 26, 2000 at $2.867647 per share................	17,436	174	49,826	--
Issuance of common stock for cash on January 31, 2000 at $2.87875 per share..............	34,737	347	99,653	--
Issuance of common stock for cash on February 4, 2000 at $2.934582 per share................	85,191	852	249,148	--

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH SEPTEMBER 30, 2003

(unaudited)

	Common Stock		Capital in Development Excess of Par Value	Deficit Accumulate During the Developmen Stage
	Shares	Amount		
Issuance of common stock for cash on March 15, 2000 at $2.527875 per share................	51,428	$ 514	$ 129,486	--
Issuance of common stock for cash on June 22, 2000 at $1.50 per share.........................	1,471,700	14,718	2,192,833	--
Commissions, legal and bank fees associated with issuances for the year ended June 30, 2000...........	--	--	(260,595)	--
Fair market value of warrants granted on October 2, 2000.........	--	--	80,700	--
Fair market value of warrants granted on September 4, 2001.......	--	--	41,800	--
Fair market value of warrants granted on October 15, 2001........	--	--	40,498	--
Fair market value of options and warrants granted on November 1, 2001...............................	--	--	138,714	--
Issuance of common stock and warrants for cash from November 30, 2001 through April 17, 2002.....................	3,701,430	37,014	6,440,486	--
Fair market value of options and warrants granted on December 1, 2001...............................	--	--	262,550	--

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FROM INCEPTION ON JULY 1, 1998 THROUGH SEPTEMBER 30, 2003

(unaudited)

	Common Stock		Capital in Development Excess of Par Value	Deficit Accumulate During the Developmen Stage
	Shares	Amount		
Issuance of common stock and warrants associated with bridge loan conversion on December 3, 2001..............................	305,323	$ 3,053	$ 531,263	-
Fair market value of options vested and extended on January 1, 2002..............................	--	--	94,146	-
Commissions, legal and bank fees associated with issuances for the year ended June 30, 2002.....................	--	--	(846,444)	-
Fair market value of warrants vested on October 15, 2002.........	--	--	27,832	-
Fair market value of warrants vested on November 1, 2002.........	--	--	69,665	-
Fair market value of warrants issued and vested on September 26, 2003..........................	--	--	843,480	-
Fair value of options and warrants vested and change in fair value of options and warrants granted...........................	--	--	118,695	-
Net loss..........................	--	--	--	$(10,897,14
Balance at September 30, 2003......	11,880,045	$ 118,800	$ 13,077,853	$(10,897,14

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	For the Three Months September 30, 2003	
Cash flows from operating activities:		
Net loss	$ (1,400,482)	$ (
Adjustments to reconcile net loss to net cash used in operating activities:		
Noncash capital contribution	--	
Noncash conversion of accrued expenses into equity	--	
Issuance of common stock and warrants for interest	--	
Issuance and vesting of stock options and warrants for services	843,480	
Depreciation and amortization	7,553	
(Increase) decrease in operating assets:		
Accounts receivable	--	
Prepaid expense and other current assets	32,994	(
Security deposit	--	
Increase (decrease) in operating liabilities:		
Accounts payable	(22,039)	
Accrued expenses	107,110	
Net cash used in operating activities	(431,384)	(
Cash flows from investing activities:		
Patent costs	(57,748)	
Redemption (purchase) of investments, net	447,733	
Purchase of property and equipment	--	
Net cash provided by (used in) investing activities	389,985	
Cash flows from financing activities:		
Proceeds from grant	--	
Proceeds from issuance of bridge notes	--	
Proceeds from issuance of common stock and warrants, net	--	

Cash provided by financing activities	--	-----
Net increase (decrease) in cash and cash equivalents	(41,399)	(
Cash and cash equivalents at beginning of period	319,930	
Cash and cash equivalents at end of period	$ 278,531	$
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ --	$
Supplemental schedule of noncash financing activity:		
Conversion of bridge notes into stock	$ --	$

See Notes to Condensed Consolidated Financial Statements.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 - BASIS OF PRESENTATION:

The financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with 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-KSB for the fiscal year ended June 30, 2003.

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, 2003, the results of its operations for the three-month periods ended September 30, 2003 and 2002, and for the period from inception on July 1, 1998 through September 30, 2003.

The Company had previously reported stock-based compensation as a separate category in its consolidated statement of operations. Beginning with the three-month period ended September 30, 2003, the Company no longer reports stock-based compensation as a separate category and has included such stock-based compensation in general and administrative and research and development expenses, as applicable. Therefore, certain reclassifications have been made to the prior year consolidated financial statements in order to conform to the current year's classification.

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

NOTE 2 - LOSS PER SHARE:

Net loss per common share is computed by dividing the loss by the weighted average number of common shares outstanding during the period. Since September 7, 1999, the Company has had outstanding options and warrants to purchase its common stock, $0.01 par value per share (the "Common Stock"); however, for the three months ended September 30, 2003 and 2002, shares to be issued upon the exercise of options and warrants aggregating 6,235,753 and 5,818,153, respectively, at an average exercise price of $2.64 and $2.62, respectively, are not included in the computation of diluted loss per share as the effect is anti-dilutive.

NOTE 3 - STOCK OPTIONS AND WARRANTS:

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option plan. Options to purchase Common Stock have been granted at or above the fair market value of the stock as of the date of grant. Accordingly, no compensation costs have been recognized for the stock option plan. Since there were no options issued during the three months ended September 30, 2003 and September 30, 2002, there were no pro-forma compensation costs that would have affected the Company's net loss and net loss per share.

NOTE 4 - SIGNIFICANT EVENTS:

In September 2003, the Company entered into a one-year financial advisory agreement with Sands Brothers International Ltd. ("Sands Brothers"). The agreement provides for monthly payments of $10,000 through September 2004. Also, Sands Brothers was issued a five-year

warrant to purchase 237,600 shares of the Company's Common Stock at an exercise price equal to $3.59 per share. During the three-month period ended September 30, 2003, the Company recorded stock-based compensation in the amount of $843,480 related to the issuance of such warrant. The agreement may be terminated by either party upon sixty days written notice.

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 the Quarterly Report on Form 10-QSB. 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 "Factors That May Affect Our Business, Future Operating Results and Financial Condition" and elsewhere in this report.

OVERVIEW

We are a development stage functional genomics company whose mission is to utilize its patent-pending genes (primarily DHS and Factor 5A) to: (i) enhance the quality and productivity of fruits, flowers, vegetables and agronomic crops through the control of cell death in plants (senescence); and (ii) develop novel approaches to treat (A) programmed cell death diseases in humans (apoptosis) (e.g., rheumatoid arthritis, macular degeneration, glaucoma, and heart disease), which are the result of premature cell death in humans, and (B) cancer, a group of diseases in which apoptosis is blocked. Agricultural results to date include longer shelf life of perishable produce, increased seed and biomass yield and greater tolerance to environmental stress. Mammalian results to date include: determining the expression of our patent-pending genes in both ischemic and non-ischemic heart tissue; correlating such genes to certain key immune regulators known as cytokines that have been found to be involved in apoptosis; reducing cytokine induced apoptosis in human optic nerve cell lines and reducing cytokine expression in human liver cell lines; and inducing apoptosis in human cancer cell lines derived from tumors.

We do not expect to generate significant revenues for approximately the next two to three years, during which time we will engage in significant research and development efforts. However, we have entered into license and development agreements with Harris Moran Seed Company, ArborGen, LLC and Cal/West Seeds to develop and commercialize our technology in certain varieties of lettuce and melons, trees, and alfalfa, respectively. All of the agreements provide for milestone payments to us upon the completion of certain research and commercialization benchmarks. The agreements with Harris Moran and Cal/West also provide for royalty payments to us upon commercial introduction. The agreement with ArborGen contains an option for ArborGen to execute a license to commercialize developed products, and upon the execution of a license agreement, we will receive a license fee and royalties from ArborGen. The license with Cal/West contains an option for Cal/West to develop our technology in various other forage crops. We also have entered into a joint venture with Rahan Meristem Ltd. in Israel to develop and commercialize our technology in banana plants. In connection with the joint venture, we will receive 50% of the profits from the sale of enhanced banana plants.

Our research and development is performed by third party researchers at our direction, pursuant to various research and license agreements. The primary research and development effort takes place at the University of Waterloo in Ontario, Canada, where the technology was

developed, and at the University of Colorado. Additional research and development is performed by our partners in connection with the Harris Moran License, the ArborGen Agreement, the Cal/West License and the Anawah Agreement, as well as through the joint venture with Rahan Meristem.

We are currently working with lettuce, melon, tomato, canola, Arabidopsis (a model plant that is similar to canola), banana, alfalfa and certain species of trees, and have obtained proof of concept for the lipase, DHS and Factor 5A genes in several of these plants. Also, we have initiated field trials of lettuce and bananas with our respective partners. These field trials have shown that our technology effectively reduces browning in cut lettuce and extendS the shelf life of banana fruit by 100%. Near-term research and development initiatives include: (i) silencing or reducing the expression of DHS and Factor 5A genes in these plants; and (ii) propagation and testing of plants with our silenced genes. We have also completed our research and development initiative in carnation flower, which yielded a 100% increase in shelf life through the inhibition of the DHS reaction.

Our preliminary research reveals that DHS and Factor 5A genes regulate apoptosis in animal and human cells. We believe that our technology may have potential application as a means of controlling a broad range of diseases that are attributable to premature apoptosis. Apoptotic diseases include neurodegenerative diseases, retinal diseases, such as glaucoma and macular degeneration, heart disease, stroke, crohn's disease and rheumatoid arthritis, among others. We have commenced pre-clinical research on diseased heart tissue as well as cell-line studies to determine Factor 5A's ability to regulate key inflammatory cytokines, including Interleukin-1 and Interleukin-18, which are indicated in numerous apoptoTic diseases. In addition, we have initiated cell-line studies for applications of our technology to glaucoma and surface ocular diseases and on liver cell-lines. These preclinical tests have shown that Factor 5A appears to control expression of the suite of proteins required for apoptosis. Such proteins include p53, interleukins, caspases, and tumor necrosis factor (TNF-alpha). Expression of these cell death proteins is required for the execution of apoptosis.

Conversely, we have also established in pre-clinical studies that our apoptosis Factor 5A gene is able to kill cancer cells. Tumors arise when cells that have been targeted to undergo apoptosis are unable to do so because of an inability to activate the apoptotic pathways. Because the Factor 5A gene appears to function at the initiation point of the apoptotic pathways, we believe that our gene technology has potential application as a means of combating a broad range of cancers and have initiated studies with in vivo cancer models to determine Factor 5A's ability to shrink human tumors grafted onto mice.

On March 25, 2003, we were granted Patent No. 6,538,182, entitled "DNA Encoding a Plant Deoxyhypusine Synthase, A Plant Eukaryotic Initiation Factor 5A, Transgenic Plants and A Method For Controlling Senescence and Programmed Cell Death in Plants", from the United States Patent and Trademark Office, or PTO. In addition to this patent, we have a wide variety of patent applications (including divisional applications and continuations-in-part) in process with the PTO and internationally. We intend to continue our strategy of enhancing these new patent applications through the addition of data as it is collected.

Consistent with our commercialization strategy, we intend to attract other companies interested in strategic partnerships or licensing our technology that may result in additional

license fees, revenues from contract research and other related revenues. Successful future operations will depend on our ability to transform our research and development activities into commercializable technology.

FACTORS THAT MAY AFFECT OUR BUSINESS, FUTURE OPERATING RESULTS AND FINANCIAL CONDITION

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.

WE HAVE A LIMITED OPERATING HISTORY AND HAVE INCURRED SUBSTANTIAL LOSSES AND EXPECT FUTURE LOSSES.

We are a developmental stage biotechnology company with a limited operating history and limited assets and capital. We have incurred losses each year since inception and have an accumulated deficit of $10,897,141 at September 30, 2003. We have generated minimal revenues by licensing certain of our technology to companies willing to share in our development costs. However, our technology may not be ready for widespread commercialization for several years. We expect to continue to incur losses over the next two to three years because we anticipate that our expenditures on research and development, commercialization and administrative activities will significantly exceed our revenues during that period. We cannot predict when, if ever, we will become profitable.

WE DEPEND ON A SINGLE PRINCIPAL TECHNOLOGY.

Our primary business is the development and commercial exploitation of technology to identify, isolate, characterize, and silence genes which control the aging and death of cells in plants and mammals. Our future revenue and profitability critically depend upon our ability to successfully develop senescence and apoptosis gene technology and later market and license such technology at a profit. We have conducted experiments on certain crops with favorable results and have conducted certain preliminary cell-line 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 all crops or mammalian applications.

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

WE OUTSOURCE ALL OF OUR RESEARCH AND DEVELOPMENT ACTIVITIES.

We rely on third parties to perform all of our research and development activities. Our primary research and development efforts take place at the University of Waterloo in Ontario, Canada, where our technology was developed, at the University of Colorado, at Anawah, Inc., and with our commercial partners. At this time, we do not have the internal capabilities to perform our research and development activities. Accordingly, the failure of third-party research partners, such as the University of Waterloo, to perform under agreements entered into with us,

or our failure to renew important research agreements with these third parties, would have a material adverse effect on our ability to develop and exploit our technology.

WE HAVE SIGNIFICANT FUTURE CAPITAL NEEDS.

As of September 30, 2003, we had cash and highly-liquid investments valued at $1,930,093 and working capital of $1,678,267. We believe that we can operate according to our current business plan for approximately the next ten months using our available reserves. To date, we have generated minimal revenues and anticipate that our operating costs will exceed any revenues generated over the next several years. Therefore, we anticipate that we will be required to raise additional capital in the future in order to operate according to our current business plan. We may require additional funding in less than twelve months, and additional funding may not be available on favorable terms, if at all. In addition, in connection with such funding, if we need to issue more equity securities than our certificate of incorporation currently authorizes, or more than 20% of the shares of our common stock outstanding, we may need stockholder approval. If stockholder approval is not obtained or if adequate funds are not available, we may be required to curtail operations significantly or to obtain funds through arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies, product candidates, products or potential markets. Investors may experience dilution in their investment from future offerings of our common stock. For example, if we raise additional capital by issuing equity securities, such an issuance would reduce the percentage ownership of existing stockholders. In addition, assuming the exercise of all options and warrants granted, as of September 30, 2003, we had 11,632,445 shares of common stock authorized but unissued, which may be issued from time to time by our board of directors without stockholder approval. 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 inception, we have financed all of our operations through private equity financings. Our future capital requirements depend on numerous factors, including:

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

OUR BUSINESS DEPENDS ON OUR PATENTS, LICENSES AND PROPRIETARY RIGHTS AND THE ENFORCEMENT OF THESE RIGHTS.

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

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

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

We have been issued one patent by the PTO. We have also filed patent applications in the United States for our technology, which technology is vital to our primary business, as well as several Continuations in Part on these patent applications. Our success depends in part upon the enforcement of our patent rights and whether patents are granted for our pending patent applications.

Furthermore, although we believe that our technology is unique and will not violate or infringe upon the proprietary rights of any third party, there can be no assurance that such 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 guarantee that:

- our patent applications will result in the issuance of patents;
- any patents issued or licensed to us will be free from challenge and that 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 require licensing and the payment of significant fees or royalties to third parties for the use of their intellectual property in order to enable us to conduct our business.

If any relevant claims of third-party patents which 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 guarantee that such licenses would be available or, if available, would be on acceptable terms.

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.

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.

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

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

Our success also depends upon know-how, unpatentable trade secrets, and the skills, knowledge and experience of our scientific and technical personnel. As a result, we require all employees to agree to a confidentiality provision that prohibits the disclosure of confidential information to anyone outside of our company, during the term of employment and thereafter. We also require all employees to disclose and assign to us the rights to their ideas, developments, discoveries and inventions. We also attempt to enter into similar agreements with our consultants, advisors and research collaborators. We cannot guarantee adequate protection for our trade secrets, know-how or other proprietary information against unauthorized use or disclosure. We occasionally provide information to research collaborators in academic institutions and request the collaborators to conduct certain tests. We cannot guarantee 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 have a material adverse effect on our business and financial results.

WE WILL HAVE TO PROPERLY MANAGE OUR GROWTH.

As our business grows, we may need to add employees and enhance our management, systems and procedures. We will 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. Although we do not presently intend to conduct research and development activities in-house, we may undertake those activities in the future. Expanding our business will place a significant burden on our management and operations. Our failure to effectively respond to changes brought about by our growth may have a material adverse effect on our business and financial results.

WE HAVE NO MARKETING OR SALES HISTORY AND DEPEND ON THIRD-PARTY MARKETING PARTNERS.

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 also 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, such marketing partners may not be able to successfully market agricultural products or human health applications developed with our

technology. If we fail to successfully establish distribution channels, or if our marketing partners fail to provide adequate levels of sales, we will not be able to generate significant revenue.

WE DEPEND ON PARTNERS TO DEVELOP AND MARKET PRODUCTS.

In its current state of development, our technology is not ready to be marketed to consumers. We intend to follow a multi-faceted commercialization strategy that involves the licensing of our technology to business partners for the purpose of further technological development, marketing and distribution. We 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 AGRICULTURAL AND BIOTECHNOLOGY INDUSTRIES IS INTENSE AND TECHNOLOGY IS CHANGING RAPIDLY.

Many agricultural and biotechnology companies are engaged in research and development activities relating to senescence and apoptosis. The market for plant protection and yield enhancement products is intensely competitive, rapidly changing and undergoing consolidation. 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. Our competitors in the field of plant senescence gene technology are companies that develop and produce transgenic plants and include major international agricultural companies, specialized biotechnology companies, research and academic institutions and, potentially, our joint venture and strategic alliance partners. Such companies include: Paradigm Genetics; Aventis Crop Science; Mendel Biotechnology; Renessen LLC; Exelixis Plant Sciences, Inc.; PlantGenix, Inc.; and Eden Bioscience, among others. Some of the companies involved in apoptosis research include: Cell Pathways, Inc.; Trevigen, Inc.; Idun Pharmaceuticals; Novartis; Introgen Therapeutics, Inc.; Genta, Inc.; and Oncogene, Inc. 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.

OUR BUSINESS IS SUBJECT TO VARIOUS GOVERNMENT REGULATIONS.

At present, the U.S. federal government regulation of biotechnology is divided among three agencies: (i) the USDA regulates the import, field testing and interstate movement of specific types of genetic engineering that may be used in the creation of transgenic plants; (ii) the EPA regulates activity related to the invention of plant pesticides and herbicides, which may include certain kinds of transgenic plants; and (iii) the FDA regulates foods derived from new plant varieties. The FDA requires that transgenic plants meet the same standards for safety that are required for all other plants and foods in general. Except in the case of additives that significantly alter a food's structure, the FDA does not require any additional standards or specific approval for genetically engineered foods, but expects transgenic plant developers to

consult the FDA before introducing a new food into the marketplace. Use of our technology, if developed for human health applications, will also be subject to FDA regulation.

We believe that our current activities, which to date have been confined to research and development efforts, do not require licensing or approval by any governmental regulatory agency. However, federal, state and foreign regulations relating to crop protection products and human health 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 genetically transformed plants and mammalian technology. In addition, our marketing partners who utilize our technology or sell products grown with our technology may be subject to government regulations. The imposition of unfavorable governmental regulations on our technology or the failure to obtain licenses or approvals in a timely manner would have a material adverse effect on our business.

THE HUMAN HEALTH APPLICATIONS OF OUR TECHNOLOGY ARE SUBJECT TO A LENGTHY AND UNCERTAIN REGULATORY PROCESS.

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 U.S., any products resulting from the application of our mammalian technology must be approved by the regulatory agencies of foreign governments. Prior to filing a new drug application or biologics license application with the FDA, we would have to perform extensive pre-clinical testing and clinical trials, which could take several years and may require substantial expenditures. Any failure to obtain regulatory approval could delay or prevent us from commercializing our mammalian technology.

CLINICAL TRIALS ON OUR HUMAN HEALTH APPLICATIONS MAY BE UNSUCCESSFUL IN DEMONSTRATING EFFICACY AND SAFETY, WHICH COULD DELAY OR PREVENT REGULATORY APPROVAL.

Clinical trials may reveal that our mammalian technology is ineffective or harmful, 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 pre-clinical, clinical and manufacturing data to assess the efficacy and safety of potential products. 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.

CONSUMERS MAY NOT ACCEPT OUR TECHNOLOGY.

We cannot guarantee that consumers will accept products containing our technology. Recently, there has been consumer concern and consumer advocate activism with respect to genetically engineered consumer products. The adverse consequences from heightened consumer concern in this regard could affect the markets for products developed with our technology and could also result in increased government regulation in response to that concern. If the public or potential customers perceive our technology to be genetic modification or genetic engineering, agricultural products grown with our technology may not gain market acceptance.

WE DEPEND ON OUR KEY PERSONNEL.

We are highly dependent on our scientific advisors, consultants and third-party research partners. Dr. Thompson is the inventor of our technology and the driving force behind our current research. The loss of Dr. Thompson would severely hinder our technological development. 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. We do not maintain key person life insurance on any member of management. The failure to attract and retain key personnel could limit our growth and hinder our research and development efforts.

CERTAIN PROVISIONS OF OUR CHARTER, BY-LAWS AND DELAWARE LAW 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, except as may be required by the rules of the American Stock Exchange, 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. Similarly, our by-laws do not restrict our board of directors from issuing preferred stock without stockholder approval.

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 outstanding options or issue equivalent options, our board of directors is required to provide accelerated vesting of outstanding options.

OUR MANAGEMENT AND OTHER AFFILIATES HAVE SIGNIFICANT CONTROL OF OUR COMMON STOCK AND COULD CONTROL OUR ACTIONS IN A MANNER THAT CONFLICTS WITH OUR INTERESTS AND THE INTERESTS OF OTHER STOCKHOLDERS.

As of September 30, 2003, our executive officers, directors and affiliated entities together beneficially own approximately 43.1% of the outstanding shares of our common stock, assuming the exercise of options and warrants which are currently exercisable, held by these stockholders. As a result, these stockholders, acting together, will be able to exercise considerable 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.

OUR STOCKHOLDERS MAY EXPERIENCE SUBSTANTIAL DILUTION AS A RESULT OF OUTSTANDING OPTIONS AND WARRANTS TO PURCHASE OUR COMMON STOCK.

As of September 30, 2003, we have granted options outside of our stock option plan to purchase 10,000 shares of our common stock and warrants to purchase 4,444,753 shares of our common stock. In addition, as of September 30, 2003, we have reserved 3,000,000 shares of our common stock for issuance upon the exercise of options granted pursuant to our stock option plan, 1,791,000 of which have been granted and 1,209,000 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.

SHARES ELIGIBLE FOR PUBLIC SALE.

As of September 30, 2003, we had 11,880,045 shares of our common stock issued and outstanding, of which approximately 8,000,000 shares are registered pursuant to a registration statement on Form S-3, which was deemed effective on June 28, 2002, and the remainder of which are in the public float. In addition, we have registered 3,000,000 shares of our common stock underlying options granted or to be granted under our stock option plan. Consequently, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, may adversely affect the market price of our common stock.

OUR STOCK HAS A LIMITED TRADING MARKET.

Our common stock is quoted on the American Stock Exchange and currently has a limited trading market. We cannot assure 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.

OUR STOCK PRICE MAY FLUCTUATE.

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.

IF OUR COMMON STOCK IS DELISTED FROM THE AMERICAN STOCK EXCHANGE, IT MAY BE SUBJECT TO THE "PENNY STOCK" REGULATIONS WHICH MAY AFFECT THE ABILITY OF OUR STOCKHOLDERS TO SELL THEIR SHARES.

In general, regulations of the SEC define a "penny stock" to be an equity security that is not listed on a national securities exchange or Nasdaq and that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. If the American Stock Exchange delists our common stock, it could be deemed a penny stock, which imposes additional sales practice requirements on broker-dealers that sell

such securities to persons other than certain qualified investors. For transactions involving a penny stock, unless exempt, a broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written consent to the transaction prior to the sale. In addition, the rules on penny stocks require delivery, prior to and after any penny stock transaction, of disclosures required by the SEC.

If our common stock were subject to the rules on penny stocks, the market liquidity for our common stock could be severely and adversely affected. Accordingly, the ability of holders of our common stock to sell their shares in the secondary market may also be adversely affected.

INCREASING POLITICAL AND SOCIAL TURMOIL, SUCH AS TERRORIST AND MILITARY ACTIONS, INCREASE THE DIFFICULTY FOR US AND OUR STRATEGIC PARTNERS TO FORECAST ACCURATELY AND PLAN FUTURE BUSINESS ACTIVITIES.

Recent political and social turmoil, including the terrorist attacks of September 11, 2001, the conflict in Iraq and the current crisis in the Middle East, can be expected to put further pressure on economic conditions in the United States and worldwide. These political, social and economic conditions may make it difficult for us to plan future business activities. Specifically, if the current crisis in Israel continues to escalate, the Rahan Joint Venture could be adversely affected.

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LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

As of September 30, 2003, our cash balance and investments totaled $1,930,093, and we had working capital of $1,678,267. As of September 30, 2003, we had a federal tax loss carry-forward of approximately $7,470,000 and a state tax loss carry-forward of approximately $3,510,000 to offset future taxable income. There can be no assurance, however, that we will be able to take advantage of any or all of such tax loss carry-forwards, if at all, in future fiscal years.

FINANCING NEEDS

The following table lists our cash contractual obligations as of September 30, 2003:

	Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years
Research and Development Agreements (1)	$ 385,000	$ 385,000	$ --	$ --
Facility, Rent and Operating Leases (2)	$ 87,978	$ 34,056	$ 53,922	$ --
Employment, Consulting and Scientific Advisory Board Agreements (3)	$ 675,566	$ 453,733	$ 221,833	$ --
Total Contractual Cash Obligations	$ 1,148,544	$ 872,789	$ 275,755	$ --

(1) Certain of our research and development agreements disclosed herein provide that payment is to be made in Canadian dollars and, therefore, the contractual obligations are subject to fluctuations in the exchange rate.

(2) The lease for our office space in New Brunswick, New Jersey is subject to certain escalations for our proportionate share of increases in the building's operating costs.

(3) Certain of our employment and consulting agreements provide for automatic renewal (which is not reflected in the table), unless terminated earlier by the parties to the respective agreements.

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

CAPITAL RESOURCES

Since inception, we have generated revenues of $210,000 in connection with the initial fees received under our license and development agreements. We have not been profitable since inception, we will continue to incur additional operating losses in the future, and we will require additional financing to continue the development and subsequent commercialization of our technology. While we do not expect to generate significant revenues from the licensing of our technology in the near future, we may enter into additional licensing or other agreements with marketing and distribution partners that may result in additional license fees. We may also receive revenues from contract research, or other related revenue.

Pursuant to the New Jersey Technology Tax Credit Transfer Program, we have applied to the New Jersey Economic Development Authority to sell our New Jersey net operating loss tax benefit in the amount of approximately $132,000 for the fiscal year ended June 30, 2002. We had previously received approval and subsequently sold our New Jersey net operating loss tax benefit for the fiscal years ended June 30, 2001, 2000 and 1999. However, there can be no assurance that we will be approved to participate in the Program for the fiscal year ended June 30, 2002, or if approved, that we will be able to sell all or part of our New Jersey net operating loss tax benefit.

We anticipate that, based upon our current cash and investments, we will be able to fund operations for approximately the next ten months. Over the next twelve months, we plan to fund our research and development and commercialization activities by (i) utilizing our current cash balance and investments, (ii) achieving some of the milestones set forth in our current licensing agreements through the execution of additional licensing agreements for our technology, and (iii) consummating a private placement of equity securities.

CHANGES TO CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies and estimates are set forth in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003. There have been no changes to such critical accounting policies and estimates.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2003 and Three Months Ended September 30, 2002

We had no revenue during the three-month period ended September 30, 2003. Revenue for the three-month period ended September 30, 2002 was $10,000, which represented the initial license fee in connection with the Cal/West License.

Operating expenses consist of general and administrative expenses, research and development expenses and stock-based compensation. Operating expenses for the three-month periods ended September 30, 2003 and September 30, 2002 were $1,411,393 and $547,188, respectively, an increase of $864,205, or 157.9%. This increase in operating expenses was primarily the result of an increase in stock-based compensation and research and development expenses, partially offset by a decrease in general and administrative expenses.

General and administrative expenses consist primarily of stock-based compensation and other general and administrative costs, which include payroll and benefits, professional services, investor relations, office rent and corporate insurance. General and administrative expenses for the three-month periods ended September 30, 2003 and September 30, 2002 were $1,139,392 and $388,024, respectively, an increase of $751,368, or 193.6%. This increase was primarily the result of an increase in stock-based compensation related to the issuance and vesting of stock options and warrants as well as an increase in corporate insurance which was partially offset by a decrease in payroll and benefits, and professional fees.

	Three months ended September 30, 2003	2002
Stock-based compensation	$ 843,480	$ 24,800
Other general and administrative expenses	295,912	363,224
Total general and administrative expenses	$ 1,139,392	$ 388,024

The increase in stock-based compensation was primarily the result of a warrant being granted, in connection with a financial advisory agreement, to a financial advisor during the three-month period ended September 30, 2003. Insurance costs increased during the three-month period ended September 30, 2003 primarily because we increased the policy limit on our directors' and officers' liability insurance policy. Professional fees decreased during the three-month period ended September 30, 2003, primarily as a result of a decrease in legal fees. During the three-month period ended September 30, 2002, we had incurred additional professional fees related to our filing of registration statements with the Securities and Exchange Commission on Forms S-3 and S-8 as well as the timing of fees associated with our Form 10-KSB and proxy statement. Payroll and benefits decreased during the three-month period ended September 30, 2003, primarily as a result of the termination of an employee in June 2003.

Research and development expenses consist primarily of fees associated with a research and development agreement with the University of Waterloo, costs associated with the research being performed at the University of Colorado, amortization of the initial fee in connection with a research agreement with Anawah, Inc. and consulting fees to the Scientific Advisory Board and other consultants. Research and development expenses for the three-month periods ended September 30, 2003 and September 30, 2002 were $272,001 and $159,164, respectively, an increase of $112,837, or 70.9%. This increase was primarily the result of an increase in the

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research and development costs incurred in connection with the expanded research undertaken by the University of Waterloo, the implementation of our mammalian cell research programs and the implementation of new plant research being conducted in connection with the agreement with Anawah, Inc.

Period From Inception on July 1, 1998 through September 30, 2003

From inception of operations on July 1, 1998 through September 30, 2003, we had revenues of $210,000, which consisted of the initial license fees in connection with our various development and license agreements.

We have incurred losses each year since inception and have an accumulated deficit of $10,897,141 at September 30, 2003. We expect to continue to incur losses as a result of expenditures on research, product development and administrative activities.

ITEM 3. CONTROLS AND PROCEDURES.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2003. Based on this evaluation, our chief executive officer and chief financial officer concluded that as of September 30, 2003, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

No change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

On September 12, 2003, we entered into a one-year financial advisory agreement with Sands Brothers International Ltd. The agreement provides for monthly payments of $10,000 through September 2004, and may be terminated by either party upon sixty days written notice. Pursuant to the agreement, on September 25, 2003, we issued to Sands Brothers a five-year warrant to purchase 237,600 shares of our common stock at an exercise price equal to $3.59 per share. The warrant provides for, among other things, piggyback registration rights.

No underwriter was employed in connection with the issuance of the warrant described above. We believe that the issuance of the warrant was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, as a transaction not involving a public offering. Sands Brothers is an accredited investor as defined in the Securities Act, acquired the warrant for investment purposes only and not with a view to distribution, and received adequate information about our company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

4.1 Warrant issued to Sands Brothers International Ltd. dated September 25, 2003.

10.1 Financial Advisory Agreement dated September 12, 2003, by and between Senesco Technologies, Inc. and Sands Brothers International Ltd.

31.1 Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350.

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.

(b) Reports on Form 8-K.

None.

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.

SENESCO TECHNOLOGIES, INC.

DATE: November 14, 2003 By: /s/ Bruce C. Galton

Bruce C. Galton, President
and Chief Executive Officer
(Principal Executive Officer)

DATE: November 14, 2003 By: /s/ Joel Brooks

Joel Brooks, Chief Financial Officer
and Treasurer
(Principal Financial and Accounting Officer)

MAY 31, NOVEMBER 30, INCREASE (DECREASE) IN NET ASSETS: 2005 2004 --- OPERATIONS: Net investment income $ 3,614,882 $ 7,163,795 Net realized gain on investments and foreign currency transactions 362,882 2,728,923 Net change in unrealized appreciation (depreciation) on investments and foreign currency translations (5,574,116) 2,684,740 ----------- ----------- Net Increase (Decrease) from Operations (1,596,352) 12,577,458 ----------- ----------- DISTRIBUTIONS DECLARED TO SHAREHOLDERS: From net investment income (3,486,580) (6,362,697) ----------- ----------- SHARE TRANSACTIONS: Distributions reinvested -- 62,227 ----------- ----------- Total Increase (Decrease) in Net Assets (5,082,932) 6,276,988 NET ASSETS: Beginning of period 81,228,986 74,951,998 ----------- ----------- End of period $76,146,054 $81,228,986 ----------- ----------- Undistributed net investment income at end of period $ 487,624 $ 359,322 =========== =========== CHANGES IN SHARES: Issued for distributions reinvested -- 16,818 =========== =========== See Accompanying Notes to Financial Statements. 17 STATEMENT OF CASH FLOWS For the Six Months Ended May 31, 2005 (Unaudited) INCREASE (DECREASE) IN CASH --- CASH FLOWS FROM OPERATING ACTIVITIES: Net investment income $ 3,614,882 Adjustments to reconcile net investment income to net cash provided by operating activities: Purchase of investment securities (32,210,088) Proceeds from disposition of investment securities 33,646,561 Proceeds from disposition of short-term investments, net 424,000 Net realized gain from foreign currency transactions 16,761 Increase in dividend and interest receivable (60,929) Increase in other assets (2,094) Increase in receivable for investments sold (198,932) Decrease in payable for investments purchased (688,744) Decrease in accrued expenses and other liabilities (37,817) Net amortization/accretion of income (346,567) ------------ Net cash provided by operating activities 4,157,033 CASH FLOWS FROM FINANCING ACTIVITIES: Decrease in notes payable (1,000,000) Increase in interest payable 2,398 Distributions paid in cash (3,444,573) ------------ Net cash used by financing activities (4,442,175) ------------ Net decrease in cash (285,142) CASH: Beginning of period 94,056 ------------ End of period $ (191,086) ============ See Accompanying Notes to Financial Statements. 18 NOTES TO FINANCIAL STATEMENTS May 31, 2005 (Unaudited) NOTE 1. ORGANIZATION Colonial Intermediate High Income Fund (the "Fund") is a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. INVESTMENT GOAL The Fund seeks high current income and total return by investing primarily in high yield fixed income securities in lower-rated categories. FUND SHARES The Fund may issue an unlimited number of shares. NOTE 2. SIGNIFICANT ACCOUNTING POLICIES USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. SECURITY VALUATION Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis. Equity securities are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value. Forward currency exchange contracts are valued at the prevailing forward exchange rate of the underlying currencies. Foreign securities are generally valued at the last sale price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of the local shares in the principal market in which such securities are normally traded. Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the New York Stock Exchange ("NYSE"). The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates are generally determined at 2:00 p.m. Eastern (U.S.) time. Events affecting the values of such foreign securities and such exchange rates may occur between the times at which they are determined and the close of the customary trading session of the NYSE, which would not be reflected in the computation of the Fund's net asset value. If events materially affecting the values of such foreign securities occur and it is determined that market quotations are not reliable, then these foreign securities will be valued at their fair value using procedures approved by the Board of Trustees. Investments for which market quotations are not readily available, or have quotations which management believes are not appropriate, are valued at fair value under procedures approved by the Board of Trustees. SECURITY TRANSACTIONS Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes. FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS Forward foreign currency exchange contracts are agreements to exchange one currency for another at a future date at a specified price. These contracts are used to minimize the exposure to foreign exchange rate fluctuations during the period between trade and settlement date of the contracts. The Fund may utilize forward foreign currency exchange contracts in connection with the settlement of purchases and sales of securities. The Fund may also enter into these contracts to hedge certain other foreign currency denominated assets. Contracts to buy generally are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Fund's investments against currency fluctuations. Forward currency contracts are valued daily at the current exchange rate of the underlying currency, resulting in unrealized gains (losses) which become realized at the time the foreign currency contracts are closed or mature. Realized and unrealized gains (losses) arising from such transactions are included in net realized and unrealized gains (losses) on foreign currency 19 NOTES TO FINANCIAL STATEMENTS (CONTINUED) May 31, 2005 (Unaudited) transactions. The use of forward currency contracts does not eliminate fluctuations in the prices of the Fund's portfolio securities. While the maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened, exposure is typically limited to the change in value of the contract (in U.S. dollars) over the period it remains open. The Fund could also be exposed to risk if the counterparties of the contracts are unable to fulfill the terms of the contracts. DELAYED DELIVERY SECURITIES The Fund may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Fund to subsequently invest at less advantageous prices. The Fund identifies cash or liquid portfolio securities in an amount equal to the delayed delivery commitment. INCOME RECOGNITION Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date, except for certain foreign securities which are recorded as soon after ex-date as the Fund becomes aware of such, net of non-reclaimable tax withholdings. The value of additional securities received as an income payment is recorded as income and as the cost basis of such securities. FOREIGN CURRENCY TRANSACTIONS The values of all assets and liabilities quoted in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes. For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments. FEDERAL INCOME TAX STATUS The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Fund intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded. DISTRIBUTIONS TO

SHAREHOLDERS Distributions to shareholders are recorded on ex-date. Net realized capital gains, if any, are distributed at least annually. STATEMENT OF CASH FLOWS Information on financial transactions which have been settled through the receipt or disbursement of cash is presented in the Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows is the amount included within the Fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and does not include any short-term investments. NOTE 3. FEDERAL TAX INFORMATION The tax character of distributions paid during the year ended November 30, 2004 was as follows: NOVEMBER 30, 2004 ---------- Distributions paid from: Ordinary Income $6,362,697 Long-Term Capital Gains -- Unrealized appreciation and depreciation at May 31, 2005, based on cost of investments for federal income tax purposes, excluding any unrealized appreciation and depreciation from changes in the value of other assets and liabilities resulting from changes in exchange rates, was: Unrealized appreciation $ 3,303,794 Unrealized depreciation (6,190,148) ----------- Net unrealized depreciation $(2,886,354) =========== The following capital loss carryforwards, determined as of November 30, 2004, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code: YEAR OF CAPITAL LOSS EXPIRATION CARRYFORWARD ---------------- ---------------------- 2006 $ 410,216 2007 10,437,671 2008 22,694,029 2009 23,203,433 2010 6,431,055 ----------- $63,176,404 =========== 20 NOTES TO FINANCIAL STATEMENTS (CONTINUED) May 31, 2005 (Unaudited) NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES INVESTMENT ADVISORY FEE Columbia Management Advisors, Inc. ("Columbia"), an indirect wholly owned subsidiary of Bank of America Corporation ("BOA"), is the investment advisor to the Fund and provides administrative and other services to the Fund. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Fund's average weekly net assets. In addition, the Fund shall pay Columbia a monthly fee of 20% of the Fund's monthly "leverage income" (as that term is defined in the management contract). In the event that the Fund's monthly leverage income is less than zero, then Columbia shall pay the Fund 20% of the Fund's monthly leverage income. For the six months ended May 31, 2005, the Fund paid fees of $149,909 to Columbia under this agreement, which represents 0.38% annually of the Fund's average daily net assets. This amount is included in "Investment advisory fee" on the Statement of Operations. PRICING AND BOOKKEEPING FEES Columbia is responsible for providing pricing and bookkeeping services to the Fund under a pricing and bookkeeping agreement. Under a separate agreement (the "Outsourcing Agreement"), Columbia has delegated those functions to State Street Corporation ("State Street"). As a result, Columbia pays the total fees received to State Street under the Outsourcing Agreement. Under its pricing and bookkeeping agreement with the Fund, Columbia receives from the Fund an annual flat fee of $10,000 paid monthly, and in any month that the Fund's average weekly net assets exceed $50 million, an additional monthly fee. The additional fee rate is calculated by taking into account the fees payable to State Street under the Outsourcing Agreement. This rate is applied to the average weekly net assets of the Fund for that month. The Fund also pays additional fees for pricing services based on the number of securities held by the Fund. For the six months ended May 31, 2005, the Fund's annualized effective pricing and bookkeeping fee rate, inclusive of out-of-pocket expenses, was 0.086%. CUSTODY CREDITS The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement. FEES PAID TO OFFICERS AND TRUSTEES With the exception of one officer, all officers of the Fund are employees of Columbia or its affiliates and receive no compensation from the Fund. The Board of Trustees appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, will pay its pro-rata share of the expenses associated with the Office of the Chief Compliance Officer. The Fund's fee for the Office of the Chief Compliance Officer will not exceed $15,000 per year. The Fund's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Fund's assets. OTHER Columbia provides certain services to the Fund related to Sarbanes-Oxley compliance. For the six months ended May 31, 2005, the Fund paid $791 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operations. NOTE 5. PORTFOLIO INFORMATION For the six months ended May 31, 2005, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were $32,210,088 and $33,646,561, respectively. NOTE 6. LOAN AGREEMENT At May 31, 2005, the Fund had term loans and a revolving loan outstanding with State Street, totaling $28,500,000. The term loans are comprised of a $13,700,000 loan which bears interest at 3.12% per annum, due August 26, 2005 and a $2,000,000 loan which bears interest at 3.13% per annum, due August 26, 2005. The revolving loan is a $12,800,000 floating rate loan, maturing on August 23, 2005. At May 31, 2005, the average daily loan balance was $29,329,670 at a weighted average interest rate of 3.32%. The Fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity. NOTE 7. TRADING LOSS During the six months ended May 31, 2005, the Fund entered into a foreign forward currency exchange contract which resulted in a trading error. This position was subsequently closed at a loss of $805 and the Fund is in the process of being reimbursed by Columbia. NOTE 8. DISCLOSURE OF SIGNIFICANT RISKS AND CONTINGENCIES FOREIGN SECURITIES There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities. 21 NOTES TO FINANCIAL STATEMENTS (CONTINUED) May 31, 2005 (Unaudited) HIGH-YIELD SECURITIES Investing in high-yield securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk bonds." Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market. LEGAL PROCEEDINGS On February 9, 2005, Columbia and Columbia Funds Distributor, Inc. (collectively, the "Columbia Group") entered into an Assurance of Discontinuance with the New York Attorney General ("NYAG") (the "NYAG Settlement") and consented to the entry of a cease-and-desist order by the Securities and Exchange Commission ("SEC") (the "SEC Order"). The SEC Order and the NYAG Settlement are referred to collectively as the "Settlements". The Settlements contain substantially the same terms and conditions as outlined in the agreements in principle which Columbia Group entered into with the SEC and NYAG in March 2004. Under the terms of the SEC Order, the Columbia Group has agreed among other things, to: pay $70 million in disgorgement and $70 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to review the Columbia Group's applicable supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (see below). The Columbia Funds have also undertaken to implement certain governance measures designed to maintain the independence of their boards of trustees. The NYAG Settlement also, among other things, requires Columbia and its affiliates, Banc of America Capital Management, LLC and BACAP Distributors, LLC to reduce certain Columbia Funds, Nations Funds and other mutual funds management fees collectively by $32 million per year for five years, for a projected total of $160 million in management fee reductions. Pursuant to the procedures set forth in the SEC order, the $140 million in settlement amounts described above will be distributed in accordance with a distribution plan to be developed by an independent distribution consultant, who is acceptable to the SEC staff and the Columbia Funds' independent trustees. The distribution plan must be based on a methodology developed in consultation with the Columbia Group and the Fund's independent trustees and not unacceptable to the staff of the SEC. At this time, the distribution plan is still under development. As such, any gain to the fund or its shareholders can not currently be determined. As a result of these matters or any adverse publicity or other developments resulting from them, the market price of fund shares could decline. A copy of the SEC Order is available on the SEC website at http://www.sec.gov. A copy of the NYAG Settlement is available as part of the Bank of America Corporation Form 8-K filing on February 10, 2005. In connection with events described in detail above, various parties have filed suit against certain funds, the Trustees of the Columbia Funds, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America Corporation and its affiliated entities. More than 300 cases including those filed against entities unaffiliated with the funds, their Boards, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America Corporation and its affiliated entities have been transferred to the Federal District Court in Maryland and consolidated in a multi-district proceeding (the "MDL"). The derivative cases purportedly brought on behalf of the Columbia Funds in the MDL have been consolidated under the lead case. The fund derivative plaintiffs allege that the funds were harmed by market timing and late trading activity and seek, among other things, removal of the trustees of the Columbia Funds, removal of the Columbia Group, disgorgement of all management fees and monetary damages. On March 21, 2005 purported class action plaintiffs filed suit in Massachusetts state court alleging that the conduct, including market timing, entitles Class B shareholders in certain Columbia funds to an exemption from contingent deferred sales charges upon early redemption (the "CDSC Lawsuit"). The CDSC Lawsuit has been removed to federal court in Massachusetts and the federal Judicial Panel has conditionally ordered its transfer to the MDL. The MDL is ongoing. Accordingly, an estimate of the financial impact of this litigation on any fund, if any, can not currently be made. On January 11, 2005, a putative class action lawsuit was filed in federal district court in Massachusetts against, among others, the Trustees of the Columbia Funds and Columbia. The lawsuit alleges that defendants violated common law duties to fund shareholders as well as sections of the Investment Company Act of 1940, by failing to ensure that the Fund and other affiliated funds participated in securities class action settlements for which the funds were eligible. Specifically, plaintiffs allege that defendants failed to submit proof of claims in connection with settlements of securities class action lawsuits filed against companies in which the funds held positions. In 2004, certain Columbia funds, advisers and affiliated entities were named as defendants in certain purported shareholder class and derivative actions making claims, including claims under the Investment Company and the Investment Advisers Acts of 22 NOTES TO FINANCIAL STATEMENTS (CONTINUED) May 31, 2005 (Unaudited) 1940 and state law. The suits allege, inter alia, that the fees and expenses paid by the funds are excessive and that the advisers and their affiliates inappropriately used fund assets to distribute the funds and for other improper purpose. On March 2, 2005, the actions were consolidated in the Massachusetts federal court as In re Columbia Entities Litigation. The plaintiffs filed a consolidated amended complaint on June 9, 2005. The Fund and the other defendants to these actions, including Columbia and various of its affiliates, certain other mutual funds advised by Columbia and its affiliates, and various directors of such funds, have denied these allegations and are contesting the plaintiffs' claims. These proceedings are ongoing, however, based on currently available information, Columbia believes that these lawsuits are without merit, that the likelihood they will have a material adverse impact on any fund is remote, and that the lawsuits are not likely to materially affect its ability to provide investment management services to its clients, including the Fund. 23 FINANCIAL HIGHLIGHTS Selected data for a share outstanding throughout each period is as follows: (UNAUDITED) SIX MONTHS ONE MONTH ENDED YEAR ENDED ENDED YEAR ENDED OCTOBER 31, MAY 31, NOVEMBER 30, NOVEMBER 30, ---------------------------------- 2005 2004 2003 (a) 2003 2002 2001 -- NET ASSET VALUE, BEGINNING OF PERIOD $ 3.87 $ 3.57 $ 3.51 $ 2.79 $ 3.51 $ 4.83 ------------ ----------- ----------- ----------- ----------- ----------- INCOME FROM INVESTMENT OPERATIONS: Net investment income (b) 0.17 0.34 0.02 0.29 0.38(c) 0.51 Net realized and unrealized gain (loss) on investments and foreign currency (0.24) 0.26 0.07 0.75 (0.73)(c) (1.26) ------------ ----------- ----------- ----------- ----------- ----------- Total from Investment Operations (0.07) 0.60 0.09 1.04 (0.35) (0.75) ------------ ----------- ----------- ----------- ----------- ----------- LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS: From net investment income (0.17) (0.30) (0.03) (0.30) (0.36) (0.55) Return of capital -- -- -- (0.02) (0.01) (0.02) ------------ ----------- ----------- ----------- ----------- ----------- Total Distributions Declared to Shareholders (0.17) (0.30) (0.03) (0.32) (0.37) (0.57) ------------ ----------- ----------- ----------- ----------- ----------- NET ASSET VALUE, END OF PERIOD $ 3.63 $ 3.87 $ 3.57 $ 3.51 $ 2.79 $ 3.51 ------------ ----------- ----------- ----------- ----------- ----------- Market price per share $ 3.36 $ 3.51 $ 3.50 $ 3.65 $ 2.79 $ 3.49 ------------ ----------- ----------- ----------- ----------- ----------- Total return--based on market value (d) 0.25%(e)(f) 9.24% (3.40)%(e) 44.56% (10.43)% (14.26)% ------------ ----------- ----------- ----------- ----------- ----------- RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA: Operating expenses (g) 1.38%(h) 1.48% 1.63%(h) 1.35% 1.25% 1.31% Interest and amortization of deferred debt issuance expenses 1.22%(h) 1.18% 1.38%(h) 2.00% 2.73% 2.98% Total expenses (g) 2.60%(h) 2.66% 3.01%(h) 3.35% 3.98% 4.29% Net investment income (g) 9.07%(h) 9.25% 7.82%(h) 9.18% 11.38%(c) 11.96% Portfolio turnover rate 31%(e) 80% 7%(e) 64% 54% 52% Net assets, end of period (000's) $ 76,146 $ 81,229 $ 74,952 $ 73,623 $ 58,134 $ 72,353 (a) The Fund changed its fiscal year end from October 31 to November 30. (b) Per share data was calculated using average shares outstanding during the period. (c) Effective November 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium and accreting discount on all debt securities. The effect of this change for the year ended October 31, 2002 was to increase the net investment income per share by $0.02, increase the net realized and unrealized loss per share by $0.02 and increase the ratio of net investment income to average net assets from 10.92% to 11.38%. Per share data and ratios for periods prior to October 31, 2002 have not been restated to reflect this change in presentation. (d) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan. (e) Not annualized. (f) Total return includes a voluntary reimbursement by the Investment Advisor for a realized investment loss. This reimbursement had an impact of less than 0.01% on the Fund's total return. (g) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%. (h) Annualized. 24 FINANCIAL HIGHLIGHTS (CONTINUED) Selected data for a share outstanding throughout each period is as follows: YEAR ENDED OCTOBER 31, -- 2000 1999 1998 1997 1996 1995 ------------ ----------- ----------- ----------- ----------- ----------- NET ASSET VALUE, BEGINNING OF PERIOD $ 5.97 $ 6.20 $ 7.27 $ 6.89 $ 6.62 $ 6.28 ------------ ----------- ----------- ----------- ----------- ----------- INCOME FROM INVESTMENT OPERATIONS: Net investment income 0.67 0.70 0.70 0.70 0.70 0.70 Net realized and unrealized gain (loss) on investments and foreign currency (1.10) (0.23) (1.08) 0.38 0.26 0.34 ------------ ----------- ----------- ----------- ----------- ----------- Total from Investment Operations (0.43) 0.47 (0.38) 1.08 0.96 1.04 ------------ ----------- ----------- ----------- ----------- ----------- LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS: From net investment income (0.69) (0.70) (0.69) (0.70) (0.69) (0.70) In excess of net investment income (0.02) -- -- -- -- -- ------------ ----------- ----------- ----------- ----------- ----------- Total Distributions Declared to Shareholders (0.71) (0.70) (0.69) (0.70) (0.69) (0.70) ------------ ----------- ----------- ----------- ----------- ----------- NET ASSET VALUE, END OF PERIOD $ 4.83 $ 5.97 $ 6.20 $ 7.27 $ 6.89 $ 6.62 ------------ ----------- ----------- ----------- ----------- ----------- Market price per share $ 4.63 $ 5.63 $ 6.81 $ 7.56 $ 7.13 $ 6.88 ------------ ----------- ----------- ----------- ----------- ----------- Total return--based on market value (a) (6.12)% (7.89)% (0.74)% 16.97% 14.62% 33.00% ------------ ----------- ----------- ----------- ----------- ----------- RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA: Operating expenses (b) 0.92% 0.89% 0.88% 0.89% 0.98% 0.95% Interest and amortization of deferred debt issuance expenses 2.79% 2.48% 2.11% 1.96% 2.07% 1.94% Total expenses (b) 3.71% 3.37% 2.99% 2.85% 3.05% 2.89% Net investment income (b) 11.88% 10.82% 9.70% 9.63% 10.11% 10.76% Portfolio turnover rate 42% 44% 69% 92% 92% 92% Net assets, end of period (000's) $ 98,333 $ 121,018 $ 124,480 $ 107,774 $ 99,925 $ 93,984 (a) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan. (b) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%, except for the year ended October 31, 1997 which had a 0.01% impact. 25 FINANCIAL HIGHLIGHTS (CONTINUED) LOAN AGREEMENT ASSET COVERAGE REQUIREMENTS ASSET COVERAGE TOTAL AMOUNT PER $1,000 OF DATE OUTSTANDING INDEBTEDNESS --------- ----------- ------------ 05/31/05* $28,500,000 $3,672 11/30/04 29,500,000 3,754 11/30/03 28,500,000 3,630 10/31/03 28,500,000 3,583 10/31/02 24,500,000 3,373 10/31/01 30,500,000 3,372 10/31/00 47,300,000 3,079 10/31/99 47,300,000 3,558 10/31/98 47,300,000 3,632 10/31/97 27,400,000 4,933 10/31/96 27,400,000 4,647 10/31/95 27,400,000 4,430 * Unaudited 26 SHAREHOLDER MEETING RESULTS RESULTS OF THE ANNUAL MEETING OF SHAREHOLDERS On May 25, 2005, the Annual Meeting of Shareholders of the Fund was held to conduct a vote for or against the approval of the following Item listed on the Fund's Proxy Statement for said Meeting. On March 10, 2005, the record date for the Meeting, the Fund had 21,003,496 shares outstanding. The votes cast were as follows: PROPOSAL 1. ELECTION FOR TRUSTEES: FOR WITHHELD --- Richard W. Lowry 16,831,194 251,261 William E. Mayer 16,822,113 260,342 Charles R. Nelson 16,813,848 268,607 Richard L. Woolworth 16,831,694 250,761 27 DIVIDEND REINVESTMENT PLAN The Fund generally distributes net investment income monthly and capital gains annually. Under the Fund's Dividend Reinvestment Plan (the "Plan") all distributions will be reinvested automatically in additional shares of the Fund, unless the shareholder elects to receive cash or the shares are held in broker or nominee name and a reinvestment service is not provided by the broker or nominee. All cash distributions will be mailed by check directly to the record holder by the dividend paying agent. If the market price of the shares on the distribution payment date is equal to or greater than the net asset value, Plan participants will be issued shares at the higher of net asset value or 95% of the market price. The aggregate market value of the shares may constitute income to shareholders for federal income tax purposes. However, if the market price of the shares is less than the net asset value, shares will be bought as soon as practicable (but no more than 30 days after the distribution, except as may be required to comply with federal securities laws) in the open market for the accounts of Plan participants. If, during this purchase period, the market price surpasses the net asset value, the average per share price paid may exceed the asset value of the shares, resulting in the acquisition of fewer shares than if the distribution had been in newly-issued shares. All Plan accounts receive written confirmations of all transactions. Shares purchased under the Plan are held in uncertificated form. Each shareholder's proxy includes shares purchased pursuant to the Plan. The automatic reinvestment of distributions does not relieve participants of any income tax payable on the distributions. Fees and expenses of the Plan other than brokerage charges will be paid by the Fund. No brokerage charges are incurred on shares issued directly by the Fund. Participants will bear a pro-rata share of brokerage charges incurred on open market purchases. A Plan participant may terminate his or her participation by written notice to the Plan agent. The Plan may be amended or terminated on 90 days written notice to the Plan participants. All correspondence concerning the Plan should be directed to PFPC Inc., the Plan agent, by mail at P.O. Box 43027, Providence, RI 02940-3027 or by phone at 1-800-730-6001. 28 BOARD CONSIDERATION AND APPROVAL OF INVESTMENT ADVISORY AGREEMENT Section 15(c) of the Investment Company Act of 1940 (the "1940 Act") requires that the Board of Trustees/Directors (the "Board") of the Columbia Funds (the "Funds"), including a majority of the Trustees and Directors (collectively, the "Trustees") who are not "interested persons" of the Trusts, as defined in the 1940 Act (the "Independent Trustees"), annually review and approve the terms of the Funds' investment advisory agreements. At a meeting held on October 13, 2004, the Board reviewed and approved the management contracts ("Advisory Agreement") with Columbia Management Advisors, Inc. ("CMA") for the Fund. At meetings held on September 23, 2004 and October 12, 2004, the Advisory Fees and Expenses Committee (the "Committee") of the Board considered the factors described below relating to the selection of CMA and the approval of the Advisory Agreement. At a meeting held on October 13, 2004, the Board, including the Independent Trustees (who were advised by their independent legal counsel), considered these factors and reached the conclusions described below. NATURE, EXTENT AND QUALITY OF SERVICES The Board considered information regarding the nature, extent and quality of services that CMA provides to the Fund under the Advisory Agreement. CMA provided the most recent investment adviser registration form ("Form ADV") and code of ethics for CMA to the Board. The Board reviewed information on the status of Securities and Exchange Commission ("SEC") and New York Attorney General ("NYAG") proceedings against CMA and certain of its affiliates, including the agreement in principle entered into with the SEC and the NYAG on March 15, 2004 to settle civil complaints filed by the SEC and the NYAG relating to trading activity in mutual fund shares.1 The Board evaluated the ability of CMA, including its resources, reputation and other attributes, to attract and retain highly qualified research, advisory and supervisory investment professionals. The Board considered information regarding CMA's compensation program for its personnel involved in the management of the Fund. Based on these considerations and other factors, including those referenced below, the Board concluded that they were generally satisfied with the nature, extent and quality of the investment advisory services provided to the Fund by CMA. FUND PERFORMANCE AND EXPENSES CMA provided the Board with relative performance and expense information for the Fund in a report prepared by Lipper Inc. ("Lipper") an independent provider of investment company data. The Board considered the total return performance information, which included the ranking of the Fund within a performance universe made up of funds with the same Lipper investment classification and objective (the "Performance Universe") by total return for one-year, three-year, five-year, ten-year or life of fund periods, as applicable. They also considered the Fund's performance in comparison to the performance results of a group (the "Performance Peer Group") of funds selected by Lipper based on similarities in fund type (e.g. open-end), investment classification and objective, asset size, load type and 12b-1/service fees and other expense features, and to the performance results of the Fund's benchmark index. The Board reviewed a description of Lipper's methodology for selecting the mutual funds in the Fund's Performance Peer Group and Performance Universe. The Board considered statistical information regarding the Fund's total expenses and certain components thereof, including management fees (both actual management fees based on expenses for advisory and administrative fees including any reductions for fee waivers and expense reimbursements as well as contractual management fees that are computed for a hypothetical level of assets), actual non-management expenses, and fee waivers/caps and expense reimbursements. They also considered comparisons of these expenses to the expense information for funds within a group (the "Expense Peer Group") selected by Lipper based on similarities in fund type (e.g. open-end), investment classification and objective, asset size, load type and 12b-1/service fees and other expense features (but which, unlike the Performance Peer Group,may include funds with several different investment classifications and objectives) and an expense universe ("Expense Universe") selected by Lipper based on the criteria for determining the Expense Peer Group other than asset size. The expense information in the Lipper report took into account all existing fee waivers and expense reimbursements as well as all voluntary advisory fee reductions applicable to certain Funds that were being proposed by management in order to reduce the aggregate advisory fees received from mutual funds advised by CMA and Banc of America Capital Management, LLC ("BACAP") by $32 million per year for five years as contemplated by the agreement in principle with the NYAG. The Committee also considered the projected impact on expenses of these Funds resulting from the overall cost reductions that management anticipated would result from the proposed shift to a common group of service providers for transfer agency, fund accounting and custody services for mutual funds advised by Bank of America affiliates. The Board also considered information in the Lipper report that ranked each Fund based on (i) each Fund's one-year performance and actual management fees, (ii) each Fund's one-year performance and total expenses and (iii) each Fund's 3-year performance and total expenses. Based on these comparisons and expense and performance rankings of the Fund in the Lipper Report, CMA determined an overall score for the Fund. The Committee and the Board also considered projected savings to the Fund that would result from certain modifications in soft dollar arrangements. The Committee also considered more detailed information relating to certain Funds, including the Fund, that were highlighted for additional review based upon the fact that they ------------- 1 On February 9, 2005, CMA and its affiliate, Columbia Funds Distributor, Inc., entered into settlement agreements with the SEC and the NYAG that contain substantially the terms outlined in the agreements in principle. 29 BOARD CONSIDERATION AND APPROVAL OF INVESTMENT ADVISORY AGREEMENT (CONTINUED) ranked poorly in terms of overall expense or management fees, maintained poor performance or demonstrated a combination of below average to poor performance while maintaining below average or poor expense rankings. At its September 23, 2004 meeting, the Committee discussed these Funds with management and in executive session. The Committee requested additional information from management regarding the cause(s) of the below-average relative performance of these Funds, any remedial actions management recommended to improve performance and the general standards for review of portfolio manager performance. At its October 12, 2004 meeting, the Committee considered additional information provided by management regarding these Funds. The Fund was identified for further review based on poor relative one- and three-year relative performance against total expenses (based on net asset value). Management noted that the Fund's performance had been negatively impacted by the fact that interest rates payable under a loan facility for the Fund were higher than current market interest rates. Management further noted that the loan facility had been replaced in August 2004 with a new loan facility with lower interest rates. Management also noted the Fund's other expenses included in the total expense ratio were expected to improve due to projected lower fund accounting expenses. The Board also considered management's proposal to merge or liquidate some of these Funds. Based on these considerations and other factors, the Board concluded that the overall performance and expense results supported by the approval of the Advisory Agreements for each Fund. INVESTMENT ADVISORY FEE RATES The Board reviewed and considered the proposed contractual investment advisory fee rates (the "Advisory Agreement Rates") payable by the Funds to CMA for investment advisory services. In addition, the Board reviewed and considered the existing and proposed fee waiver and reimbursement arrangements applicable to the Advisory Agreement Rates and considered the Advisory Agreement Rates after taking the fee waivers and reimbursements into account (the "Net Advisory Rates"). At previous meetings, the Committee had separately considered management's proposal to reduce annual investment advisory fees for certain Funds under the NYAG agreement in principle and the impact of these reductions on each affected Fund. Additionally, the Board considered information comparing the Advisory Agreement Rates and Net Advisory Rates (both on a stand-alone basis and on a combined basis with the Funds' administration fee rates) with those of the other funds in the Expense Peer Group. The Board concluded that the Advisory Agreement Rates and Net Advisory Rates represented reasonable compensation to CMA, in light of the nature, extent and quality of the services provided to the Funds, the fees paid and expenses borne by comparable funds and the costs that CMA incurs in providing these services to the Funds. PROFITABILITY The Board considered a detailed profitability analysis of CMA based on 2003 financial statements, adjusted to take into account advisory fee reductions implemented in November 2003 and proposed reductions under the NYAG proposed settlement. The Board concluded that, in light of the costs of providing investment management and other services to the Funds, the profits and other ancillary benefits that CMA and its affiliates received for providing these services to the Funds were not unreasonable. ECONOMIES OF SCALE In evaluating potential economies of scale, the Board considered CMA's proposal to implement a standardized breakpoint schedule for combined advisory and administrative fees for the majority of the funds of the same general asset type within the Columbia Funds complex (other than index and closed-end funds). The Board noted that the standardization of the breakpoints would not result in a fee increase for any Fund. The Board concluded that any actual or potential economies of scale are, or will be, shared fairly with Fund shareholders, including most particularly through Advisory Agreement Rate breakpoints at current and reasonably foreseeable asset levels. INFORMATION ABOUT SERVICES TO OTHER CLIENTS In evaluating the proposed fee reductions under the NYAG agreement in principle, the Board considered information regarding the advisory fee rates charged by BACAP for the Nations Funds. Members of the Committee and the Board had also separately reviewed advisory fee rates for variable insurance product funds advised by CMA. This information assisted the Board in assessing the reasonableness of fees paid under the Advisory Agreements in light of the nature, extent and quality of services provided under those agreements. OTHER BENEFITS TO CMA The Board considered information regarding potential "fall-out" or ancillary benefits received by CMA and its affiliates as a result of their relationship with the Funds. These benefits could include benefits directly attributable to the relationship of CMA with the Funds (such as soft dollar credits) and benefits potentially derived from an increase in the business of CMA as a result of their relationship with the Funds (such as the ability to market to shareholders other financial products offered by CMA and its affiliates). OTHER FACTORS AND BROADER REVIEW The Board reviews detailed materials provided by CMA annually as part of the approval process under Section 15(c) of the 1940 Act. The Board also regularly reviews and assesses the quality of the services that the Funds receive throughout the year. In this regard, the Board reviews information provided by CMA at their regular meetings, including, among other things, a detailed portfolio review, and detailed fund performance reports. In addition, the Board interviews the heads of each investment area at each regular meeting of the Board and selected portfolio managers of the Funds at various times throughout the year. After considering the above-described factors and based on the deliberations and their evaluation of the information provided to them, the Board concluded that re-approval of the Advisory Agreements for each of the Funds was in the best interest of the Funds and their shareholders. Accordingly, the Board unanimously approved the Advisory Agreements. 30 This page intentionally left blank. This page intentionally left blank. TRANSFER AGENT -- IMPORTANT INFORMATION ABOUT THIS REPORT The Transfer Agent for Colonial Intermediate High Income Fund is: PFPC, Inc. P.O. Box 8030 Boston, MA 02266-8030 The fund mails one shareholder report to each shareholder address. Shareholders can order additional reports by calling 800-730-6001. In addition, representatives at that number can provide shareholders information about the fund. Financial advisors who want additional information about the fund may speak to a representative at 800-426-3750. A description of the fund's proxy voting policies and procedures is available (i) at www.columbiamanagement.com; (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 800-730-6001. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2004 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available at www.columbiamanagement.com. The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. Annual Certifications -- As required, on June 13, 2005, the fund submitted to the New York Stock Exchange ("NYSE") the annual certification of the fund's Chief Executive Officer certifying that he is not aware of any violation of the NYSE's Corporate Governance listing standards. The fund also has included the certifications of the fund's Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the fund's Form N-CSR filed with the Securities and Exchange Commission for the annual period. This report has been prepared for shareholders of Colonial Intermediate High Income Fund. COLONIAL INTERMEDIATE HIGH INCOME FUND SEMIANNUAL REPORT SHC-44/87167-0605 (07/05) 05/6518 ITEM 2. CODE OF ETHICS. Not applicable at this time. ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT. Not applicable at this time. ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. Not applicable at this time. ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS. Not applicable. ITEM 6. SCHEDULE OF INVESTMENTS The registrant's "Schedule I - Investments in securities of unaffiliated issuers" (as set forth in 17 CFR 210.12-12) is included in Item 1 of this Form N-CSR. ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES. Not applicable. ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES. Not applicable. ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS. Registrant Purchases of Equity Securities* (a) (b) (c) (d) Total Number of Maximum Number of

Shares Purchased as Shares that May Yet Period Total Number Average Price Part of Publicly Be Purchased Under of Shares Purchased Paid Per Share Announced Plans or Programs the Plans or Programs
--- 12/01/04 through 12/31/04 14,687 $3.59 14,687 N/A 01/01/05 through 01/31/05 20,530 $3.77 20,530 N/A 02/01/05 through 02/28/05 14,844 $3.73 14,844 N/A 03/01/05 through 03/31/05 15,361 $3.59 15,361 N/A 04/01/05 through 04/30/05 15,680 $3.54 15,680 N/A 05/01/05 through 05/31/05 16,807 $3.36 16,807 N/A
--- Total 97,909 $3.60 97,909 N/A
--- * Includes shares purchased by the Dividend Reinvestment Agent pursuant to the Registrant's Dividend Reinvestment Plan. ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, since those procedures were last disclosed in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A or this Item. ITEM 11. CONTROLS AND PROCEDURES. (a) The registrant's principal executive officer and principal financial officers, based on their evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. (b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting. ITEM 12. EXHIBITS. (a)(1) Code of ethics required to be disclosed under Item 2 of Form N-CSR: Not applicable at this time. (a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT. (a)(3) Not applicable. (b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT. SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. (registrant) Colonial Intermediate High Income Fund -- By (Signature and Title) /S/ Christopher L. Wilson --- Christopher L. Wilson, President Date July 28, 2005
-- Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By (Signature and Title) /S/ Christopher L. Wilson --- Christopher L. Wilson, President Date July 28, 2005 -- By (Signature and Title) /S/ J. Kevin Connaughton --- J. Kevin Connaughton, Treasurer Date July 28, 2005
