

Averion International Corp.

Form 10-Q

November 07, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

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

For the transition period from to

Commission file number 000-50095

AVERION INTERNATIONAL CORP.

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(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

20-4354185

(IRS Employer Identification No.)

**225 Turnpike Road,
Southborough, Massachusetts**

(Address of principal executive offices)

01772

(Zip Code)

Registrant's telephone number, including area code: **(508) 597-6000**

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(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes No

Common Stock, \$0.001 par value per share, 950,000,000 shares authorized, 634,972,039 issued and outstanding as of November 4, 2008.

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AVERION INTERNATIONAL CORP.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

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	September 30, 2008 (unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,371	\$ 7,384
Accounts receivable (net of allowance for doubtful accounts of \$307 and \$376 for 2008 and 2007, respectively)	14,146	14,293
Unbilled accounts receivable	6,714	2,571
Prepaid and other current assets	2,272	2,413
Total Current Assets	25,503	26,661
Property and equipment, net	6,324	6,509
Goodwill	51,595	48,717
Finite life intangibles (net of accumulated amortization of \$3,306 and \$1,614 for 2008 and 2007, respectively)	11,777	13,469
Deposits	689	658
Other non-current assets	2,369	1,878
Total Assets	\$ 98,257	\$ 97,892
Liabilities and Stockholders Equity		
Current Liabilities:		
Accounts payable	\$ 3,111	\$ 2,737
Accrued payroll and employee benefits	3,815	3,405
Deferred revenue	21,362	18,532
Current portion of notes payable	31	813
Current portion of accrued lease obligations	574	610
Deferred rent	475	510
Current portion of capital lease obligations	12	25
Deferred transaction obligation	560	3,683
Other accrued liabilities	2,736	4,313
Total Current Liabilities	32,676	34,628
Capital lease obligations, less current portion		8
Notes payable, less current portion	28,679	24,266
Accrued lease obligations, less current portion	2,702	2,966
Deferred income taxes	3,146	1,047
Other long-term liabilities	53	29
Total Liabilities	\$ 67,256	\$ 62,944
Stockholders Equity:		
Common stock, \$.001 par value, 950,000,000 and 750,000,000 shares authorized, 634,972,039, and 625,632,455 shares issued and outstanding, respectively	\$ 635	\$ 626
Convertible warrants	164	164
Common stock to be issued	837	837
Additional paid-in capital	48,418	47,308
Other comprehensive income (loss)	6	(316)
Retained deficit	(19,059)	(13,671)
Total Stockholders equity	31,001	34,948
Total Liabilities and Stockholders Equity	\$ 98,257	\$ 97,892

The accompanying notes are an integral part of these consolidated financial statements.

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AVERION INTERNATIONAL CORP.
Consolidated Statements of Operations
(In thousands, except share and per share amounts)
(Unaudited)

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	For the three months ended September 30,		For the nine months ended September 30,	
	2008	2007	2008	2007
Net service revenue	\$ 15,900	\$ 7,820	\$ 50,339	\$ 22,197
Reimbursement revenue	2,153	980	6,321	2,005
Total revenue	18,053	8,800	56,660	24,202
Operating expenses:				
Direct expenses	9,868	4,214	29,326	13,301
Reimbursable out-of-pocket expenses	2,153	980	6,321	2,005
Sales, general and administrative expenses	5,878	2,800	18,325	8,266
Depreciation and amortization expense	1,011	338	3,058	1,044
Restructuring charges				723
Total operating expenses	18,910	8,332	57,030	25,339
Net operating income (loss)	(857)	468	(370)	(1,137)
Other income (expense):				
Interest income	7	76	27	247
Interest expense	(454)	(141)	(1,529)	(435)
Foreign currency exchange gain (loss)	509		(244)	
Amortization of debt discount	(1,199)		(3,258)	
Other	76	95	200	124
Total other income (expense)	(1,061)	30	(4,804)	(64)
Income (loss) from continuing operations before income taxes				
	(1,918)	498	(5,174)	(1,201)
Income tax expense	122		212	
Net income (loss) from continuing operations	\$ (2,040)	\$ 498	\$ (5,386)	\$ (1,201)
Loss from discontinued operations		(375)		(1,227)
Net income (loss)	\$ (2,040)	\$ 123	\$ (5,386)	\$ (2,428)
Net income (loss) per share				
Net income (loss) from continuing operations	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Loss from discontinued operations		\$ 0.00		\$ (0.00)
Net income (loss)	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	634,996,948	502,423,301	628,833,185	498,484,840

The accompanying notes are an integral part of these consolidated financial statements.

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AVERION INTERNATIONAL CORP.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

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	Nine Months Ended	
	September 30, 2008	September 30, 2007
Cash flows from operating activities		
Net loss	\$ (5,386)	\$ (2,428)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	1,365	519
Amortization of finite life intangibles	1,693	599
Amortization of debt discount	3,258	
Amortization of deferred financing costs	262	
Amortization of deferred rent	(35)	(36)
Bad debt expense, net of recoveries	(232)	41
Stock based compensation	617	326
Effect of exchange rate on foreign currency denominated assets and liabilities	590	
Changes in assets and liabilities:		
Accounts receivable	666	356
Unbilled accounts receivable	(4,290)	949
Prepaid and other current assets	(529)	54
Accounts Payable	356	380
Accrued payroll and employee benefits	225	(324)
Deferred revenue	2,481	(1,201)
Deferred taxes	(136)	
Other accrued liabilities	(1,707)	306
Net cash used by operating activities	(802)	(459)
Cash flows from investing activities		
Purchase of property and equipment	(1,034)	(561)
Other	(8)	30
Net cash used by investing activities	(1,042)	(531)
Cash flows from financing activities		
Payment on Cerep note	(3,038)	
Payments on capital lease obligation	(22)	8
Proceeds from debt issuance	2,000	
Payments on notes payable	(2,156)	