

CELSION CORP
Form 8-K
June 27, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 21, 2007

Celsion Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction

of incorporation)

000-14242
(Commission File Number)

52-1256615
(IRS Employer

Identification No.)

10220-L Old Columbia Road, Columbia, Maryland
(Address of principal executive office)

21046-2364
(Zip Code)

Registrant's telephone number, including area code: (410) 290-5390

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

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- .. Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.135-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

On June 21, 2007, Celsion Corporation (the Company) closed the previously announced sale of its Prolieve assets (the Prolieve Assets) to Boston Scientific Corporation, a Delaware corporation (Boston Scientific). The sale of the Prolieve Assets was made pursuant to an Asset Purchase Agreement, dated April 17, 2007 (the Asset Purchase Agreement), that was previously filed as Exhibit 10.1 to Form 8-K filed by the Company on April 17, 2007. The use of the Prolieve Assets was approved by the Food and Drug Administration in 2004 for the treatment of benign prostatic hyperplasia. The Prolieve Assets were used by the Company in the manufacture, marketing, sale, distribution and research and development of products using thermal therapy. Prior to the sale of the Prolieve Assets, Boston Scientific was the Company's exclusive distributor of the Prolieve Assets. As of April 30, 2007, Boston Scientific owned 7.94% of the Company's common stock.

The Prolieve Assets were sold to Boston Scientific for an aggregate purchase price of \$60 million payable in three installments consisting of \$30 million at closing and \$15 million on each of the first and second anniversaries of the closing. In addition to the other indemnification provisions, such as indemnification for breaches of representations, warranties and covenants contained in the Asset Purchase Agreement, the Company agreed to indemnify Boston Scientific for a period of two years from the closing, in an amount up to \$15 million of incurred costs, in the event of unforeseen intellectual property claims related to the Prolieve Assets. The \$30 million payable at closing was reduced by approximately \$17 million, representing the principal and accrued interest due on promissory notes previously issued by the Company to Boston Scientific, and by the amounts of certain royalty payments to American Medical Systems, Inc. and AMS Research Corporation (together referred to as AMS) under the Settlement and License Agreement dated as of February 7, 2007 among AMS and the Company (the Settlement Agreement). The Settlement Agreement was previously filed as Exhibit 10.1 to Form 10-Q filed by the Company on May 10, 2007.

The foregoing description of the Asset Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the complete terms of the Asset Purchase Agreement, a copy of which is attached to the Form 8-K filed by the Company on April 18, 2007 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(b) Financial Statements.

The following pro forma financial statements are filed as part of this Current Report on Form 8-K:

Pro Forma Consolidated Balance Sheet as of March 31, 2007 and notes thereto

Pro Forma Consolidated Statement of Operations as of March 31, 2007 and notes thereto

Pro Forma Consolidated Statement of Operations for each of the years ended December 31, 2006, 2005 and 2004 and notes thereto

(c) Exhibits.

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release, dated June 21, 2007 |
| 10.1 | Asset Purchase Agreement, dated as of April 17, 2007, by and between Celsion Corporation and Boston Scientific Corporation, incorporated herein by reference to Exhibit 10.1 to Form 8-K filed by the Company on April 17, 2007. |

CELSION CORPORATION
PRO FORMA BALANCE SHEET
(UNAUDITED)

| | March 31, 2007 | | | |
|--|----------------------|--------------------------|---------|----------------------|
| | As Reported | Pro Forma Adjustments | | Pro Forma |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 552,387 | \$ 9,043,499 | (1) | \$ 9,595,886 |
| Short term investments | 7,000,000 | | | 7,000,000 |
| Accounts receivable - trade | 1,113,046 | (1,113,046) | (2) | |
| Other receivables | 25,693 | 14,977,909 | (2),(3) | 15,003,602 |
| Inventories | 2,899,543 | (2,899,543) | (2) | |
| Prepaid Expenses | 422,940 | (206,799) | (4) | 216,141 |
| Total current assets | 12,013,609 | 19,802,020 | | 31,815,629 |
| Property and equipment - at cost | | | | |
| Furniture and office equipment | 195,508 | | | 195,508 |
| Computer hardware and software | 319,734 | | | 319,734 |
| Laboratory and shop equipment | 755,482 | (401,965) | (2) | 353,517 |
| Leasehold improvements | 132,148 | | | 132,148 |
| | 1,402,872 | (401,965) | | 1,000,907 |
| Less: Accumulated depreciation | 925,144 | (233,598) | (2) | 691,546 |
| Net value of property and equipment | 477,728 | (168,367) | | 309,361 |
| Other assets | | | | |
| Advances - Celsion Canada, Ltd. transition agreement | 600,782 | | | 600,782 |
| Note receivable (net of discount of \$230,192) | 1,119,808 | | | 1,119,808 |
| Deposits | 787,703 | | | 787,703 |
| Patent licensing fee | 1,648,062 | (1,576,812) | | 71,250 |
| Total other assets | 4,156,355 | (1,576,812) | | 2,579,543 |
| Total assets | \$ 16,647,692 | \$ 18,056,841 | | \$ 34,704,533 |

CELSION CORPORATION
PRO FORMA BALANCE SHEET
(UNAUDITED)

| | March 31, 2007 | | |
|---|----------------------|----------------------|----------------------|
| | As Reported | Adjustments | Pro Forma |
| LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY | | | |
| Current liabilities | | | |
| Accounts payable - trade | \$ 2,132,390 | \$ (1,260,073) (5) | \$ 872,317 |
| Other accrued liabilities | 972,314 | (675,254) (5) | 297,060 |
| Accrued non-cash compensation | 4,750 | | 4,750 |
| Current portion of deferred revenue | 571,428 | (571,428) (6) | |
| Total current liabilities | 3,680,882 | (2,506,755) | 1,174,127 |
| Long-term liabilities | | | |
| Deferred revenue - license fee | 1,666,667 | (1,666,667) (6) | |
| Loan payable - principal | 15,000,000 | (15,000,000) (7) | |
| Loan payable - interest | 1,624,573 | (1,624,573) (7) | |
| Other liabilities | 35,176 | | 35,176 |
| Total long-term liabilities | 18,326,416 | (18,291,240) | 35,176 |
| Total liabilities | 22,007,298 | (20,797,995) | 1,209,303 |
| Stockholders (deficit) equity | | | |
| Common stock - \$0.01 par value (250,000,000 shares authorized; 10,770,652 shares issued and outstanding at March 31, 2007) | 107,707 | | 107,707 |
| Additional paid-in capital | 87,377,171 | | 87,377,171 |
| Accumulated deficit | (92,844,484) | 38,854,836 | (53,989,648) |
| Total stockholders (deficit) equity | (5,359,606) | 38,854,836 | 33,495,230 |
| Total liabilities and stockholders (deficit) equity | \$ 16,647,692 | \$ 18,056,841 | \$ 34,704,533 |

Notes to unaudited Pro Forma Balance Sheet

- (1) To record the cash received with the first installment pursuant to the sale of Prolieve
- (2) To remove the assets conveyed in the sale of Prolieve
- (3) To record the remaining receivable due on the sale of Prolieve net of a reserve for potential claims on Intellectual Property .
- (4) To write off assets that will not be realized after the sale of Prolieve.
- (5) Payables are deemed to have been settled out of the proceeds from the sale.
- (6) To remove the liabilities that will be written off at settlement.
- (7) To record the payment of the loan and interest

CELSION CORPORATION
PRO FORMA STATEMENT OF OPERATIONS
(UNAUDITED)

| | Quarter Ended March 31, 2007 | | |
|---|------------------------------|--------------------------|----------------|
| | As Reported | Pro Forma Adjustments | Proforma |
| Revenues: | | | |
| Sales of equipment and parts | \$ 2,931,862 | \$ (2,931,862) (1) | \$ |
| Returns and allowances | 8,897 | (8,897) (2) | |
| Total revenues | 2,922,965 | (2,922,965) | |
| Cost of sales | 1,536,399 | (1,536,399) (3) | |
| Gross profit | 1,386,566 | (1,386,566) | |
| Operating expenses: | | | |
| Research and development | 2,425,440 | (654,628) (4) | 1,770,812 |
| General and administrative | 1,294,169 | | 1,294,169 |
| Total operating expenses | 3,719,609 | (654,628) | 3,064,981 |
| Loss from operations | (2,333,043) | (731,938) | (3,064,981) |
| Other income (expense): | | | |
| License fee income amortization | 142,857 | (142,857) (5) | |
| Interest income | 180,779 | | 180,779 |
| Interest expense | (348,263) | | (348,263) |
| Loss before income taxes | (2,357,670) | (874,795) | (3,232,465) |
| Income taxes | | | |
| Net loss | \$(2,357,670) | \$ (874,795) | \$ (3,232,465) |
| Net loss per common share (basic and diluted) | \$ (0.22) | \$ (0.08) | \$ (0.31) |
| Weighted average shares outstanding | 10,746,869 | 10,746,869 | 10,746,869 |

Notes to unaudited Pro Forma Statement of Operations

- (1) To remove revenues related to the Prolieve business.
- (2) To remove the returns and allowances related to the Prolieve business.
- (3) To remove the cost of sales related to the Prolieve business.
- (4) To remove research and development expenses related to the Prolieve business.
- (5) To remove license fee amortization related to the Prolieve business.

CELSION CORPORATION

PRO FORMA STATEMENT OF OPERATIONS

(UNAUDITED)

| | Year Ended December 31, 2006 | | |
|--|------------------------------|--------------------------|-----------------------|
| | As Reported | Pro Forma Adjustments | Proforma |
| Revenues: | | | |
| Sales of equipment and parts | \$ 11,624,676 | \$ (11,624,676) (1) | \$ |
| Returns and allowances | 373,859 | (373,859) (2) | |
| Total revenues | 11,250,817 | (11,250,817) | |
| Cost of sales | 6,669,075 | (6,669,075) (3) | |
| Gross profit | 4,581,742 | (4,581,742) | |
| Operating expenses: | | | |
| Research and development | 9,345,381 | (2,914,200) (4) | 6,431,181 |
| General and administrative | 3,722,991 | | 3,722,991 |
| Total operating expenses | 13,068,372 | (2,914,200) | 10,154,172 |
| Loss from operations | (8,486,630) | (1,667,542) | (10,154,172) |
| Other income (expense): | | | |
| Gain on the sale of Celsion (Canada) Ltd. | 1,011,923 | | 1,011,923 |
| License fee income amortization | 571,429 | (571,429) (5) | |
| Other expense, net | (213,869) | | (213,869) |
| Interest income | 636,561 | | 636,561 |
| Interest expense | (1,103,644) | | (1,103,644) |
| Loss before income taxes | (7,584,230) | (2,238,971) | (9,823,201) |
| Income taxes | | | |
| Net loss | \$ (7,584,230) | \$ (2,238,971) | \$ (9,823,201) |
| Net loss per common share (basic and diluted) | \$ (0.71) | \$ (0.21) | \$ (0.92) |
| Weighted average shares outstanding | 10,728,435 | 10,728,435 | 10,728,435 |

Notes to unaudited Pro Forma Statement of Operations

- (1) To remove revenues related to the Prolieve business.
- (2) To remove the returns and allowances related to the Prolieve business.
- (3) To remove the cost of sales related to the Prolieve business.
- (4) To remove research and development expenses related to the Prolieve business.
- (5) To remove license fee amortization related to the Prolieve business.

CELSION CORPORATION
PRO FORMA STATEMENT OF OPERATIONS
(UNAUDITED)

| | Year Ended December 31, 2005 | | |
|--|------------------------------|--------------------------|------------------------|
| | As Reported | Pro Forma Adjustments | Proforma |
| Revenues: | | | |
| Sales of equipment and parts | \$ 12,458,863 | \$ (12,458,863) (1) | \$ |
| Returns and allowances | 138,722 | (138,722) (2) | |
| Total revenues | 12,320,141 | (12,320,141) | |
| Cost of sales | 8,112,760 | (8,112,760) (3) | |
| Gross profit | 4,207,381 | (4,207,381) | |
| Operating expenses: | | | |
| Research and development | 10,081,483 | (3,114,175) (4) | 6,967,308 |
| General and administrative | 3,405,409 | | 3,405,409 |
| Total operating expenses | 13,486,892 | (3,114,175) | 10,372,717 |
| Loss from operations | (9,279,511) | (1,093,206) | (10,372,717) |
| Other income (expense): | | | |
| Gain on the sale of Celsion (Canada) Ltd. | | | |
| License fee income amortization | 571,429 | (571,429) (5) | |
| Other expense, net | (96,891) | | (96,891) |
| Interest income | 299,245 | | 299,245 |
| Interest expense | (179,591) | | (179,591) |
| Loss before income taxes | (8,685,319) | (1,664,635) | (10,349,954) |
| Income taxes | | | |
| Net loss | \$ (8,685,319) | \$ (1,664,635) | \$ (10,349,954) |
| Net loss per common share (basic and diluted) | \$ (0.81) | \$ (0.16) | \$ (0.97) |
| Weighted average shares outstanding | 10,725,091 | 10,725,091 | 10,725,091 |

Notes to unaudited Pro Forma Statement of Operations

- (1) To remove revenues related to the Prolieve business.
- (2) To remove the returns and allowances related to the Prolieve business.
- (3) To remove the cost of sales related to the Prolieve business.
- (4) To remove research and development expenses related to the Prolieve business.
- (5) To remove license fee amortization related to the Prolieve business.

CELSION CORPORATION
PRO FORMA STATEMENT OF OPERATIONS
(UNAUDITED)

| | Year Ended December 31, 2004 | | |
|---|------------------------------|--------------------------|-----------------|
| | As Reported | Pro Forma Adjustments | Proforma |
| Revenues: | | | |
| Sales of equipment and parts | \$ 2,506,228 | \$ (2,506,228) (1) | \$ |
| Returns and allowances | | | |
| Total revenues | 2,506,228 | (2,506,228) | |
| Cost of sales | 2,100,888 | (2,100,888) (2) | |
| Gross profit | 405,340 | (405,340) | |
| Operating expenses: | | | |
| Research and development | 11,533,421 | (3,671,538) (3) | 7,861,883 |
| General and administrative | 3,470,869 | | 3,470,869 |
| Total operating expenses | 15,004,290 | (3,671,538) | 11,332,752 |
| Loss from operations | (14,598,950) | 3,266,198 | (11,332,752) |
| Other income (expense): | | | |
| Gain on the sale of Celsion (Canada) Ltd. | | | |
| License fee income amortization | 476,191 | (476,191) (4) | |
| Other expense, net | (92,203) | | (92,203) |
| Interest income | 229,914 | | 229,914 |
| Interest expense | | | |
| Loss before income taxes | (13,985,048) | 2,790,007 | (11,195,041) |
| Income taxes | | | |
| Net loss | \$ (13,985,048) | \$ 2,790,007 | \$ (11,195,041) |
| Net loss per common share (basic and diluted) | \$ (1.32) | \$ 0.26 | \$ (1.06) |
| Weighted average shares outstanding | 10,583,772 | 10,583,772 | 10,583,772 |

Notes to unaudited Pro Forma Statement of Operations

- (1) To remove revenues related to the Prolieve business.
- (2) To remove the cost of sales related to the Prolieve business.
- (3) To remove research and development expenses related to the Prolieve business.
- (4) To remove license fee amortization related to the Prolieve business.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CELSION CORPORATION

Date: June 27, 2007

By: /s/ Anthony P. Deasey

Anthony P. Deasey

Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press Release, dated June 21, 2007 |
| 10.1 | Asset Purchase Agreement, dated as of April 17, 2007, by and between Celsion Corporation and Boston Scientific Corporation, incorporated herein by reference to Exhibit 10.1 to Form 8-K filed by the Company on April 17, 2007. |