

GENETRONICS BIOMEDICAL CORP

Form 8-K

February 13, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

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

January 31, 2003

\_\_\_\_\_  
(Date of Report)

**GENETRONICS BIOMEDICAL CORPORATION**

\_\_\_\_\_  
((Exact name of registrant as specified in its charter))

**Delaware**  
(State or other jurisdiction of  
incorporation)

**0-29608**  
(Commission File Number)

**33-0969592**  
(IRS Employer Identification No.)

11199 Sorrento Valley Road, San Diego California, 92121-1334

\_\_\_\_\_  
(Address of principal executive offices)

(858) 597-6006

\_\_\_\_\_  
(Registrant's telephone number, including area code)

Not Applicable

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

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**ITEM 2. Acquisition or Disposition of Assets.**

On January 31, 2003, Genetronics Biomedical Corporation (the Company) completed the sale of substantially all of the properties and assets that are primarily used in its BTX Division to Harvard Bioscience, Inc., a Delaware corporation (HBI), for a purchase price of \$3.7 million in cash of which \$3.5 million was paid at the closing and the remaining \$200,000 was deposited in escrow pursuant to an escrow agreement expiring in April 2004. The Company will also receive a royalty on net sales of BTX products above certain sales targets for a period of four years. The assets sold included all equipment and other tangible personal property, inventory, identified contracts, accounts receivable, intellectual property and general intangibles, licenses and authorizations and records and lists primarily used in the BTX Division. HBI also obtained rights to certain intellectual property through a license executed concurrently with the sale. HBI assumed certain of the accounts payable of the BTX Division, certain obligations under the assumed customer contracts, substantially all of the product warranty liabilities of the BTX Division and other specifically identified liabilities. The purchase price was determined by arms-length negotiations between the Company and HBI. On December 23, 2002, Seidman & Co., Inc., an independent financial advisor, delivered its oral opinion to the Company's Board of Directors and December 24, 2002, reaffirmed its opinion in writing, that, as of that date and based on and subject to the matters described in its written letter opinion, the consideration anticipated to be received by the Company as a result of the sale of substantially all of the properties and assets that are primarily used in the BTX Division was fair from a financial point of view to the holders of the Company's common stock.

**Item 7. Financial Statements and Exhibits.**

(a) None.

(b) Pro forma financial information reflecting the sale of the BTX Division is set forth on pages 3 through 6 of this Current Report on Form 8-K.

(c) The following exhibits are attached hereto and incorporated herein by reference.

| <u>Exhibit No.</u> | <u>Exhibit Description</u>   |
|--------------------|--|
| 2.1                | Asset Purchase Agreement dated as of December 24, 2002 entered into by and among the Company, Genetronics, Inc. and Harvard Bioscience, Inc. (incorporated by reference from Exhibit A of the Company's Definitive Proxy Statement filed with the SEC on January 7, 2003). |
| 99.1               | Press Release dated February 3, 2003 announcing the disposition.   |

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**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma consolidated financial information presents pro forma information for the Company giving effect to the sale of the BTX Division, which occurred on January 31, 2003 (the Transaction). The pro forma consolidated financial information is based upon the historical consolidated financial statements of Genetronics Biomedical Corporation for each of the periods presented. The pro forma information is presented as of September 30, 2002 for balance sheet purposes and for the year ended December 31, 2001 and the interim period ended September 30, 2002 for statement of operations purposes.

The pro forma consolidated balance sheet as of September 30, 2002 has been presented as if the Transaction had occurred on September 30, 2002.

The pro forma consolidated statements of operations for the nine month period ended September 30, 2002 and for the year ended December 31, 2001 have been presented as if the Transaction had occurred at the beginning of each period presented.

The pro forma consolidated financial statements have been prepared by Genetronics Biomedical Corporation and all calculations have been made by Genetronics Biomedical Corporation based upon assumptions considered appropriate by the Company. Because the Transaction closed recently, the pro forma financial information is based upon preliminary estimates which could result in adjustments when the final amounts are determined. The estimates included herein are not expected to differ materially from the amounts included herein.

The pro forma consolidated financial information is unaudited, is presented for informational purposes only and does not necessarily indicate what the actual results of operations would have been had the Transaction occurred on the dates indicated, or what the future operating results or financial position of Genetronics Biomedical Corporation may be.

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**Genetronics Biomedical Corporation**  
**Pro Forma Condensed Consolidated Statement of Operations (Unaudited)**  
**Nine Months Ended September 30, 2002**

|   | <u>As reported</u>    | <u>Disposition<br/>Adjustments</u> | <u>Pro Forma</u>      |
|---|-----------------------|------------------------------------|-----------------------|
| <b>REVENUE</b>  |                       |                                    |                       |
| Net sales   | \$ 2,663,998          | \$(2,663,998)                      | \$ 0                  |
| License fee and milestone payments                                | 50,463                |                                    | 50,463                |
| Government grants   | 0                     |                                    | 0                     |
| Revenue under collaborative research and development arrangements | 62,865                |                                    | 62,865                |
|   | <u>2,777,326</u>      | <u>(2,663,998)</u>                 | <u>113,328</u>        |
| <b>EXPENSES</b>   |                       |                                    |                       |
| Cost of sales   | 1,128,621             | (1,128,621)                        | 0                     |
| Research and development  | 2,016,737             | (165,312)                          | 1,851,425             |
| Selling, general and administrative                               | 4,046,025             | (1,291,356)                        | 2,754,669             |
|   | <u>7,191,383</u>      | <u>(2,585,289)</u>                 | <u>4,606,094</u>      |
| <b>(Loss) income from operations</b>                              | (4,414,057)           | (78,709)                           | (4,492,766)           |
| <b>Other income (expenses)</b>                                    |                       |                                    |                       |
| <b>Interest income</b>  | 28,589                |                                    | 28,589                |
| Interest expense  | (4,560)               |                                    | (4,560)               |
| Foreign exchange loss   | 0                     |                                    | 0                     |
|   | <u>\$ (4,390,028)</u> | <u>\$ (78,709)</u>                 | <u>\$ (4,468,737)</u> |
| <b>Net (loss) income per share basic and diluted</b>              |                       |                                    |                       |
|   | \$ (0.12)             |                                    | \$ (0.12)             |
| <b>Shares used in calculation of earnings per share</b>           |                       |                                    |                       |
| <b>Basic</b>  | 37,812,744            |                                    | 37,812,744            |
| <b>Diluted</b>  | <u>37,812,744</u>     |                                    | <u>37,812,744</u>     |

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**Genetronics Biomedical Corporation**  
**Pro Forma Condensed Consolidated Statement of Operations (Unaudited)**  
**Nine Months Ended December 31, 2001**

|  | <u>As reported</u>    | <u>Adjustments</u> | <u>Disposition<br/>Pro Forma</u> |
|--|-----------------------|--------------------|----------------------------------|
| <b>REVENUE</b>   |                       |                    |                                  |
| Net sales  | \$ 3,017,747          | \$(3,017,747)      | \$ 0                             |
| License fee and milestone payments                                   | 981                   |                    | 981                              |
| Government grants  | 0                     |                    | 0                                |
| Revenue under collaborative research<br>and development arrangements | 109,669               |                    | 109,669                          |
|  | <u>3,128,397</u>      | <u>(3,017,747)</u> | <u>110,650</u>                   |
| <b>EXPENSES</b>  |                       |                    |                                  |
| Cost of sales  | 1,322,763             | (1,322,763)        | 0                                |
| Research and development   | 2,325,045             | (246,624)          | 2,078,421                        |
| Selling, general and administrative                                  | 5,928,502             | (1,956,406)        | 3,972,096                        |
|  | <u>9,576,310</u>      | <u>(3,525,793)</u> | <u>6,050,517</u>                 |
| <b>(Loss) income from operations</b>                                 | (6,447,913)           | 508,046            | (5,939,867)                      |
| <b>Other income (expenses) Interest<br/>income</b>                   | 98,865                |                    | 98,865                           |
| Interest expense   | (10,742)              |                    | (10,742)                         |
| Foreign exchange loss  | 0                     |                    | 0                                |
|  | <u>(6,359,790)</u>    | <u>508,046</u>     | <u>(5,851,744)</u>               |
| Unrealized gain on short-term<br>investment/reclassification of loss | (2,152)               |                    | (2,152)                          |
|  | <u>\$ (6,361,942)</u> | <u>\$ 508,046</u>  | <u>\$ (5,853,896)</u>            |
| <b>Net (loss) income per share basic<br/>and diluted</b>             | \$ (0.19)             |                    | \$ (0.17)                        |
| <b>Shares used in calculation of<br/>earnings per share</b>          |                       |                    |                                  |
| <b>Basic</b>   | 33,759,404            |                    | 33,759,404                       |
| <b>Diluted</b>   | 33,759,404            |                    | 33,759,404                       |

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**Genetronics Biomedical Corporation**  
**Pro Forma Condensed Consolidated Balance Sheet (Unaudited)**  
**As of September 30, 2002**

|  | As Reported  | Disposition<br>Adjustments(1) | Pro Forma    |
|--|--------------|-------------------------------|--------------|
| <b>Assets</b>  |              |                               |              |
| <b>Current</b>   |              |                               |              |
| Cash and cash equivalents                                  | \$ 1,364,982 | \$3,700,000                   | \$ 5,064,982 |
| Short term investments                                     | 994,260      |                               | 994,260      |
| Accounts receivable, net                                   | 628,388      | (619,488)                     | 8,900        |
| Inventories  | 758,622      | (758,622)                     | 0            |
| Prepaid expenses and other                                 | 30,030       |                               | 30,030       |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total current assets</b>                                | 3,776,282    | 2,321,890                     | 6,098,172    |
| Fixed assets, net  | 421,080      | (55,339)                      | 365,741      |
| Other assets, net  | 2,354,154    |                               | 2,354,154    |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total assets</b>  | \$ 6,551,516 | \$2,266,551                   | \$ 8,818,067 |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                 |              |                               |              |
| <b>Current</b>   |              |                               |              |
| Accounts payable and accrued expenses                      | \$ 1,020,903 | \$ 91,905                     | \$ 1,112,808 |
| Current portion of obligations under capital leases        | 21,969       |                               | 21,969       |
| Deferred revenue   | 201,608      |                               | 201,608      |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total current liabilities</b>                           | 1,244,480    | 91,905                        | 1,336,385    |
| Obligations under capital leases                           | 3,873        |                               | 3,873        |
| Deferred rent  | 36,875       |                               | 36,875       |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total liabilities</b>                                   | 1,285,228    | 91,905                        | 1,377,133    |
| <b>Stockholders equity Common</b>                          |              |                               |              |
| <b>Stock, \$0.001 par value</b>                            | 40,173       |                               | 40,173       |
| Additional paid-in-capital                                 | 53,259,725   |                               | 53,259,725   |
| Special warrants   | 3,853,177    |                               | 3,853,177    |
| Receivables from executive/stockholders for stock purchase | (33,042)     |                               | (33,042)     |
| Cumulative translation adjustment                          | (101,997)    |                               | (101,997)    |
| Accumulated deficit  | (51,751,748) | 2,174,646                     | (49,577,102) |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total stockholders equity</b>                           | 5,266,288    | 2,174,646                     | 7,440,934    |
|  | <hr/>        | <hr/>                         | <hr/>        |
| <b>Total liabilities and stockholders equity</b>           | \$ 6,551,516 | \$2,266,551                   | \$ 8,818,067 |
|  | <hr/>        | <hr/>                         | <hr/>        |

(1) Includes accrual of \$330,000 for estimated closing costs.



