

ENCORIUM GROUP INC
Form 8-K
September 09, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 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): 09/03/2008

Encorium Group, Inc.

(Exact name of registrant as specified in its charter)

Commission File Number: 0-21145

Delaware
(State or other jurisdiction of
incorporation)

56-1668867
(IRS Employer
Identification No.)

One Glenhardie Corporate Center,
1275 Drummers Lane, Suite 100, Wayne, Pennsylvania 19807
(Address of principal executive offices, including zip code)

610-975-9533

(Registrant's telephone number, including area code)

(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 obligation of the registrant under any of the following provisions:

- Written communications 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 240.13e-4(c))
-

Item 1.01. Entry into a Material Definitive Agreement

On September 9, 2008, the Company announced that it had entered into an amended non-binding letter of intent with Prologue Research International, Inc., an Ohio based clinical research company ("Prologue"). Pursuant to the amended letter of intent, the Company will acquire all of the issued and outstanding stock of Prologue for approximately \$11.75 million, consisting of (i) \$500,000 in cash that was previously paid to Prologue as a non-refundable exclusivity fee; (ii) \$1.13 million of assumed debt obligations; (iii) \$2.0 million in senior non-convertible notes with an 8 month term; (iv) \$2.0 million in senior non-convertible notes with a 18 month term; and (v) \$6.12 million in subordinated convertible notes with a three year term. There is no material relationship between the Company and Prologue other than in respect of the non-binding letter of intent.

A copy of the Company's press release announcing the amendment of the letter of intent is furnished as Exhibit 99.1 hereto and is incorporated herein by reference. The information contained in Exhibit 99.1 shall not be deemed "filed" with the Securities and Exchange Commission nor incorporated by reference in any filings unless specifically referenced therein.

Item 1.02. Termination of a Material Definitive Agreement

On September 3, 2008 the Board of Directors of the Company decided to terminate negotiations with Fine Success Investments, Ltd., a British Virgin Islands company doing business as Linkcon ("Linkcon") regarding the previously announced non-binding letter of intent to combine Encorium and Linkcon (the "Business Combination"). The Board of Directors believes that in the course of negotiations the terms of the proposed Business Combination changed materially to the detriment of the Company and its shareholders since the term sheet with respect to the Business Combination was executed on June 12, 2008. As previously disclosed on the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2008, pursuant to the term sheet with Linkcon, Chardan Capital, LLC ("Chardan") was to procure a loan for Encorium in the amount of \$5,000,000 to make partial payment for the acquisition of Prologue, in exchange for a promissory note from Encorium.

Dr. Richard Propper, founder and Chairman of Chardan and associate of Linkcon, is a stockholder of the Company.

A copy of the Company's press release announcing termination of negotiations with Linkcon is furnished as Exhibit 99.1 hereto and is incorporated herein by reference. The information contained in Exhibit 99.1 shall not be deemed "filed" with the Securities and Exchange Commission nor incorporated by reference in any filings unless specifically referenced therein.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release of Encorium Group, Inc. dated September 9, 2008.

This press release contains forward-looking statements identified by words such as "estimate," "project," "expect," "intend," "believe," "anticipate" and similar expressions regarding the potential acquisition of Prologue and our expectations regarding the effects of such transactions. Those statements involve risks and uncertainties, and actual results could differ materially from those discussed. Factors that could cause or contribute to such differences include, but are not limited to: (i) the timing of the closing, if any, of the acquisition of Prologue; (ii) our ability to negotiate a definitive agreement with Prologue; (iii) the possibility that the transaction may not close; (iv) our ability to negotiate mutually acceptable employment arrangements with key employees of Prologue; (v) our ability to successfully integrate the businesses of Encorium and Prologue; and (vi) the performance of the combined business to operate successfully and generate growth.

Additional risks and uncertainties that could affect the Company's future operating results and financial condition generally include, without limitation: (i) our success in attracting new business and retaining existing clients and

Edgar Filing: ENCORIUM GROUP INC - Form 8-K

projects; (ii) the size, duration, and timing of clinical trials we are currently managing may change unexpectedly; (iii) the termination, delay or cancellation of clinical trials we are currently managing could cause revenues and cash-on-hand to decline unexpectedly; (iv) the timing difference between our receipt of contract milestone or scheduled payments and our incurring costs to manage these trials; (v) outsourcing trends in the pharmaceutical, biotechnology and medical device industries; (vi) the ability to maintain profit margins in a competitive marketplace; (vii) our ability to attract and retain qualified personnel; (viii) the sensitivity of our business to general economic conditions; (ix) other economic, competitive, governmental and technological factors affecting our operations, markets, products, services and prices; (x) announced awards received from existing and potential customers are not definitive until fully negotiated contracts are executed by the parties; (xi) our backlog may not be indicative of future revenues and may not generate the revenues expected; (xii) our ability to successfully integrate the businesses of Encorium and Remedium Oy which we acquired on November 1, 2006; and (xiii) the performance of the combined business to operate successfully and generate growth. You should not place any undue reliance on these forward looking statements which speak only as of the date of this press release. Additional information concerning factors that might affect our business or stock price which could cause actual results to materially differ from those in forward-looking statements is contained in Encorium Group's SEC filings, including its Annual Report on Form 10-K for the year ended December 31, 2007 and other periodic reports under the Securities Exchange Act of 1934, as amended

Signature(s)

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.

Encorium Group, Inc.

Date: September 09, 2008

By: /s/ Philip L. Calamia

Philip L. Calamia
Chief Financial Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
EX-99.1	Press Release dated September 9, 2008