

XCYTE THERAPIES INC

Form 424B3

February 08, 2006

Table of Contents

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-131225

**PROXY STATEMENT/PROSPECTUS**

Dear Stockholder:

Xcyte Therapies, Inc. and Cyclacel Group plc have entered into a stock purchase agreement under which Xcyte will purchase from Cyclacel Group plc all of the outstanding share capital of Cyclacel Ltd. in exchange for newly issued shares of Xcyte common stock, which transaction we refer to as the Stock Purchase. We refer to Cyclacel Ltd. as Cyclacel in this document. We cannot complete the Stock Purchase unless Xcyte stockholders approve the issuance of Xcyte common stock in the Stock Purchase and the other proposals described in this document.

We are sending you this document in connection with the special meeting of holders of Xcyte's common stock to be held at 701 Fifth Avenue, Suite 5100, Seattle, Washington, on March 16, 2006 at 9:00 a.m. local time, at which Xcyte common stockholders will be asked to approve (1) the issuance of Xcyte common stock in the Stock Purchase, (2) the sale of Xcyte's T cell expansion technology known as the Xcellerate Process, including related intellectual property, know-how, agreements and other assets, to Invitrogen Corporation, (3) a new equity incentive plan to provide for equity incentive awards to officers, employees and directors of Xcyte after completion of the Stock Purchase and (4) amendments to Xcyte's certificate of incorporation, including a reverse stock split of Xcyte common stock.

In the Stock Purchase, Xcyte will issue a number of shares of common stock representing approximately 80% of the Xcyte common stock outstanding after the Stock Purchase, or approximately 73.5% of the total outstanding common stock and common stock equivalents of Xcyte (after accounting for the assumed conversion of all outstanding Xcyte convertible preferred stock), subject to the adjustments described in this document.

Upon completion of the Stock Purchase, Xcyte will be renamed Cyclacel Pharmaceuticals, Inc. At or after completion of the Stock Purchase, Cyclacel Group plc intends to effect a members' voluntary liquidation under English law, which would result in the distribution of its assets, including the shares of Xcyte common stock it receives in the Stock Purchase, to its shareholders and creditors.

Xcyte common stock is traded on the Nasdaq National Market under the trading symbol XCYT. The rights of the holders of Xcyte common stock are subject to certain rights in favor of holders of Xcyte's 6% convertible exchangeable preferred stock, including liquidation preference, conversion, dividend and make-whole payment and other rights. We refer to Xcyte's 6% convertible exchangeable preferred stock as the convertible preferred stock.

After careful consideration, the board of directors of Xcyte has approved the proposals referred to above and concluded that they are fair to and in the best interests of Xcyte and its stockholders. Xcyte's board of directors recommends that its stockholders vote **FOR** each of the proposals referred to above. Approval of a majority of the shares of Xcyte common stock present and voting at a meeting at which quorum is present is

## Edgar Filing: XCYTE THERAPIES INC - Form 424B3

required in order to approve the Stock Purchase and the new equity incentive plan. Approval of a majority of the outstanding common stock of Xcyte is required in order to approve the sale of Xcyte's T cell expansion technology and related assets to Invitrogen and the amendments to Xcyte's certificate of incorporation. We cannot complete the Stock Purchase unless each of the above proposals is approved. As a result, a vote against any of the above proposals is effectively a vote against the Stock Purchase.

**Before voting, you should carefully review all the information contained in this document. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER RISK FACTORS BEGINNING ON PAGE 21.**

**Your vote is very important.** Whether or not you expect to attend the special meeting, please complete, date, sign and promptly return the accompanying proxy in the enclosed postage paid envelope so that your shares may be voted at the special meeting.

We strongly support the Stock Purchase and the other proposals described in this document and enthusiastically recommend that you vote in favor of the proposals presented to you for approval.

Robert L. Kirkman

President and Chief Executive Officer

Xcyte Therapies, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of Xcyte common stock to be issued in the Stock Purchase or determined whether this document is truthful or complete. Any representation to the contrary is a criminal offense.**

This document is dated February 8, 2006 and is first being mailed to stockholders of Xcyte on or about February 10, 2006.

Table of Contents

**XCYTE THERAPIES, INC.**

**NOTICE OF SPECIAL MEETING OF COMMON STOCKHOLDERS**

**TO BE HELD ON MARCH 16, 2006**

To the Stockholders of Xcyte Therapies, Inc.:

We will hold a special meeting of holders of Xcyte Therapies, Inc. common stock at 701 Fifth Avenue, Suite 5100, Seattle, Washington, on March 16, 2006 at 9:00 a.m. local time, to consider and vote upon the proposals listed below and any other matters that may properly come before the special meeting or any adjournment or postponement of the special meeting:

1. A proposal to approve the issuance of Xcyte common stock under the Stock Purchase Agreement, dated as of December 15, 2005 and amended by Amendment No. 1 thereto dated as of January 13, 2006, between Xcyte and Cyclacel Group plc pursuant to which Xcyte will purchase from Cyclacel Group plc all of the outstanding share capital of Cyclacel Ltd. in exchange for newly issued shares of Xcyte common stock. We refer to the stock purchase agreement, as amended, as the Stock Purchase Agreement.
2. A proposal to approve the sale of Xcyte's T cell expansion technology known as the Xcellerate Process, including all related intellectual property, all clinical data generated by Xcyte in the course of six clinical trials of its lead product, specified related documents generated and maintained by Xcyte for purposes of such clinical trials, all related raw materials, and specified agreements and equipment, to Invitrogen Corporation pursuant to the asset purchase agreement, dated as of December 14, 2005, between Xcyte and Invitrogen. We refer to the asset purchase agreement as the Asset Purchase Agreement.
3. A proposal to approve an equity incentive plan to provide for the grant of equity incentive awards to officers, employees, directors and consultants of Xcyte following the completion of the Stock Purchase.
4. A proposal to approve the amendment of Xcyte's certificate of incorporation to change Xcyte's name and modify the indemnification obligations of Xcyte.
5. A proposal to approve an amendment to Xcyte's certificate of incorporation to effect a reverse stock split of Xcyte common stock at a ratio of one share for each ten shares of common stock.

After careful consideration, the board of directors of Xcyte has approved the proposals referred to above and concluded that they are fair to and in the best interests of Xcyte and its stockholders. Xcyte's board of directors recommends that its stockholders vote **FOR** each of the proposals referred to above. Approval of a majority of the shares of Xcyte common stock present and voting at a meeting at which quorum is present is required in order to approve the Stock Purchase and the new equity incentive plan. Approval of a majority of the outstanding common stock of Xcyte is required in order to approve the sale of Xcyte's T cell expansion technology and related assets to Invitrogen and the amendments to Xcyte's certificate of incorporation. We cannot complete the Stock Purchase unless each of the above proposals is approved. As a result, a vote against any of the proposals described above is effectively a vote against the Stock Purchase.

## Edgar Filing: XCYTE THERAPIES INC - Form 424B3

The proposals are described in more detail in this document, which we encourage you to read carefully and in its entirety before voting. A copy of the Stock Purchase Agreement is attached as Annex A to this document. A copy of the Asset Purchase Agreement is attached as Annex C to this document.

The close of business on February 3, 2006 has been fixed as the record date for determining those holders of Xcyte common stock entitled to receive notice of and vote at the special meeting. Accordingly, only record holders of Xcyte common stock at the close of business on that date are entitled to notice of and to vote at the special meeting and at any adjournments or postponements thereof. Holders of Xcyte convertible preferred stock are not entitled to vote on any of the proposals to be considered at the special meeting.

All holders of Xcyte common stock are cordially invited to attend the special meeting in person. You may revoke your proxy in the manner described in this document at any time before it is voted at the special meeting.

**Table of Contents**

Your vote is important **regardless of the number of shares of common stock you own**. Whether or not you expect to attend the special meeting, please complete, date, sign and promptly return the enclosed proxy card in the enclosed postage paid envelope so that your shares of common stock may be represented and voted at the special meeting.

By order of the board of directors,

Robert L. Kirkman

President and Chief Executive Officer

Seattle, Washington

February 8, 2006

**Table of Contents**

**REFERENCE TO ADDITIONAL INFORMATION**

This document incorporates by reference important business and financial information about Xcyte from documents that are not included in or delivered with this document. You may obtain the documents incorporated by reference in this document without charge by requesting them in writing or by telephone from Xcyte at the following address and telephone number:

Xcyte Therapies, Inc.  
1124 Columbia Street  
Suite 130  
Seattle, Washington 98104  
Tel: (206) 262-6200  
Attn: Investor Relations

**If you are an Xcyte stockholder and you would like to request any documents related to Xcyte, please do so by March 8, 2006 in order to receive them before the Xcyte special meeting.**

For a more detailed description of the information incorporated by reference into this document and how you may obtain it, see [Where You Can Find More Information](#) on page 204.

**Explanatory Note**

Except as otherwise stated in this document, all per share information and other information contained in this document does not give effect to the proposed reverse stock split of Xcyte common stock described in Proposal Five.

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>QUESTIONS AND ANSWERS ABOUT THE STOCK PURCHASE FOR XCYTE AND CYCLACEL GROUP PLC STOCKHOLDERS</u>	1
<u>SUMMARY</u>	5
<u>The Companies</u>	5
<u>Summary of the Stock Purchase</u>	6
<u>Opinion of Xcyte's Financial Advisor</u>	7
<u>Overview of the Stock Purchase Agreement</u>	7
<u>The Voting Agreements</u>	9
<u>Management Directors and Officers of Xcyte Following the Stock Purchase</u>	9
<u>Interests of Certain Directors, Officers and Affiliates of Xcyte and Cyclacel Group plc</u>	9
<u>Material United States Federal Income Tax Consequences of the Stock Purchase</u>	9
<u>Risks</u>	10
<u>Ability to Sell Xcyte Stock</u>	10
<u>Market Price Information</u>	10
<u>Regulatory Matters</u>	10
<u>Appraisal Rights</u>	10
<u>Comparison of Stockholder Rights</u>	10
<u>SELECTED HISTORICAL AND PRO FORMA COMBINED FINANCIAL DATA</u>	11
<u>Selected Historical Financial Data of Xcyte</u>	11
<u>Selected Historical Financial Data of Cyclacel</u>	14
<u>Selected Unaudited Pro Forma Condensed Combined Financial Data of Cyclacel and Xcyte</u>	16
<u>Comparative Historical and Pro Forma Per Share Data</u>	17
<u>Market Price</u>	18
<u>Dividend Data</u>	20
<u>RISK FACTORS</u>	21
<u>Risks Related to the Stock Purchase</u>	21
<u>Risks Related to Xcyte</u>	23
<u>Risks Related to Cyclacel</u>	28
<u>FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT</u>	40
<u>THE STOCK PURCHASE</u>	41
<u>Background of the Stock Purchase</u>	41
<u>Xcyte's Reasons for the Stock Purchase</u>	45
<u>Recommendation of Xcyte's Board of Directors</u>	47
<u>Opinion of Xcyte's Financial Advisor</u>	47
<u>Cyclacel Group plc's Reasons for the Stock Purchase</u>	54
<u>Completion and Effectiveness of the Stock Purchase</u>	55
<u>Stock Purchase Consideration</u>	55
<u>No Fractional Shares</u>	55
<u>The Liquidation of Cyclacel Group plc</u>	55
<u>Adoption of New Equity Incentive Plan</u>	58
<u>Regulatory Matters</u>	58
<u>Other Approvals</u>	58
<u>Restrictions on Sales of Shares by Affiliates of Cyclacel</u>	58
<u>Interests of Certain Directors, Officers and Affiliates</u>	58
<u>Material United States Federal Income Tax Consequences of the Stock Purchase</u>	61
<u>Anticipated Accounting Treatment of the Proposed Stock Issuance</u>	62
<u>Appraisal Rights</u>	62

**Table of Contents**

	<u>Page</u>
<u>THE STOCK PURCHASE AGREEMENT</u>	63
<u>General</u>	63
<u>The Liquidation of Cyclacel Group plc</u>	63
<u>Amendments to Xcyte's Certificate of Incorporation</u>	63
<u>Stock Purchase Consideration and Adjustment</u>	63
<u>Adoption of New Equity Incentive Plan</u>	65
<u>Conditions to the Completion of the Stock Purchase</u>	65
<u>No Solicitation</u>	67
<u>Meetings of Stockholders</u>	68
<u>Covenants; Conduct of Business Pending the Stock Purchase</u>	69
<u>Other Agreements</u>	70
<u>Cyclacel Group plc Executive Equity Awards</u>	71
<u>Termination</u>	71
<u>Termination Fees</u>	72
<u>Representations and Warranties</u>	72
<u>Amendment; Extension and Waiver</u>	73
<u>Expenses; Reimbursement</u>	73
<u>AGREEMENTS RELATED TO THE STOCK PURCHASE</u>	74
<u>Voting Agreements</u>	74
<u>Cyclacel Affiliate Agreements</u>	74
<u>Operations After the Stock Purchase</u>	75
<u>SPECIAL MEETING OF XCYTE COMMON STOCKHOLDERS</u>	76
<u>General</u>	76
<u>Date, Time and Place</u>	76
<u>Purpose of Xcyte Special Meeting</u>	76
<u>Record Date; Shares of Common Stock Outstanding and Entitled to Vote</u>	76
<u>Quorum and Vote of Xcyte Stockholders Required</u>	76
<u>Voting of Proxies</u>	78
<u>Revocation of Proxies</u>	78
<u>Solicitation of Proxies</u>	78
<u>MATTERS BEING SUBMITTED TO A VOTE OF XCYTE STOCKHOLDERS</u>	79
<u>PROPOSAL ONE: APPROVAL OF THE ISSUANCE OF COMMON STOCK IN THE STOCK PURCHASE</u>	79
<u>Required Vote</u>	79
<u>PROPOSAL TWO: APPROVAL OF THE PROPOSED SALE OF XCYTE ASSETS TO INVITROGEN</u>	80
<u>Overview of the Asset Purchase Agreement</u>	80
<u>Xcyte's Plans Following the Completion of the Proposed Asset Sale</u>	80
<u>Xcyte's Reasons for the Proposed Asset Sale</u>	81
<u>Material United States Federal Income Tax Consequences of the Proposed Asset Sale</u>	81
<u>Anticipated Accounting Treatment of the Proposed Asset Sale</u>	82
<u>No Regulatory Requirements for the Proposed Asset Sale</u>	82
<u>No Appraisal Rights in Connection with the Proposed Asset Sale</u>	82
<u>The Asset Purchase Agreement</u>	82
<u>Required Vote</u>	88
<u>PROPOSAL THREE: APPROVAL OF THE EQUITY INCENTIVE PLAN</u>	89
<u>Overview</u>	89
<u>Description of the Equity Incentive Plan</u>	89



**Table of Contents**

	<u>Page</u>
<u>Stock Options</u>	90
<u>Stock Appreciation Rights</u>	91
<u>Restricted Stock and Restricted Stock Units</u>	92
<u>Performance Shares and Performance Units</u>	92
<u>Miscellaneous</u>	93
<u>Awards to be Granted to Certain Individuals and Groups</u>	94
<u>Material Federal U.S. Income Tax Consequences of the Equity Incentive Plan</u>	94
<u>Required Vote</u>	95
<u>PROPOSAL FOUR: APPROVAL OF AMENDMENT TO XCYTE S CERTIFICATE OF INCORPORATION</u>	96
<u>Overview</u>	96
<u>Name Change</u>	96
<u>Changes to Indemnification Obligations</u>	96
<u>Effective Date and Time</u>	96
<u>Required Vote</u>	96
<u>PROPOSAL FIVE: APPROVAL OF AN AMENDMENT TO XCYTE S CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT</u>	97
<u>Overview</u>	97
<u>Reasons for the Reverse Stock Split</u>	97
<u>Principal Effects of the Reverse Stock Split</u>	99
<u>Anticipated Accounting Treatment of the Proposed Reverse Stock Split</u>	101
<u>No Appraisal Rights</u>	102
<u>Material United States Federal Income Tax Consequence of the Reverse Stock Split</u>	102
<u>Required Vote</u>	102
<u>CYCLACEL S BUSINESS</u>	103
<u>Overview</u>	103
<u>Cyclacel s Business Strategy</u>	105
<u>Cyclacel s Programs in Oncology</u>	107
<u>Other Oncology Programs</u>	113
<u>Non-oncology Programs</u>	114
<u>Cyclacel s Drug Discovery and Design Process</u>	115
<u>Manufacturing</u>	117
<u>Patents, Proprietary Technology and Collaborations</u>	118
<u>Patents and Patent Strategy</u>	118
<u>Licenses</u>	121
<u>Other License Agreements</u>	123
<u>Option Agreements</u>	124
<u>Collaboration and Other Agreements</u>	125
<u>Other Intellectual Property Rights</u>	126
<u>Miscellaneous</u>	126
<u>Competition</u>	126
<u>CYCLACEL MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	128
<u>Overview</u>	128
<u>Research and Development</u>	130
<u>General and Administrative Expenses</u>	132
<u>Stock-based Compensation</u>	133
<u>Interest and Other Income and Expense</u>	134
<u>Research and Development Tax Credits</u>	134

**Table of Contents**

	<u>Page</u>
<u>Results of Operations</u>	134
<u>Liquidity and Capital Resources</u>	137
<u>Disclosure about Market Risk</u>	139
<u>Critical Accounting Policies</u>	139
<u>INDEX TO CYCLACEL FINANCIAL STATEMENTS</u>	141
<u>MANAGEMENT FOLLOWING THE STOCK PURCHASE</u>	173
<u>Executive Officers and Directors</u>	173
<u>Directors</u>	174
<u>Executive Officers</u>	175
<u>Executive Compensation and Option Grants</u>	176
<u>Compensation of Directors</u>	176
<u>Agreements with Executive Officers Following the Stock Purchase</u>	176
<u>Related Party Transactions of Cyclacel Management and 5% Stockholders</u>	178
<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	180
<u>DESCRIPTION OF XCYTE CAPITAL STOCK</u>	188
<u>General</u>	188
<u>Shares of Common Stock</u>	188
<u>Preferred Stock</u>	188
<u>Anti-Takeover Effects of Provisions of Xcyte s Amended and Restated Certificate of Incorporation and Bylaws and Delaware and Washington Law</u>	194
<u>Nasdaq National Market Listing</u>	196
<u>Transfer Agent and Registrar</u>	196
<u>COMPARISON OF RIGHTS OF HOLDERS OF XCYTE COMMON STOCK AND CYCLACEL GROUP PLC SHARES</u>	197
<u>Comparison of Authorized Capital Stock</u>	197
<u>Number and Election of Directors</u>	197
<u>Removal of Directors</u>	197
<u>Filling Vacancies on the Board of Directors</u>	198
<u>Special Meetings of Stockholders</u>	198
<u>Stockholder Action by Written Consent</u>	198
<u>Advance Notice Provisions for Board Nominations and Other Stockholder Business</u>	198
<u>Amendment of Bylaws</u>	199
<u>Indemnification of Officers and Directors</u>	199
<u>Outstanding Preferred Stock</u>	199
<u>PRINCIPAL STOCKHOLDERS OF XCYTE</u>	200
<u>FUTURE XCYTE STOCKHOLDER PROPOSALS</u>	203
<u>EXPERTS</u>	203
<u>LEGAL MATTERS</u>	203
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	204
<u>Information on Xcyte s Web Site</u>	205
<u>Information on Cyclacel s Web Site</u>	205
<u>Annex A STOCK PURCHASE AGREEMENT</u>	A-1
<u>Annex B OPINION OF SG COWEN &amp; CO., LLC</u>	B-1
<u>Annex C ASSET PURCHASE AGREEMENT</u>	C-1
<u>Annex D 2006 STOCK OPTION AND AWARD PLAN</u>	D-1

**Table of Contents**

	<b>Page</b>
<u>Annex E AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION</u>	E-1
<u>Annex F XCYTE S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2004</u>	F-1
<u>Annex G XCYTE S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2005</u>	G-1

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE STOCK PURCHASE  
FOR XCYTE AND CYCLACEL GROUP PLC STOCKHOLDERS**

**Q: What is the Stock Purchase?**

A: The Stock Purchase is a transaction in which Xcyte will purchase all of the outstanding share capital of Cyclacel Ltd. from Cyclacel Group plc in exchange for a number of newly issued shares of Xcyte common stock representing approximately 80% of Xcyte's outstanding common stock following the Stock Purchase. As a result of the Stock Purchase, Cyclacel Ltd. will become a wholly-owned subsidiary of Xcyte. Upon completion of the Stock Purchase, Xcyte will be renamed Cyclacel Pharmaceuticals, Inc.

At or after completion of the Stock Purchase, Cyclacel Group plc intends to effect a members' voluntary liquidation in accordance with its certificate of incorporation, memorandum and articles of association and the applicable laws of England and Wales, which would result in the distribution of its assets, including the Xcyte common stock it receives in the Stock Purchase, to its shareholders and creditors.

**Q: What will Cyclacel Group plc receive in the Stock Purchase?**

A: In the Stock Purchase, Cyclacel Group plc will receive shares of Xcyte common stock in exchange for all of the outstanding share capital of Cyclacel. The exact number of shares of Xcyte common stock to be issued to Cyclacel Group plc in the Stock Purchase will be equal to the product of (1) a multiple based on the amount of cash and cash equivalents held by Xcyte immediately prior to the completion of the Stock Purchase and (2) the sum of the number of shares of Xcyte common stock issued and outstanding immediately prior to the completion of the Stock Purchase plus either (a) 50,000 shares of Xcyte common stock if the Stock Purchase is completed before the reverse stock split (described in Proposal Five) is completed or (b) 5,000 shares of Xcyte common stock if the Stock Purchase is completed after the reverse stock split is completed.

Following the Stock Purchase, based on the amount of cash and cash equivalents that Xcyte anticipates it will hold at the time of the Stock Purchase, Xcyte anticipates that (1) the current holders of Xcyte common stock will own approximately 20% of the outstanding common stock of Xcyte, or approximately 18.4% of the total outstanding common stock and common stock equivalents of Xcyte (after accounting for the assumed conversion of all outstanding Xcyte convertible preferred stock) and (2) assuming completion of the liquidation of Cyclacel Group plc, the current shareholders and creditors of Cyclacel Group plc will own approximately 80% of the outstanding common stock of Xcyte, or approximately 73.5% of the total outstanding common stock and common stock equivalents of Xcyte (after accounting for the assumed conversion of all outstanding Xcyte convertible preferred stock).

If the Stock Purchase had been completed on January 23, 2006, based on the number of shares of Xcyte common stock outstanding on such date and assuming that Xcyte will hold approximately \$20 million in cash and cash equivalents at the time of the Stock Purchase, Cyclacel Group plc would have received approximately 78,890,000 shares of Xcyte common stock in the Stock Purchase.

**The foregoing ownership percentages are subject to adjustment based on the amount of cash and cash equivalents held by Xcyte immediately prior to the completion of the Stock Purchase. For a further description of such adjustment see The Stock Purchase Agreement Stock Purchase Consideration and Adjustment.**

## Edgar Filing: XCYTE THERAPIES INC - Form 424B3

No fractional shares of common stock will be issued in the Stock Purchase. The number of shares of Xcyte common stock to be received by Cyclacel Group plc in the Stock Purchase will be rounded down to the nearest whole share.

## **Table of Contents**

Following the Stock Purchase, Cyclacel Group plc intends to effect a members' voluntary liquidation in which all of its assets, including the shares of Xcyte common stock issued in the Stock Purchase, would be distributed to its shareholders and creditors in accordance with Cyclacel Group plc's certificate of incorporation, memorandum and articles of association and the applicable laws of England and Wales.

**Q: Will Xcyte stockholders receive any shares of common stock as a result of the Stock Purchase?**

A: No. Xcyte stockholders will continue to hold the Xcyte shares of common stock they currently own, subject to adjustment pursuant to the proposed reverse stock split.

**Q: What vote is required by Xcyte stockholders to approve the issuance of Xcyte common stock?**

A: The affirmative vote of the holders of a majority of the Xcyte shares of common stock represented in person or by proxy and entitled to vote at a special meeting at which a quorum is present is required to approve the issuance of Xcyte common stock in the Stock Purchase. Xcyte stockholders who collectively held approximately 19.1% of the outstanding common stock of Xcyte as of January 23, 2006 have agreed to vote their shares of common stock in favor of the issuance of Xcyte common stock in the Stock Purchase. As of January 23, 2006, Xcyte directors and executive officers and their affiliates were entitled to vote approximately 15.9% of the outstanding shares of common stock of Xcyte (not including options, warrants or other convertible securities).

**Q: What vote is required by Cyclacel Group plc stockholders to approve the Stock Purchase and approve and adopt the Stock Purchase Agreement?**

A: The affirmative vote of at least 51% of Cyclacel Group plc's outstanding share capital and 51% of its preferred shares voting as a separate class is required to approve the Stock Purchase and approve and adopt the Stock Purchase Agreement. As of January 23, 2006, Cyclacel Group plc directors and executive officers and six significant shareholders were entitled to vote approximately 57.3% of the outstanding shares of Cyclacel Group plc (not including options, warrants or other convertible securities).

**Q: Does Xcyte's board of directors recommend voting in favor of the issuance of Xcyte common stock in the Stock Purchase?**

A: Yes. After careful consideration, Xcyte's board of directors determined that the Stock Purchase is fair to, and in the best interests of, Xcyte and its stockholders. Xcyte's board of directors recommends that Xcyte stockholders vote **FOR** the issuance of Xcyte common stock in the Stock Purchase.

For a description of the factors considered by the Xcyte board of directors in making its determination, see the section entitled "The Stock Purchase - Xcyte's Reasons for the Stock Purchase" beginning on page 45.

**Q: Are there risks I should consider in deciding whether to vote for the Stock Purchase?**

A: Yes. Immediately following the Stock Purchase, Xcyte's only business will be the business conducted by Cyclacel immediately prior to the Stock Purchase. As a result, in evaluating the Stock Purchase, you should carefully consider the factors discussed in the section entitled "Risk Factors" beginning on page 21, including those that relate to Cyclacel and its business.

**Q: When do you expect to complete the Stock Purchase?**

Edgar Filing: XCYTE THERAPIES INC - Form 424B3

A: Subject to satisfaction or waiver of all conditions, we expect to complete the Stock Purchase within approximately 10 days following the special meeting.

## **Table of Contents**

For a description of the conditions to completion of the Stock Purchase, see [The Stock Purchase Agreement](#) [Conditions to the Completion of the Stock Purchase](#) on page 65.

### **Q: What do I need to do now?**

A: We urge you to carefully read and consider the information contained in this document, including the annexes, and to consider how the Stock Purchase and the other proposals will affect you as a stockholder. You should then vote as soon as possible in accordance with the instructions provided in this document and on the enclosed proxy card.

### **Q: How do I vote?**

A: Please complete and sign the enclosed proxy card and return it in the enclosed return envelope as soon as possible so that your shares may be represented and voted at the Xcyte special meeting. If you return your proxy card but do not include instructions on how to vote, Xcyte will vote your shares of common stock **FOR** the proposals being made at the Xcyte special meeting, unless your shares of common stock are held in [street name](#) in a brokerage account. You may also attend the special meeting and vote in person instead of submitting a proxy.

### **Q: What happens if I do not vote?**

A: If you do not submit a proxy card or vote at the special meeting, your shares will not be counted as present for the purpose of determining a quorum and will have no effect on the outcome of the proposal to approve the issuance of shares of Xcyte common stock in the Stock Purchase or the proposal to approve the new equity incentive plan. If you submit a proxy card and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum but will not be voted at the special meeting. As a result, your abstention will have the same effect as a vote **against** such proposals.

Approval of the proposals to sell Xcyte's T cell expansion technology and related assets to Invitrogen and to amend Xcyte's certificate of incorporation is required to complete the Stock Purchase. Each of these proposals requires the affirmative vote of the holders of a majority of the outstanding common stock of Xcyte. Therefore, a failure to vote on either of these proposals is effectively a vote **against** such proposals.

### **Q: If my shares of common stock are held in [street name](#) by my broker, will my broker vote my shares of common stock for me?**

A: Your broker cannot vote your shares of common stock unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker. If you hold Xcyte common stock and do not instruct your broker how to vote your shares, it will be equivalent to voting against the proposal being made at the special meeting.

For a more complete description of voting shares of common stock held in [street name](#), see [Special Meeting of Xcyte Stockholders](#) on page 76.

### **Q: Can I change my vote after I have mailed my signed proxy?**

A: Yes. If you want to change your vote, send the corporate secretary of Xcyte a later dated, signed proxy card before the special meeting or attend the special meeting and vote in person. You may also revoke your proxy by sending written notice to Xcyte's corporate secretary before the special meeting. If you have instructed your broker to vote your shares, you must follow your broker's directions in order to



change those instructions.

**Table of Contents**

**Q: Am I entitled to appraisal rights?**

A: Xcyte stockholders are not entitled to appraisal rights in connection with the Stock Purchase or any of the other proposals to be considered at the special meeting and Cyclacel Group plc shareholders are not entitled to appraisal rights in connection with the Stock Purchase or liquidation.

**Q: If I want to attend the special meeting in person, what do I do?**

A: You should come to 701 Fifth Avenue, Suite 5100, Seattle, Washington at 9:00 a.m. local time on March 16, 2006. Record holders of Xcyte common stock as of the record date for the special meeting (February 3, 2006) can vote in person at the special meeting. If your shares are held in street name, then you are not the stockholder of record and you must ask your broker, bank or other nominee holder how you can vote at the special meeting.

**Q: Whom should I call with questions?**

A: If you have any questions about the Stock Purchase or any of the proposals to be considered at the special meeting or if you need additional copies of this document or the enclosed proxy, you should contact:

Xcyte Therapies, Inc.

1124 Columbia Street, Suite 130

Seattle, Washington 98104

Tel: (206) 262-6200

Attn: Investor Relations

**You may also obtain additional information about Xcyte from documents filed with the Securities and Exchange Commission by following the instructions under [Where You Can Find More Information](#) on page 204.**

**Table of Contents**

**SUMMARY**

*This summary highlights only selected information from this document and may not contain all of the information that is important to you. To better understand the Stock Purchase and the other proposals being considered at the special meeting, you should read this entire document carefully, including the Stock Purchase Agreement, as amended, attached as Annex A, the opinion of SG Cowen & Co., LLC attached as Annex B, and the other documents to which we refer. In addition, we incorporate by reference into this document important business and financial information about Xcyte. You may obtain the information incorporated by reference into this document without charge by following the instructions in the section entitled *Where You Can Find More Information* on page 204. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

**Xcyte Therapies, Inc.**

1124 Columbia Street, Suite 130

Seattle, Washington 98104

(206) 262-6200

Xcyte was incorporated in 1996 and is headquartered in Seattle, Washington. From its inception in 1996 until early July 2005, Xcyte devoted substantially all of its efforts to the research and development of therapeutic products designed to enhance the body's natural immune responses to treat cancer, infectious diseases and other medical conditions associated with weakened immune systems.

On May 16, 2005, Xcyte issued a press release and filed its quarterly report on Form 10-Q for the quarter ended March 31, 2005, in which it indicated that it would discontinue plans for further development of its products for certain diseases. In July 2005, Xcyte announced a plan to evaluate its strategic alternatives. In conjunction with this plan, Xcyte also announced its decision to discontinue the clinical development of its remaining products and approved a workforce reduction plan. As of January 23, 2006, Xcyte had five remaining employees.

**Cyclacel Ltd.**

Dundee Technopole

James Lindsay Place

Dundee DD1 5JJ, United Kingdom

+44 1382 206 062

## Edgar Filing: XCYTE THERAPIES INC - Form 424B3

Cyclacel is a clinical-stage biopharmaceutical company dedicated to the discovery, development and eventual commercialization of novel, mechanism-targeted drugs to treat human cancers and other serious disorders. Its core area of expertise is in cell cycle biology. Cyclacel focuses primarily on the discovery and development of orally available anticancer agents that target the cell cycle with the aim of slowing the progression or shrinking the size of tumors, enhancing quality of life and improving survival rates of cancer patients. Cyclacel's work with novel molecules that act on the cell cycle has also led it to pursue drug development opportunities in other indications.

Cyclacel has been focused on the cell cycle since its inception. It was founded in 1996 by Professor Sir David Lane, a recognized leader in the field of tumor suppressor biology who discovered the p53 protein, which operates as one of the body's own anticancer drugs by inhibiting cell cycle targets. In 1999, Cyclacel was joined by Professor David Glover, a recognized leader in the mechanism of mitosis, or cell division, who discovered, among other cell cycle targets, the mitotic kinases, Polo and Aurora, enzymes that act in the mitosis phase of the cell cycle. Cyclacel's expertise in cell cycle biology is at the center of its business strategy.

## **Table of Contents**

Cyclacel is generating several families of anticancer drugs that act on the cell cycle. These include Cyclin Dependent kinase (CDK) and Aurora kinase (AK) inhibitors, two of the most sophisticated categories of novel drugs targeting cell cycle mechanisms. Although a number of pharmaceutical and biotechnology companies are currently attempting to develop CDK inhibitor drugs, Cyclacel believes that its lead drug candidate, seliciclib (formerly CYC202), is the only orally-available CDK inhibitor drug candidate currently in Phase II clinical trials.

### **Summary of the Stock Purchase (see page 41)**

If the Stock Purchase is completed, Xcyte will acquire all of the outstanding share capital of Cyclacel from Cyclacel Group plc in exchange for a number of newly issued shares of Xcyte common stock representing approximately 80% of Xcyte's outstanding common stock following the transaction. As a result of the Stock Purchase, Cyclacel will become a wholly-owned subsidiary of Xcyte. Upon completion of the Stock Purchase, Xcyte will be renamed Cyclacel Pharmaceuticals, Inc.

At or after completion of the Stock Purchase, Cyclacel Group plc intends to effect a members' voluntary liquidation in accordance with its certificate of incorporation, memorandum and articles of association and the applicable laws of England and Wales, which would result in the distribution of its assets, including the Xcyte common stock it receives in the Stock Purchase, to its shareholders and creditors.

The exact number of shares of Xcyte common stock to be issued to Cyclacel Group plc in the Stock Purchase will be equal to the product of (1) a multiple based on the amount of cash and cash equivalents held by Xcyte immediately prior to the completion of the Stock Purchase and (2) the sum of the number of shares of Xcyte common stock issued and outstanding immediately prior to the completion of the Stock Purchase plus either (a) 50,000 shares of Xcyte common stock if the Stock Purchase is completed before the reverse stock split (described in Proposal Five) is completed or (b) 5,000 shares of Xcyte common stock if the Stock Purchase is completed after the reverse stock split is completed.

Following the Stock Purchase, based on the amount of cash and cash equivalents that Xcyte anticipates it will hold at the time of the Stock Purchase, Xcyte anticipates that (1) the current holders of Xcyte common stock will own approximately 20% of the outstanding common stock of Xcyte, or approximately 18.4% of the total outstanding common stock and common stock equivalents of Xcyte (after accounting for the assumed conversion of all outstanding Xcyte convertible preferred stock) and (2) assuming completion of the liquidation of Cyclacel Group plc, the current shareholders of Cyclacel Group plc will own approximately 80% of the outstanding common stock of Xcyte, or approximately 73.5% of the total outstanding common stock and common stock equivalents of Xcyte (after accounting for the assumed conversion of all outstanding Xcyte convertible preferred stock).

If the Stock Purchase had been completed on January 23, 2006, based on the number of shares of Xcyte common stock outstanding on such date and assuming that Xcyte will hold approximately \$20 million in cash and cash equivalents at the time of the Stock Purchase, Cyclacel Group plc would have received approximately 78,890,000 shares of Xcyte common stock in the Stock Purchase.

**The foregoing ownership percentages are subject to adjustment based on the amount of cash and cash equivalents held by Xcyte immediately prior to the completion of the S**