

Xenon Pharmaceuticals Inc.
Form 8-K
August 07, 2018

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): August 3, 2018

XENON PHARMACEUTICALS INC.

(Exact name of Registrant as Specified in Its Charter)

Canada
(State or Other Jurisdiction

001-36687 98-0661854
(Commission (IRS Employer

of Incorporation)

File Number) Identification No.)

200-3650 Gilmore Way

Burnaby, British Columbia, Canada
(Address of Principal Executive Offices)

V5G 4W8
(Zip Code)

Registrant's Telephone Number, Including Area Code: (604) 484-3300

Not Applicable

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

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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 (see General Instructions A.2. below):

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On August 3, 2018 (the “Effective Date”), Xenon Pharmaceuticals Inc. (the “Company”) and its wholly-owned subsidiary, Xenon Pharmaceuticals USA Inc. (the “Subsidiary”), entered into an Amended and Restated Loan and Security Agreement (the “Loan Agreement”) with Silicon Valley Bank (the “Bank”), pursuant to which the Bank agreed to extend a term loan to the Company with a principal amount of \$15.5 million (the “Term Loan”). The Term Loan will be funded within five business days of the Effective Date and the Company intends to use the proceeds to repay in full outstanding borrowings of \$12.0 million under the Loan and Security Agreement by and among the Company, the Subsidiary and the Bank dated as of December 18, 2017, as amended on June 12, 2018 (collectively, the “Original Agreement”) and make a payment of \$485,000, which represents the current portion of the final payment fee due under the Original Agreement, as well as for working capital and other general corporate purposes, including the advancement of the Company’s clinical development programs.

The Term Loan shall accrue interest at a floating per annum rate of 0.5% above the prime rate, which interest is payable monthly commencing in September 2018. Upon the occurrence and during the continuance of an event of default, a default interest rate will apply that is 5.0% above the otherwise applicable interest rate. The Term Loan is interest only until March 31, 2020, after which the Term Loan will be payable in 30 equal monthly installments of principal plus interest, with the final installment due and payable on September 1, 2022.

The Company may prepay all, but not less than all, of the Term Loan with prior written notice to the Bank and subject to a prepayment fee equal to \$295,000, which represents the deferred portion of the final payment fee due under the Original Agreement, plus the outstanding principal balance of the Term Loan at the time of such prepayment multiplied by (i) 3.0%, if the prepayment occurs prior to the first anniversary of the Effective Date, (ii) 2.0%, if the prepayment occurs on or after the first anniversary of the Effective Date, but prior to the second anniversary of the Effective Date or (iii) 1.0%, if the prepayment occurs on or after the second anniversary of the Effective Date, but prior to the maturity date for the Term Loan. A fee in the amount of 6.5% of the Term Loan is payable to the Bank on the date on which the term loan is prepaid, paid or becomes due and payable in full.

The Loan Agreement contains customary representations and warranties, events of default (including an event of default upon a material adverse change of the Company) and affirmative and negative covenants, including, among others, covenants that limit or restrict the Company’s ability to incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into certain transactions with affiliates, engage in any new line of business, pay dividends or make distributions, or repurchase common shares, in each case subject to certain exceptions for a term loan facility of this size and type. As security for its obligations under the Loan Agreement, the Company granted the Bank a first priority security interest on substantially all of the Company’s assets except its intellectual property and subject to certain other exceptions.

The Company previously issued a warrant (the “December 2017 Warrant”) to the Bank on December 18, 2017 in connection with the Original Agreement. In connection with the entry into the Loan Agreement, the final tranche under the Original Agreement will not be advanced and the maximum number of common shares exercisable pursuant

to the December 2017 Warrant is fixed at 86,419 at a price per common share of \$2.43.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information provided in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

Item 3.02 Unregistered Sales of Equity Securities

In connection with the Loan Agreement, the Company issued a warrant to the Bank (“Warrant”) on August 3, 2018 to purchase 40,000 of the Company’s common shares at a price per common share of \$9.79. The Warrant is immediately exercisable and will expire at 6:01 p.m., Pacific time, on August 3, 2028.

The issuance of the Warrant was exempt from registration under the Securities Act of 1933, as amended, under Section 4(a)(2) thereof as a transaction by an issuer not involving a public offering.

The foregoing descriptions of the Warrant and the Loan Agreement are not complete and are qualified in their entirety by reference to the full text of the Warrant and the Loan Agreement, copies of which are filed as Exhibits 4.1 and 10.1, respectively, to this Current Report on Form 8-K and are incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits
(d) Exhibits.

Exhibit

| Number | Description |
|--------|---|
| 4.1 | <u>Warrant to Purchase Shares, dated August 3, 2018, by and between Xenon Pharmaceuticals Inc. and Silicon Valley Bank.</u> |
| 10.1 | <u>Amended and Restated Loan and Security Agreement, dated August 3, 2018, by and among Xenon Pharmaceuticals Inc., Xenon Pharmaceuticals USA Inc. and Silicon Valley Bank.</u> |

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.

Xenon Pharmaceuticals Inc.

Date: August 7, 2018 By: /s/ Ian Mortimer
Ian Mortimer
President & Chief Financial Officer