
**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): **September 30, 2008**

PHARMATHENE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-32587
(Commission
File Number)

20-2726770
(IRS Employer
Identification No.)

One Park Place, Suite 450, Annapolis, Maryland
(Address of principal executive offices)

21401
(Zip Code)

Registrant's telephone number including area code: **(410) 269-2600**

(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))
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Item 1.01. Entry into a Material Definitive Agreement

On September 30, 2008, PharmAthene, Inc. ("PharmAthene") entered into a securities purchase agreement ("Securities Purchase Agreement") with Kelisia Holdings Ltd., a public limited company established under the laws of Cyprus ("Kelisia") and an indirect wholly-owned subsidiary of Panacea Biotech Limited, a public limited company established under the laws of India ("Panacea Biotech"). Under the Securities Purchase Agreement, Kelisia has agreed to purchase (i) 3,733,334 shares of PharmAthene's common stock at a price of \$3.50 per share and (ii) a twelve-month warrant to purchase up to 2,745,098 additional shares of common stock at an exercise price of \$5.10 per share. The Securities Purchase Agreement provides for the closing to occur on or before October 20, 2008. Upon closing, PharmAthene expects to receive gross proceeds from this transaction of \$13,066,669.

Closing conditions under the Securities Purchase Agreement include the execution by PharmAthene and Kelisia of an investor rights agreement ("Investor Rights Agreement"), which would provide Kelisia with, among other things, registration rights in connection with the shares to be issued under the Securities Purchase Agreement and the shares issuable upon exercise of the warrant. The Investor Rights Agreement would require PharmAthene to file with the Securities and Exchange Commission a registration statement covering such shares within 45 days after closing and to use its best efforts to cause the registration statement to become effective as promptly as practicable thereafter. In addition, if PharmAthene proposes to register any of its stock in connection with a public offering of stock for cash (other than in connection with its 2007 Long-Term Incentive Compensation Plan, business combinations, shelf registration statements or, in certain circumstances, rights offerings), Kelisia would generally have the right to have its shares of PharmAthene stock added to such registration statement. In addition, the Investor Rights Agreement would grant rights to Kelisia to purchase its equity percentage of all common stock, preferred stock or securities convertible or exchangeable into common stock that PharmAthene issues in private placements within 3 years of the closing (except issuances in connection with M&A transactions, employee benefit plans, commercial financing transactions, strategic alliances and certain other circumstances). "Equity percentage" is that percentage figure that expresses the ratio that (a) the number of shares owned by Kelisia and which Kelisia may acquire upon exercise of the warrant (subject to the 20% limitation described below) bears to (b) the aggregate number of shares of issued and outstanding common stock on the closing date after giving effect to the transaction. PharmAthene has also agreed to use its best efforts to list the shares to be issued thereunder and the shares issuable upon exercise of the warrant on the American Stock Exchange (now known as NYSE Alternext US).

Kelisia and its affiliates are prohibited from transferring the shares to be issued under the Securities Purchase Agreement and issuable upon exercise of the warrant or any rights in such shares to PharmAthene's competitors (except to the extent such transfer is to Panacea Biotech or any of its direct or indirect wholly-owned subsidiaries) or individuals, entities or organizations appearing on the list of Specially Designated National and Blocked Persons maintained by the U.S. Office of Foreign Assets Control ("OFAC") or primarily operating in a nation subject to an OFAC sanctions program or any other entities or individuals if the transfer to them might reasonably be expected to have an adverse effect on PharmAthene's ability to bid for and receive grants or contracts from the United States government. This restriction does not apply to non-negotiated *bona fide* market sales.

Immediately after the closing of the transaction, Panacea Biotec, through its subsidiary Kelisia, will own approximately 14.5% of PharmAthene's issued and outstanding common stock. While the warrant gives Kelisia the right to purchase up to an additional 2,745,098 shares, Kelisia may not exercise the warrant to purchase any amount of shares that, if issued, would result in the aggregate number of shares that Kelisia would otherwise receive upon warrant exercise, together with the shares it purchased under the Agreement and any other shares beneficially owned by Panacea Biotec, Kelisia and any other holder of the shares issued under the Agreement or the warrant (and their respective officers, directors and affiliates), equaling or exceeding 20% of the number of shares of PharmAthene's common stock outstanding on September 30, 2008 or on the exercise date.

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On September 30, 2008, PharmAthene and Panacea Biotec also signed a side letter, pursuant to which (i) Panacea Biotec has agreed, among other things, to continue to have at least a majority ownership of Kelisia while Kelisia owns at least 500,000 shares of PharmAthene, and (ii) both Panacea Biotec and PharmAthene have agreed to engage in discussions from time to time relating to, among other things, the manufacture and/or process development by Panacea Biotec of a portion of PharmAthene's proprietary biodefense medical countermeasures under development and to afford PharmAthene a right of first negotiation with respect to the possible commercialization and marketing of certain of Panacea Biotec's products.

For the three (3) year period following the closing, Kelisia and its affiliates are prohibited from purchasing, offering to purchase, entering into any agreement relating to the purchase of, or otherwise engaging in any transaction relating to, any of PharmAthene's securities whether publicly or privately.

Attached hereto as Exhibit 99.1 is a press release from September 30, 2008, in which PharmAthene announced the execution of the Securities Purchase Agreement and the side letter.

Item 3.02. Unregistered Sales of Equity Securities.

The shares and warrant are expected to be sold to Kelisia in reliance on the exemption from registration provided by 4(2) of the Securities Act of 1933, as amended.

The additional information required by this Item is incorporated herein by reference to Item 1.01.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of PharmAthene, dated September 30, 2008

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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.

PHARMATHENE, INC.
(Registrant)

Date: October 6, 2008

By: /s/ Christopher C. Camut

Christopher C. Camut
Chief Financial Officer

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**Contact:**

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**PHARMATHENE AND PANACEA BIOTEC LTD. ESTABLISH STRATEGIC
 ALLIANCE IN BIODEFENSE AND EMERGING INFECTIOUS DISEASES**

Panacea Biotec to Make a \$13.1 Million Strategic Investment in PharmAthene

ANNAPOLIS, MD – September 30, 2008 – PharmAthene, Inc. (AMEX: PIP), a biodefense company developing medical countermeasures against biological and chemical threats, announced today that it has entered into a strategic alliance with Panacea Biotec Ltd., that includes a strategic equity investment in PharmAthene by Panacea Biotec, through its subsidiary, Kelisia Holdings Ltd., of \$13.1 million in exchange for the sale of common stock and warrants.

Under the financing, Panacea Biotec's subsidiary has agreed to purchase approximately 3.73 million shares of PharmAthene common stock at a negotiated price of \$3.50 per share, which represents a 90% premium above the closing price of PharmAthene's common stock on September 29, 2008. Upon the closing, Panacea Biotec's subsidiary will also receive 12-month warrants to purchase up to approximately 2.75 million additional shares of PharmAthene common stock at an exercise price of \$5.10 per share. The transaction is expected to close on or before October 20, 2008.

"Our agreement with Panacea Biotec is part of a comprehensive strategy to strengthen our balance sheet and forge a strategic alliance with a globally recognized biopharmaceutical company," said David P. Wright, President and Chief Executive Officer of PharmAthene. "We were attracted to Panacea Biotec because it has distinguished itself as an international health management company that is actively conducting research and development of novel chemical and biological pharmaceutical formulations and has developed a diverse proprietary product portfolio encompassing pediatric vaccines and therapeutics for emerging infectious diseases and other human health needs."

"An alliance with PharmAthene presents important strategic opportunities to create value for both of our companies," said Mr. Rajesh Jain, Joint Managing Director of Panacea Biotec. "Panacea Biotec is committed to identifying partners for US distribution of our products. We recognize PharmAthene's strength in the biodefense space and the core competencies of its management team with respect to vaccine development and commercialization. We are very pleased to participate in this strategic alliance."

Under a related agreement, PharmAthene has the first right of negotiation for US distribution of certain of Panacea Biotec's biodefense products and may enter into discussions with Panacea Biotec regarding potential strategic collaborations that could include development and manufacturing by Panacea Biotec of certain PharmAthene biodefense products.

The investment will increase PharmAthene's ongoing product development activities, enhance working capital, and provide new resources for corporate growth. Immediately after the closing Panacea Biotec, through its subsidiary, will own approximately 14.5% of PharmAthene's issued and outstanding common stock and, with the warrant, will have the right to purchase up to an additional 2.75 million shares, subject to a stock ownership cap, following any warrant exercise, of 19.99% of PharmAthene's issued and outstanding common stock. During the next three years Panacea Biotec has agreed not to purchase additional shares of PharmAthene stock without the prior written consent of PharmAthene. Panacea Biotec's subsidiary will be granted limited rights to participate in future private financings by PharmAthene to maintain its then current ownership level. In addition, PharmAthene will retain full rights to its proprietary information and technology and full management and operational control.

About the Securities

The securities that are being sold in the transaction have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. PharmAthene has agreed to file a registration statement under the Securities Act to register the shares of common stock to be issued at closing and upon any exercise of the warrants for public resale from time to time in the future. There can be no assurances that the registration statement will be declared effective. The information contained in this press release does not constitute an offer for the sale of any securities.

About PharmAthene, Inc.

PharmAthene was formed to meet the critical needs of the United States and its allies by developing and commercializing medical countermeasures against biological and chemical weapons. PharmAthene's lead product development programs include:

- SparVax™ - a second generation recombinant protective antigen (rPA) anthrax vaccine
- Third generation rPA anthrax vaccine
- Valortim® - a fully human monoclonal antibody for the prevention and treatment of anthrax infection
- Protexia® - a novel bioscavenger for the prevention and treatment of morbidity and mortality associated with exposure to chemical nerve agents
- RypVax™ - a recombinant dual antigen vaccine for plague

For more information about PharmAthene, please visit www.PharmaAthene.com.

About Panacea Biotec Ltd.

Panacea Biotec is an Indian research-based health management company with established research, manufacturing and marketing capabilities. Panacea Biotec’s product portfolio includes innovative prescription products in important therapeutic areas such as pain management, diabetes management, renal-disease management, anti-osteoporosis, anti-tubercular, gastro-intestinal care products, and vaccines. Panacea Biotec has collaborations with leading Indian and international research organizations and corporations. The Company operates manufacturing facilities and has five research and development centers and employs approximately 3,200 employees including over 280 scientists.

Statement on Cautionary Factors

Except for the historical information presented herein, matters discussed may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to certain risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Statements that are not historical facts, including statements preceded by, followed by, or that include the words “potential”; “believe”; “anticipate”; “intend”; “plan”; “expect”; “estimate”; “could”; “may”; “should”; or similar statements are forward-looking statements. PharmAthene disclaims, however, any intent or obligation to update these forward-looking statements. Risks and uncertainties include risk associated with the reliability of the results of the studies relating to human safety and possible adverse effects resulting from the administration of the Company’s product candidates, unexpected funding delays and/or reductions or elimination of U.S. government funding for one or more of the Company’s development programs, the award of government contracts to our competitors, unforeseen safety issues, unexpected determinations that these product candidates prove not to be effective and/or capable of being marketed as products, as well as risks detailed from time to time in PharmAthene’s Forms 10-K and 10-Q under the caption “Risk Factors” and in its other reports filed with the U.S. Securities and Exchange Commission (the “SEC”). Copies of PharmAthene’s public disclosure filings are available from its investor relations department and our website under the investor relations tab at www.pharmathene.com.

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