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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report: January 14, 2010  
(Date of earliest event reported)**

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**ENTEROMEDICS INC.**

**(Exact name of registrant as specified in its charter)**

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**Commission File Number: 1-33818**

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

**48-1293684**  
**(IRS Employer  
Identification No.)**

**2800 Patton Road, St. Paul, Minnesota 55113**  
**(Address of principal executive offices, including zip code)**

**(651) 634-3003**  
**(Registrant's telephone number, including area code)**

**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:

- 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.**

As previously disclosed, on January 14, 2010, EnteroMedics Inc. (the "Company") entered into a Securities Purchase Agreement with certain institutional investors for the sale of 7,438,299 shares of its common stock, par value \$0.01 per share, in a "registered direct" offering, at a purchase price of \$0.65 per share, for gross proceeds of approximately \$4,834,894, before deducting estimated offering expenses and placement agent fees (the "Offering"). The Offering is expected to close on January 20, 2010, subject to certain customary closing conditions.

Also, in connection with the Offering, the Company entered into an engagement letter dated as of January 8, 2010 (the "Engagement Letter") with Canaccord Adams Inc. ("Canaccord"), pursuant to which Canaccord acted as exclusive placement agent on a best efforts basis for the Offering. Canaccord received a placement agent fee equal to 6% of the gross proceeds of the Offering. The Engagement Letter contains customary representations, warranties and covenants by the Company. In addition, the Engagement Letter provides that the Company will indemnify Canaccord against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and contribute to payments the placement agent may be required to make in respect of such liabilities. The foregoing summary of the terms of the Engagement Letter is subject to, and qualified in its entirety by, the engagement letter, which is attached to this Current Report on Form 8-K as Exhibit 10.1 and incorporated herein by reference.

The Company made the Offering pursuant to a shelf registration statement on Form S-3 (file no. 333-161702) previously filed and declared effective by the Securities and Exchange Commission on September 10, 2009, and a base prospectus dated as of the same date, as supplemented by a prospectus supplement filed with the Securities and Exchange Commission on January 19, 2010.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
5.1	Opinion of Dorsey & Whitney LLP.
10.1	Engagement Letter, dated January 8, 2010.
23.1	Consent of Dorsey & Whitney LLP (included in Exhibit 5.1).

**SIGNATURE**

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.

ENTEROMEDICS INC.

By: \_\_\_\_\_ /s/ GREG S. LEA  
Greg S. Lea  
Senior Vice President and  
Chief Financial Officer

Date: January 20, 2010

**EXHIBIT INDEX**

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[Letterhead of Dorsey &amp; Whitney LLP]

EnteroMedics Inc.  
2800 Patton Road  
St. Paul, MN 55113

Re: Registration Statement on Form S-3  
File No. 333-161702

Ladies and Gentlemen:

We have acted as counsel to EnteroMedics Inc., a Delaware corporation (the "Company"), in connection with the above-captioned Registration Statement on Form S-3 (the "Registration Statement"), relating to the registration under the Securities Act of 1933, as amended, of common stock of the Company and of certain selling stockholders to be offered from time to time, and a Prospectus Supplement dated January 14, 2010 to the Prospectus dated September 10, 2009 (together, the "Prospectus") relating to the issuance by the Company under the Registration Statement of up to 7,438,299 shares (the "Shares") of common stock, \$0.01 par value (the "Common Stock"), of the Company and the sale thereof pursuant to the Securities Purchase Agreement, dated as of January 14, 2010 (the "Securities Purchase Agreement"), between the Company and the purchasers named on the signature pages thereto.

For purposes of this opinion, we have examined such documents and reviewed such questions of law as we have considered necessary and appropriate for the purposes of our opinion set forth below. In rendering our opinion, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures and the conformity to authentic originals of all documents submitted to us as copies. We have also assumed the legal capacity for all purposes relevant hereto of all natural persons and, with respect to all parties to agreements or instruments relevant hereto other than the Company, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, that such agreements or instruments have been duly authorized by all requisite action (corporate or otherwise), executed and delivered by such parties and that such agreements or instruments are the valid, binding and enforceable obligations of such parties. As to questions of fact material to our opinions, we have relied upon certificates of officers of the Company and of public officials.

Based on the foregoing, we are of the opinion that the Shares have been duly authorized and, when delivered against payment therefor pursuant to the Securities Purchase Agreement, will be validly issued, fully paid and non-assessable.

Our opinions expressed above are limited to the Delaware General Corporation Law and the federal laws of the United States of America.

We hereby consent to your filing of this opinion as an exhibit to the Registration Statement and to the reference to our firm under the captions "Legal matters" and "Validity of Securities" contained in the Prospectus.

Dated: January 20, 2010

Very truly yours,

/s/ Dorsey & Whitney LLP

KLC

**CONFIDENTIAL****COPY ONE OF TWO**

January 8, 2010

EnteroMedics Inc.  
2800 Patton Road  
St. Paul, MN 55113Attention: Mark B. Knudson  
President and Chief Executive Officer

Dear Mr. Knudson,

This letter (the "Agreement") will confirm the basis upon which EnteroMedics, Inc. ("Client") has engaged Canaccord Adams Inc. (together with its affiliates, control persons, officers, directors, employees and agents, "CA") to act as Client's exclusive agent and financial advisor in connection with the placement, on a best efforts basis, of one or more classes or series of securities (the "Securities"). The Securities may take the form of (i) debt securities, including secured or unsecured senior or subordinated notes or debentures (but excluding senior loans from a commercial bank), whether convertible or exchangeable into equity securities, or otherwise, or (ii) equity securities, including common or preferred stock, securities convertible into common or preferred stock (including convertible preferred stock and convertible), or any other derivative or similar securities the value of which is derived, in whole or in part, from the value of the underlying equity security. The placement of the Securities shall be referred to as the "Placement."

As of the date of this Agreement, Client intends to issue shares of the Securities which, in the aggregate, equate approximately to an amount of \$5,500,000. The Securities will be offered on a limited basis to accredited investors (the "Investors"). The selection of each Investor shall be from a list of potential Investors assembled by Client and CA and the Client's other advisors. The number and price of the Securities the Client shall ultimately agree to issue is entirely within Client's sole discretion.

The sale of Securities in the Placement shall be made by Client directly to Investors pursuant to an effective registration statement filed with the United States Securities and Exchange Commission.

1. **Services to be Rendered.** In performing its agency and advisory roles, CA will:
  - a) Familiarize itself to the extent it deems appropriate and feasible with the business, operations, properties, financial condition and prospects of Client;
  - b) Assist Client in the development of descriptive textual and financial materials for distribution to potential Investors;
  - c) Review with Client a list of potential Investors; and
  - d) Solicit offers from potential Investors, collaborate with Client in the development and proposal of terms of any offers, and participate in, and assist Client with, negotiations in connection with the consummation of the Placement.

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2. **Best Efforts.** It is understood that the CA's involvement in the Placement is strictly on a best efforts basis and that the consummation of the Placement will be subject to, among other things, market conditions.
3. **Client's Responsibilities, Representations and Warranties.** Client hereby agrees to the following:
  - a) The sale of Securities to any Investor will be evidenced by a purchase agreement (each a "Purchase Agreement") between Client and each such Investor in a form reasonably satisfactory to Client and CA. Prior to the signing of any Purchase Agreement, officers of the Client with responsibility for financial affairs will be available to answer inquiries from prospective Investors. The Client (i) represents and warrants that the representations and warranties contained in the Purchase Agreements will be true and correct in all respects on the date of such Purchase Agreements and on the Closing Date and (ii) agrees that CA shall be entitled to rely on such representations and warranties as if they were made directly to CA.
  - b) The selling price of the Securities to be issued and sold by Client pursuant to the Purchase Agreements will be specified in writing by the CA on behalf of Client to the prospective Investors prior to the execution of the Purchase Agreements, subject to Client's approval.
  - c) Client represents and warrants that it will, at all times during the term of this Agreement, comply with all SEC rules and regulations, including, but not limited to, the rules and regulations promulgated pursuant to Regulation FD (Fair Disclosure) under the Securities and Exchange Act of 1934, as amended, relating to the selective disclosure of material nonpublic information.
  - d) For a period of ninety (90) days from the date of the Placement, Client will not, without the prior written consent of CA, sell, contract to sell or otherwise dispose of or issue any securities of Client, except pursuant to previously issued options, any agreements providing for anti-dilution or other stock purchase or share issuance rights in existence on the date hereof, any employee benefit or similar plan of Client in existence on the date hereof or duly adopted hereafter, or any technology license agreement, strategic alliance or joint venture in existence on the date hereof or which Client may enter into hereafter.
4. **Fees.** In consideration for its services hereunder, Client shall pay to CA the following fees with such cash amounts payable by wire transfer of immediately available funds:
  - a) Upon and subject to the closing of a Placement, a Success Fee equal to 6.0% of the Gross Proceeds (as hereinafter defined).  
For purposes hereof, the term "Gross Proceeds" shall mean the aggregate proceeds received by Client from any Investor or Investors at the closing (or closings if there shall be more than one) of the Placement.
5. **Expenses.** In addition to any fees that may be payable to CA hereunder and regardless of whether any Placement is proposed or consummated, Client hereby agrees, from time to time upon CA's request, to reimburse CA for (a) all reasonable fees and disbursements of counsel retained by CA with Client's consent, (b) all of CA's reasonable travel and related expenses arising out of CA's engagement hereunder, and (c) any other reasonable out-of-pocket expenses incurred by CA in connection with the performance of its services hereunder.



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6. **Confidentiality.** Client acknowledges that this Agreement and all opinions and advice (whether written or oral) given by CA to Client in connection with CA's engagement are intended solely for the benefit and use of Client. Client further acknowledges that neither the terms of this Agreement nor any of CA's opinions or financial advice will be disclosed to any third party, without the prior written consent of CA, except as required by law. CA agrees that any non-public information relating to Client or any potential Investor received by CA from or at the direction of Client will be used by CA solely for the purpose of performing its agency and advisory roles and that CA will maintain the confidentiality thereof. Notwithstanding the foregoing, CA may disclose confidential information hereunder (i) to such of its employees and advisors as CA determines have a need to know and who are bound to hold such information confidential, and (ii) to the extent necessary to comply with any order or other action of a court or administrative agency of competent jurisdiction.
7. **Due Diligence.** It is understood that CA's role in the Placement will be subject to the satisfactory completion of investigation and inquiry into the affairs of Client as CA deems appropriate and necessary under the circumstances ("Due Diligence") and the approval of CA's internal committee. CA shall have the right, in its sole discretion, to terminate its involvement in the Placement if the outcome of the Due Diligence is not to its satisfaction or if approval of its internal committee is not obtained ("Early Termination").
8. **Exclusivity.** During the term of this Agreement Client will not, and will not permit its representatives, to: (i) contact or solicit institutions, corporations or other entities as potential purchasers of the Securities; or pursue any financing transaction which would be in lieu of the contemplated Placement. Furthermore, Client agrees that during the term of this Agreement, all inquiries, whether direct or indirect, from prospective Investors will be referred to CA and will be deemed to have been contacted by CA in connection with the Placement. Client may reject any potential Investor if, in its discretion, Client believes that the inclusion of such Investor in as a purchaser of the Securities would be incompatible with the best interests of Client. Client shall not be obligated to sell the Securities or to accept any offer thereof, and the terms of such Securities and the final decision to issue the same shall be subject to the discretionary approval of Client.
9. **Term and Termination of Engagement.** The term of this Agreement shall extend from the date hereof until the first anniversary of the date hereof or earlier termination under this Section 9. CA's engagement hereunder shall terminate prior to expiration upon the earlier to occur of: (i) Early Termination; (ii) the closing of the Placement; (iii) the earlier termination of this Agreement by either Client or CA at any time for any reason, upon thirty (30) days written notice to the other party. The agreement may be extended beyond the initial one (1) year term if both Client and CA agree to such extension in writing. In the event this Agreement expires or is terminated prior to the closing of the Placement, the rights and obligations of the parties shall cease except as set forth in Section 6 and Section 9(a) and 9(b) below.
  - a) Unless terminated by CA pursuant to clauses (i) or (iii) above, CA will be entitled to its full fee under Section 4 hereof in the event that at any time prior to the expiration of twelve (12) months after the termination or expiration of this Agreement: (i) a Placement or other similar non-public transaction (other than any transaction in which Client is the acquiror) is consummated; or (ii) Client reaches an agreement in principle for the sale of the Securities to any Investor which CA previously solicited or sought to solicit but was not permitted to do so due to Client's rejection of such proposed Investor. Upon Client's request, at the termination or expiration of this Agreement, CA will supply Client with a list of Investors which the CA has solicited (or sought to solicit but was not permitted to do so due to Client's rejection of such proposed Investors); and

EnteroMedics Inc.  
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- b) The provisions of this Section 9 and of Sections 3, 4, 5, 6, 10 and 11 hereof shall survive such termination.
10. **Indemnification; Contribution.** In consideration of and as a condition precedent to Canaccord Adams undertaking the engagement contemplated by this letter, the Company agrees to the indemnification provisions and other matters set forth in Annex A, which is incorporated by reference into this Agreement.
11. **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts without regard to the conflicts of law provisions thereof. Any right to trial by jury with respect to any claim, action, suit or proceeding arising out of this Agreement or any of the matters contemplated hereby is waived by Client and CA. Client and CA hereby submit to the non-exclusive jurisdiction of the Federal and State courts located in Boston, Massachusetts, in connection with any dispute related to this Agreement or any of the matters contemplated hereby.
12. **Reliance on Others.** Client confirms that it will rely on its own counsel and accountants for legal and accounting advice.
13. **Attorneys Fees.** In the event of any dispute or litigation or other proceeding between the parties with respect to any provision of this Agreement or arising from the engagement contemplated under this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party any and all of the reasonable fees and disbursements of the prevailing party's attorney to the extent that they relate to such dispute, litigation, or other proceeding.
14. **Miscellaneous.** Nothing in this Agreement is intended to obligate or commit CA to provide any services other than as set forth above. This Agreement may be executed in counterparts, each of which shall be deemed an original, but which together shall be considered a single instrument. This Agreement constitutes the entire agreement between the parties hereto, and supersedes all prior agreements and understandings (both written and oral) of the parties hereto with respect to the subject matter hereof, and cannot be amended or otherwise modified except in writing executed by the parties hereto. Neither party may assign its rights or delegate its obligations hereunder without the prior written consent of the other party. Client and CA represent and warrant that each has the requisite power and authority to enter into and carry out the terms and provisions of this Agreement and that the execution, delivery and performance of this Agreement does not breach or conflict with any agreement, document or instrument to which it is a party or bound.

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If you are in agreement with the foregoing, please sign both copies, retain Copy One for your records and return Copy Two, whereupon the Agreement shall become effective as of the date hereof.

Sincerely,

Canaccord Adams Inc.

By: \_\_\_\_\_  
Jeffrey G. Barlow  
Managing Director

Accepted and Agreed:

EnteroMedics Inc.

By: \_\_\_\_\_  
Mark B. Knudson  
President and Chief Executive Officer

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**Annex A**

In the event that Canaccord Adams Inc. or any of its affiliates ("Canaccord Adams"), the respective shareholders, directors, officers, agents or employees of Canaccord Adams, or any other person controlling Canaccord Adams (collectively, together with Canaccord Adams, "Indemnified Persons") becomes involved in any capacity in any action, claim, suit, investigation or proceeding, actual or threatened, brought by or against any person, including stockholders of EnteroMedics Inc. (the "Company"), in connection with or as a result of (i) the engagement contemplated by the letter agreement to which this Annex A is attached (the "engagement"), or (ii) any untrue statement or alleged untrue statement of a material fact contained in any offering materials, including but not limited to private placement memoranda used to offer securities of the Company in a transaction subject to the engagement as such materials may be amended or supplemented (and including but not limited to any documents deemed to be incorporated therein by reference) (collectively, the "Offering Materials"), or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Company will reimburse such Indemnified Person for its legal and other expenses (including without limitation the costs and expenses incurred in connection with investigating, preparing for and responding to third party subpoenas or enforcing the engagement) incurred in connection therewith as such expenses are incurred; provided, however, that with respect to clause (i) above if it is finally determined by a court or arbitral tribunal in any such action, claim, suit, investigation or proceeding that any loss, claim damage or liability of Canaccord Adams or any other Indemnified Person has resulted primarily and directly from the gross negligence or willful misconduct of Canaccord Adams in performing the services that are the subject of the engagement, then Canaccord Adams will repay such portion of reimbursed amounts that is attributable to expenses incurred in relation to the act or omission of Canaccord Adams which is the subject of such determination. The Company will also indemnify and hold harmless each Indemnified Person from and against any losses, claims, damages or liabilities (including actions or proceedings in respect thereof) (collectively, "Losses") related to or arising out of (i) the engagement, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Offering Materials, or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except, with respect to clause (i) above, to the extent any such Losses are finally determined by a court or arbitral tribunal to have resulted primarily and directly from the willful misconduct or gross negligence of Canaccord Adams in performing the services that are the subject of the engagement.

If such indemnification is for any reason not available or insufficient to hold an Indemnified Person harmless (except by reason of the gross negligence or willful misconduct of Canaccord Adams as described above), the Company and Canaccord Adams shall contribute to the Losses involved in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and by Canaccord Adams, on the other hand, with respect to the engagement or, if such allocation is determined by a court or arbitral tribunal to be unavailable, in such proportion as is appropriate to reflect other equitable considerations such as the relative fault of the Company on the one hand and of Canaccord Adams on the other hand; provided, however, that in no event shall the amounts to be contributed by Canaccord Adams exceed the fees actually received by Canaccord Adams in the engagement. Relative benefits to the Company, on the one hand, and Canaccord Adams, on the other hand, shall be deemed to be in the same proportion as (i) the total value paid or proposed to be paid or received or proposed to be received by the Company or its security holders, as the case may be, pursuant to the transaction(s), whether or not consummated, contemplated by the engagement, bears to (ii) all fees actually received by Canaccord Adams in the engagement.

The Company also agrees that neither Canaccord Adams nor any other Indemnified Person shall have any liability to the Company or any person asserting claims on behalf or in right of the Company in connection with or as a result of the engagement or any matter referred to in the engagement, except to

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the extent that any Losses incurred by the Company are finally determined by a court or arbitral tribunal to have resulted primarily and directly from the willful misconduct or gross negligence of Canaccord Adams in performing the services that are the subject of the engagement.

The Company's obligations hereunder shall be in addition to any rights that any Indemnified Person may have at common law or otherwise. The letter to which this Annex A is attached, including this Annex A, and any other agreements relating to the engagement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, applicable to contracts made and to be performed therein and, in connection therewith, the parties hereto consent to the exclusive jurisdiction of the state and federal courts of the Commonwealth of Massachusetts. Notwithstanding the foregoing, solely for purposes of enforcing the Company's obligations hereunder, the Company consents to personal jurisdiction, service and venue in any court proceeding in which any claim subject to this Annex A is brought by or against any Indemnified Person. CANACCORD ADAMS HEREBY AGREES, AND THE COMPANY HEREBY AGREES ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS SECURITY HOLDERS, TO WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM, COUNTER-CLAIM OR ACTION ARISING OUT OF THE ENGAGEMENT OR CANACCORD ADAMS'S PERFORMANCE OF SERVICES THAT ARE THE SUBJECT THEREOF.

The provisions of this Annex A shall apply to the engagement (including related activities prior to the date hereof) and any modification thereof and shall remain in full force and effect regardless of the completion or termination of the engagement. If any term, provision, covenant or restriction herein is held by a court of competent jurisdiction to be invalid, void or unenforceable or against public policy, the remainder of the terms, provisions and restrictions contained herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated.