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PacificChannel

Life Sciences Venture Development and Investment

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Pacific Biotech Bulletin - The Business of Biotechnology

Pacific Channel Ltd has expertise in the business of biotechnology and provides seed capital to build commercially viable biotechnology companies in Australia and New Zealand. Pacific Channel's affiliate is New York-based The Channel Group LLC, a life sciences venture development and management firm. Through access to additional capital and expertise, Pacific Channel provides a channel to the world's largest biotechnology market, the United States.

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Dear Sir/Madam,

1 - Welcome

Welcome to the 2008 Christmas edition of the Pacific Biotech Bulletin, Pacific Channel Ltd's quarterly newsletter. It has been another exciting year for Pacific Channel with successful capital raisings including NZD4.5 million for Androgenix to complete research on a low-cost cattle sperm gender-selection device and NZD1.3 million for SciTOX to commercialise a bio-sensor that accurately measures the toxicity of trade waste.

In this Bulletin, we profile the NZD27.5 million Ingredient Solutions capital raising which provides a rare opportunity to invest in the New Zealand dairy-processing industry. The Bulletin also reports that Sleep Ltd is on track to offer equity early in the New Year to raise capital to commercialise a sleep-enhancement tonic developed by Professor Bob Elliott, Emeritus Professor, University of Auckland.

In other news, our initiatives to develop new biotechnology businesses in New Zealand are being boosted through Pacific Channel's investment partnership with the New Zealand Venture Investment Fund (NZVIF). Pacific Channel and NZVIF have, in SciTOX, made their first joint investment as part of their commitment to invest between NZD8 to NZD12 million into start-up and early stage biotechnology ventures.

We regularly update our website

www.pacificchannel.com with new investment opportunities, information about our services and news about the biotechnology industry. The website also provides links to our affiliate and portfolio companies.

I would like to take this opportunity to wish you a Merry Christmas and a prosperous 2009.

Best regards,

Brent Ogilvie
Director
Pacific Channel Ltd

2 - News

Capital raising for trade-waste bio-sensor oversubscribed - SciTOX

An NZD1.3 million capital raising to commercialise a bio-sensor that uses micro-organisms to measure the toxicity of trade-waste has closed oversubscribed and ahead of schedule.



The offer of shares in SciTOX Ltd opened 28 November 2008 and closed 12 December, six weeks ahead of the scheduled closing date of 23 January 2009 and NZD300,000 oversubscribed.

The initial offer in the SciTOX Investment Statement was for 689,655 shares at NZD1.45 per share but SciTOX directors increased the offer by 206,895 shares to 896,550 shares to meet strong investor demand.

SciTOX was brought to the market by Pacific Channel Ltd and the bio-sensor technology was developed by Lincoln University subsidiary, Lincoln Ventures Ltd.

Pacific Channel Director, Brent Ogilvie, said "investors were attracted by the huge potential demand for the bio-sensor which will be marketed in New Zealand, Australia, Europe, the US, Korea and Japan via distributors from 2009.

"The instrument will be sold to waste-water treatment plants, but the bio-sensor technology has the potential to be applied in the dairy, medical, chemical, pharmaceutical, food and drinking-water industries," Mr Ogilvie said.

Instead of oxygen, which the bacteria 'breathe', SciTOX uses a synthetic chemical which can be made to generate an electrical signal. The more bacteria die, the lower the signal. In this way, the instrument measures the effect of a toxic chemical on bacteria.

SciTOX Chief Executive Officer, Ralph Wattinger, said "the bio-sensor will enable waste-water treatment plants to accurately levy manufacturers and others according to the nature and level of pollutants they discharge.

"SciTOX is reliable and simple to control via a touch-screen and produces results in 15 minutes which is much faster than alternative toxicity-testing devices," Mr Wattinger said.

Investors participating in the capital raising included Pacific Channel and its seed co-investment partner, the New Zealand Venture Investment Fund.

3 - Opportunities for investors

Rare opportunity to invest in New Zealand dairy-processing industry - Ingredient Solutions

An NZD27.5 million capital raising to build a new milk-processing plant in South Taranaki provides a rare opportunity to invest in the New Zealand dairy processing industry.

The plant will be the first in New Zealand to produce 'un-denatured' micellar casein, whey protein isolate and protein hydrolysates, all of which have high nutritional value and can be used in sports drinks and other high-value products.

The share offer, which closes on 23 January 2009, is being made by Ingredient Solutions Limited, chaired by Peter Jensen ONZM, a former NZ Dairy Board Deputy Chairman.

The experienced Ingredient Solutions Board of Directors includes Peter Walker who led the development of the Kiwi Milk Processing Plant in Hawera, one of the largest in the world, and Brent Ogilvie of Pacific Channel, which co-founded Ingredient Solutions.

Acting Ingredient Solutions Chief Executive, Dr Neil Domigan, said "now is a good time to raise the NZD27.5 million because global demand for proteins that add value to premium food products is strong despite the downwards trend in commodity prices.

"A letter of intent to acquire up to 40 percent of Ingredient Solutions' equity has been signed by a North Asian investor who also wishes to buy all product that Ingredient Solutions makes available for the first three years," Dr Domigan said.

The offer comprises 27.5 million Ingredient Solutions ordinary shares at NZD1 per share and the minimum investment is 500,000 shares. It is conditional on Ingredient Solutions receiving applications for at least 17.5 million shares.

The Directors reserve the right to accept applications for up to 30 million new shares if the share offer is oversubscribed.

A grant to review potential sites for the milk-processing facility has been provided by South Taranaki District Council.

Dr Domigan said "the new plant is scheduled for completion in 2009."

The Prospectus and Investment Statement for Ingredient Solutions Limited can be downloaded from Pacific Channel's website www.pacificchannel.com.

Please contact Brent Ogilvie on +64 21 60 55 66 or email bogilvie@pacificchannel.com if you have any questions.

Sleep Ltd to raise capital in the New Year

Sleep Ltd is on track to offering equity in early 2009 after the successful clinical trials of its sleep-enhancement tonic developed by Professor Bob Elliott, an Emeritus Professor of the University of Auckland.

Co-founded by Professor Elliott and Pacific Channel, the company will raise capital to commercialise the sleep-aid product which is made using an optimised milk based tonic.

The clinical trials, conducted in 2008 by Auckland-based Sleep & Breathing Investigation Ltd, confirmed that the milk protein has a strong and natural soporific effect on humans.

A Chief Executive Officer, Guy Wills, has been appointed to lead Sleep Ltd through its next stage of development.

Mr Wills, who has a wealth of experience in the food sector and with start-up businesses, said "there is a growing market for sleep products globally and the business plan currently being developed for Sleep Ltd involves marketing the tonic drink in Asia and the United States.

"The company will work with regional partners to grow sales of the tonic and additional products will be added to provide a range of sleep-aid products in different formats, including a powdered product," Mr Wills said.

"The products will be sold through retail outlets such as health food shops, pharmacies and selected grocery," he said.

"While the primary target market is the over 50s, who typically experience less restful sleep, and people who are experiencing stress in the workplace, a secondary market exists comprising people who are looking to purchase products that enhance healthy living."

Mr Wills said "Sleep Ltd would build brand credibility through leveraging New Zealand's pedigree as a country renowned for its dairy innovation, food safety record and natural environment".

For further information about Sleep Ltd, please contact Guy Wills on +64 21 413 111 or email guy.wills@xtra.co.nz

4 - How life-science start-ups can attract private investors

Pacific Channel sponsors research on funding early-stage life science companies

Pacific Channel Ltd was the commercial supervisor of ground-breaking research undertaken by University of Auckland Masters Degree student Danica Tung into the funding of early-stage life science companies.

In her dissertation 'Configuring investment processes to maximise successful private capital placement,' published this month, Ms Tung concluded that life science start-up firms have more success in raising capital when they accommodate an investor's preferences for information and how they receive it.

Other insights from Ms Tung's research included that referral by a trusted advisor significantly increases the probability of a life-science investment opportunity being reviewed by a private investor and that the calibre of the people involved in a start-up is a key factor in determining whether an investment is made.

In contrast to existing research that describes a standard approach to attracting private capital, Ms Tung identified the distinct information preferences and selection criteria employed by three different types of private investor - analytical, passive and 'business angels'.

Analytical investors can be active or passive with their knowledge of the life science industry determining their level of 'hands-on' participation in a start-up venture. These investors will review as many documents as possible before deciding whether to pursue an investment opportunity. As a result of this analytical approach, a smaller number of investments are made when these investors take on a governance role. Most have a business or entrepreneurial background and favour a diversified investment portfolio.

Passive investors will support a start-up if they can be convinced that the management team can deliver results in line with projections. Generating returns is important to these investors who often have a business background. They tend to make a range of small investments to diversify their portfolio but do not get involved in day-to-day operations because the life-science industry is outside their area of expertise.

Business angels are active investors who provide start-ups with governance and management skills as well as capital. They interact with the company from the outset and stay involved as the business develops. Like analytical investors they are document-orientated and return on capital is important but they place a greater emphasis on the quality of the people managing the start-up venture. The number of investments they make depends on their level of involvement in each business.

Ms Tung concluded "that by understanding investor characteristics an entrepreneur or their agent will be able to develop an effective strategy in regards to how they approach their identified investor segments for successful capital placement.

"How an opportunity is introduced and the type and quality of information presented are critical in creating a positive impression and increasing the probability of the investment being reviewed. Having a trusted person introduce the opportunity is determinative as to whether an opportunity is reviewed," Ms Tung said.

"The start-up management team needs to be passionate yet realistic, be able to be coached and have the potential to lead the start-up company to success," she said.

In New Zealand, high net-worth individuals typically invest from NZD20,000 to NZD250,000 in a start-up or early stage venture and are usually involved in two to 10 such businesses.

When conducting her research Ms Tung received guidance on how to prepare a business for raising capital from Brent Ogilvie of Pacific Channel. Ms Tung was able to work from Pacific Channel's Auckland office, which provided for her expenses.

5 Technologies wanted

Pacific Channel acts for investors and is seeking partners in dairy farming technologies, pastoral grass, and animal health, productivity and diagnostics.

For further information, please email Brent Ogilvie bogilvie@pacificchannel.com

6 Chairman wanted

An experienced Chairman is wanted for an early-stage life-science firm. The ideal candidate will be a former Chief Executive with solid experience in fast-moving goods and corporate governance.

7 Partnership wanted

Auctus Ltd, a bio-activities venture, is developing a proprietary suite of pharma-nutra antibody therapeutics for human consumption, animal consumption and finfish aquaculture. Auctus seeks expressions of interest from qualified investors.

Please email Dr Neil Domigan nmdom@xtra.co.nz

8 - The Watercooler - Tread Lightly Caravan takes shape, Grasshopper Pinot Noir receives gold

Tread lightly caravan takes shape

A non-profit Trust established to inspire children and their families to live more sustainably will take a mobile 'green education' caravan into Auckland schools.



The Tread Lightly Caravan (TLC) is being developed by The Urban Ecoliving Charitable Trust with the support of the Ministry of the Environment Sustainable Management Fund.

Pacific Channel has provided its Director, Brent Ogilvie, as a Trustee of the Trust.

Trust spokesperson, Julian Nixon, said "the TLC will contain high-impact interactive displays and activities designed to motivate visitors to think about their life-style choices - in terms of environmental and also social consequences.

"The TLC will have a multicultural theme and support existing classroom activities promoting sustainable living such as the Enviroschools programme," Mr Nixon said.

"All exhibits will be designed to foster learning about the environment incorporating perceptions and values held by people of different races and creeds," he said.

The TLC will operate throughout the wider Auckland region - as a 'destination' for both community events, and for school children (target audience 8 to 12 year olds).



At community events, the TLC will be staffed by education specialists who will guide visitors through the various interactive activities. During the school week, the TLC will be parked at a local community facility such as a marae, local library, and local reserve.

Classes of about 30 students and their teacher/parent supporters will be encouraged to walk to the Tread Lightly Caravan and spend one and a half hours at the facility.

Mr Nixon said "an estimated 30,000 members of the public (20 events per year) and 20,000 school children (from 60 schools) will visit the Tread Lightly Caravan annually.

"A huge number of Aucklanders will be exposed to the TLC - as it travels around Auckland, parks at local maraes, libraries, community centres and events".

For further information please contact Andrea Kendall akendall@tread-lightly.org

Grasshopper Pinot Noir receives gold

Grasshopper Rock, a small Central Otago wine producer, was launched by Phil Handford, Androgenix and Ecodiesel Director, two companies co-founded by Pacific Channel. Grasshopper

Rock is dedicated exclusively to the production of first-class, single-vineyard Pinot Noir.

The first vintage was harvested in 2006 and was rated 92/100 by Robert Parkers Wine Advocate magazine and sold out within 12 months of release.

The second vintage harvested in 2007 has been awarded Gold Medal status and was rated 93/100 by Gourmet Traveller.

The 2007 vintage is limited to 1100 cases and sales to the public are through fine wine shops and to a rapidly growing private client base. See www.grasshopperrock.co.nz to join its mailing list.

9 - Your feedback

We welcome your feedback on this Bulletin and on Pacific Channel's activities. Please email info@pacificchannel.com

10 - Subscribe/unsubscribe

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