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# PacificChannel

Life Sciences and Clean-Tech Ventures

Issue 12 - October 2012



## Pacific Biotech Bulletin - The Business of Bio and Engineering Technologies

Pacific Channel Limited is New Zealand's leading venture creation, development and investment firm focused on start-up and early-stage life science and clean-tech innovation. Through our expertise, seed funds and access to capital, we create, build and fund commercially viable companies in Australia and New Zealand. Our proven commercialisation network provides an established channel to the world's largest technology markets: the United States, Europe and Asia. Pacific Channel's US affiliate is New York-based The Channel Group, LLC, a life-sciences venture development and management firm.

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Dear Sir/Madam,

### Welcome

Welcome to the third quarter 2012 edition of the Pacific Biotech Bulletin. It has been another pleasing and productive period for Pacific Channel and its portfolio and client companies with demonstrable achievement leading to successful capital raisings.

In this newsletter, we report on the positive progress being made by Caldera Health as it advances its technology to diagnose prostate cancer. Pacific Channel has secured over \$2.5 million for the company including closing, at the end of September this year, on further funding for a clinical study of Caldera's diagnostic test ProscanZ™.

Pacific Channel successfully placed capital into D'Arcy Polychrome with the colour technology company's first capital-raising closing oversubscribed by \$100,000 at \$700,000. You

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can read more in this bulletin about D'Arcy's activities and how it plans to achieve global success. You'll also hear about an expatriate New Zealander who has thrown his weight behind the fledgling company. We make a call to action for more expats to do the same.

Pacific Channel is leading an initiative to connect high net worth Chinese investors with investment opportunities in early stage New Zealand life science, clean technology and IT companies.

Our view is that while the money is certainly important, it is also the investors' expertise and networks that will make a big difference to our New Zealand businesses.

Elsewhere in this issue we draw your attention to companies associated with Pacific Channel that intend to seek funding and we also offer some insights from US associates and commentators into the coming consumer biotech revolution and trade sales of early stage technology companies.

I hope you find this edition of the Bulletin informative and interesting. If you would like to follow or contribute to Pacific Channel's activities, please [click here](#) to join our group on LinkedIn or visit our website [www.pacificchannel.com](http://www.pacificchannel.com).

Please direct any feedback, comments or questions to me.

Kind Regards

**Brent Ogilvie**

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## 1 New prostate cancer test shows its potential

Pacific Channel has secured over \$2.5 million for Caldera Health Ltd including closing, in September 2012, on further funding to complete a clinical study of the company's technology to diagnose prostate cancer.

Caldera Health is addressing two of the key problems in prostate cancer diagnosis. The first is early diagnosis of the presence of cancer, which is addressed by Caldera's diagnostic test ProscanZ™. The second is determining whether a cancer is non-life threatening, or likely to become life-threatening, using Caldera's GuardianZ™ test.

Caldera Health has made positive progress across a number of fronts since its last capital raising. Initial analysis of samples from over 100 donors taking part in the study indicates that ProscanZ™ is less susceptible to false negatives and positives than the currently available PSA blood test. The company has identified a way to work in with a publicly-funded New Zealand study to gain access to patients and reduce the cost of its clinical study for ProscanZ™.

In another initiative, Caldera has completed a small study for Auditor™, its treatment monitoring device, with encouraging results.

Additionally, Caldera is collaborating with New Zealand Genomics Ltd, a New Zealand Government funded infrastructure lab, to advance its GuardianZ™ test. Caldera has also filed another patent on the diagnostic test.

Caldera's goal is for its tests to become the gold global standard in prostate cancer diagnostics.

Please [click here](#) to view a 2 minute video that introduces the company and its products.

Sadly, around 600 New Zealand men die from prostate cancer each year, about the same as the number of women who die from breast cancer. Early diagnosis has potential to reduce the number of deaths by at least a third.

## 2 Bright future for colour company

Pacific Channel is an investor in D'Arcy Polychrome and is also managing successful fund raising for the company which saw its first capital-raising close oversubscribed at \$700,000, well up on the \$600,000 target. Pacific Channel Associate Mitali Purohit is supporting D'Arcy's development in a number of ways and congratulates the Company securing \$130,000 for further research and development of Ministry of Business, Innovation and Employment funding.

The Auckland-based start-up has developed a revolutionary way of encapsulating colour formulations in dry powder form. The technology preserves and packages exclusive colour ranges in an easy, consistent and cost effective way, allowing them to be sold anywhere in the world.

The company is using the \$700,000 to establish its own dedicated laboratory and pilot plant in Parnell and has already produced samples of key colours. It is also negotiating distribution and marketing agreements and has interest from a large premium quality international paint company. Additionally, D'Arcy Polychrome is talking to a number of designers about producing bespoke colour ranges.

Pacific Channel's partners, the government-owned New Zealand Investment Fund and two of New Zealand's leading angel investment groups - Auckland based ICE Angels and Wellington based ANGELHQ have also invested in D'Arcy Polychrome.

D'Arcy Polychrome was established in 2011 by Rachel Lacy who brings more than 20 years' experience in managing projects world-wide and a long history of involvement in the paint industry.

D'Arcy Polychrome has recently appointed two new directors - Chairman Paul Smart a director of Pacific Channel and a former founding executive and chief financial officer of Sky Network Television and Meridian Energy, and Debra Hall, a professional director, chairman of the New Zealand Marketing Association, and the former co-founder of Research Solutions, which she grew from a start-up into one of New Zealand's leading market research agencies.

Find out more at: <http://www.scoop.co.nz/stories/BU1207/S01100/fledgling-kiwi-colour-company-in-the-black-and-going-for-gol.htm>

## 3 Back your country

Pacific Channel is backing a drive to help more Kiwi companies succeed on the world stage.

NZ Inc is a 'whole of government' strategy to increase the internationalisation of the New Zealand economy. A key part of the strategy is ensuring kiwi businesses are properly equipped to make it offshore. As Business New Zealand's Chief Executive Phil O'Reilly puts it: "New Zealand does have enough entrepreneurs who want to take on the world and become the next Apple or whatever. What

is important is that every time a company desperately wants to succeed we support them to the max to get there."

Pacific Channel believes successful high growth companies need the best possible investors, managers and professional service providers, including drawing on our expatriate New Zealanders, and friends of New Zealand around the globe.

Expatriate leaders, such as Wharton Business School Marketing Professor David Bell, regularly return to New Zealand to visit family or take a break. Pacific Channel's Managing Director Brent Ogilvie spent time with David in New Zealand last summer and the marketing guru has since thrown his talents and investment behind D'Arcy Polychrome, an exciting New Zealand start-up profiled earlier in the bulletin. D'Arcy's goal of introducing a new way of selling colour through existing and new channels, while at the same time drawing business to incumbent retailers, is a perfect match with David's area of consumer marketing expertise. Please [click for a link](#) to David's research, including a recent paper [here](#) on Internet retailing in MIT's Sloan Management Review. David is keen to help more of our companies succeed.

We need more world-class people like David to act as mentors, directors, advisers and, above all, experienced managers and investors, if New Zealand companies are to face the global Goliaths and succeed.

Please let us know how you would like to help.

#### **4 Riding the consumer biotech wave: Guest article by Paul Pickering, a biotech executive with Life Technologies (NASDAQ: LIFE)**

A quiet revolution in biotech tools has potential to change the way people live, how food is produced from diminishing resources, and adaption to a changing planet.

Rapid advances in surface science and microfluidics, combined with innovations borrowed from the microprocessor industry, are driving [productivity improvements](#) in biotech that are moving at a faster pace than Moore's law for computing hardware. Productivity advances in biology-focused industries could well lead to the emergence of a 'consumer biotech' sector that is even larger than the multi-trillion dollar consumer technology sector.

Where should investors and entrepreneurs look to take advantage? One place to find advantage is within large existing industries that could be ready for disruption. An important lesson from the demise of Kodak and Polaroid in the photography industry is that value transfer can be hard to predict. That is illustrated by the creation of new value sensations Facebook and Instagram from freely available digital images.

Consumer genetics is one consumer biotech field that is emerging through companies like 23andMe and Navigenics. Instead of generating direct value through raw DNA sequence information, these companies are finding value in more oblique attributes such as tying genetic information to self-reported medical conditions. This is augmenting, and potentially disrupting, the traditional big pharma drug discovery model.

Although many think of biotech as a 'high science' confined to research universities, it is important to remember that 40 years ago, computers were viewed in a similar way. As biotech becomes 'consumerised', non-scientist entrepreneurs may offer an advantage as they think about opportunities for biotech to change their space. This was the case for SelectaDNA, which originated in the United Kingdom and took advantage of the ease and simplicity with which synthetic DNA can be made and analysed. They leveraged the opportunity to build a successful global security industry business model around DNA-based property marking.

New Zealand's economy is heavily oriented to biology. That gives investors and entrepreneurs a unique platform to surf the expanding consumer biotech innovation wave.

## 5 Chinese angels on New Zealand soil

Pacific Channel managing director Brent Ogilvie has played the lead role in the formation of a Chinese arm to Australasia's largest and most experienced angel investment network, ICE Angels.

In 2010, Pacific Channel partnered with ICE Angels to co-invest in early stage life science and clean technology companies, a move that is consolidating the trend for early stage New Zealand companies to attract investment from syndications rather than single investors.

Brent went on to help bring together an ICE Angel Chinese investors group, with Chinese either based in Auckland or with kiwi connections, 14 of which recently met for the first time. The purpose of establishing the group is to create a forum in which high net worth Chinese can assess investment opportunities in early stage New Zealand companies. The Bank of New Zealand (BNZ) and Auckland Tourism, Events & Economic Development (ATEED) have supported formation of the group, which is expected to double in size with the BNZ's help.

The companies selected for investment consideration are in the life sciences, cleantech and information technology sectors.

Pacific Channel managing director Brent Ogilvie, who is leading the initiative, believes the group will make a significant contribution - although it is too early to predict the amount available for investment or the number of ventures that could be funded. Brent believes the business connections and expertise potential investors can bring to young Kiwi companies is just as important as the investment dollars.

"The initiative is just scratching the surface in opening new channels to significant wealth and markets in Asia," he says.

If you are interested in learning more or participating at the group's next meeting on the evening of October 11 2012 please [contact Brent Ogilvie](#)

Brent has also become an Elected Council Member of the Angel Association of New Zealand, a national body which is keen to engage across the early stage investment ecosystem.

## 6 Research sheds light on early trade sales

A US database which each year tracks trade sales of around 5,000 early stage technology companies shows they commonly sell for between US\$15 million and US\$25 million. Typical buyers are medium to large size companies that are not good at new entrepreneurial ideas or forming start-ups but are skilled at growing the value of a US\$20 million company to US\$200 million.

Pacific Channel's experience in New Zealand is that early exits come from early trade customers. For example, the business assets of Somnaceutics Ltd, a Pacific Channel start-up company that successfully commercialised a sleep-enhancing milk product in Asia, was formed in 2007 and sold to its first customer, The New Image Group (NZX:NEW), in late 2010. The sale also demonstrated that start-up companies based on New Zealand science can be a commercial success and generate returns for investors in a short period.

The company's new owner continues to produce the sleep-enhancing milk in New Zealand and has the marketing resources to sell the product globally.

Another pending trade sale of a company funded by Pacific Channel is also likely to be made to one of the company's early customers.

## 7 Two-tiered success for multiple sclerosis drug

Pacific Channel supported a successful \$3.325 million funding round by Innate Immunotherapeutics Ltd (in March 2011) from which investment has been directed into an early 'two part' human trial for a new treatment for 'Secondary Progressive Multiple Sclerosis' (SPMS). The trial undertaken showed promising results, demonstrating excellent safety but more importantly indications of potential efficacy for a debilitating condition for which there is currently no effective treatments.

In the first part of the trial, 16 patients received the company's drug candidate (MIS416) at different dose levels over a four week treatment period in order to test safety. This was followed by a second part of twelve weeks where 15 patients received a weekly therapeutic dose of MIS416 once a week. During the 12 week study, nine out of the eleven patients who received the maximum number of doses of MIS416 showed at least a 30% improvement in one or more measurements of their Multiple Sclerosis related disabilities. At the same time, no patients appeared to experience progression or exacerbation of their condition.

Overall, the trial showed that the drug is safe, well tolerated, and significantly improved the clinical status of most of those taking part, which is a remarkable result for this condition. About 85% of multiple sclerosis patients are initially diagnosed with the relapsing-remitting form of the disease (RRMS) and 65% of them will subsequently develop the Secondary Progressive form (SPMS). Eight drugs are currently approved to treat RRMS and help reduce the severity of relapses and/or lengthen the period of remission, but are not a cure. Four of these drugs have annual sales of more than \$1 billion each. These existing drugs however are not effective in treating SPMS, which is the focus for Innate Immunotherapeutics. It is estimated that the current need for the treatment of SPMS is such that the worldwide market could be as significant as US\$6 billion annually.

Innate Immunotherapeutics intends to raise additional funds for this serious condition from existing investors as well as from new eligible investors, both in the US through a New York based broker, and from eligible Australasian investors through Pacific Channel.

Please [click here](#) to view a brief video that introduces Innate and its product.

## 8 Pacific Channel at world's top agbiotech conference

Pacific Channel co-founder and managing director Brent Ogilvie was a speaker at ABIC (Agricultural Biotechnology International Conference) 2012, held in Rotorua in September. The event brought agricultural biotechnology leaders, researchers, scientists, investors and policy makers from around the world together to discuss agbio solutions to a range of challenges and opportunities.

Brent's presentation was titled *Inventing from the Garage and Investing from the Lounge - Low Capital Science Innovation*. He focused on New Zealand's perfect positioning to take advantage of powerful new low capital cost tools to create innovation.

Follow the link to the abstract for Brent's talk: <http://www.abic2012.com/index.cfm/speakers/>

## 9 Current Investment Opportunities - Avacyn and Living Green

### **Please Note:**

The information below and in this bulletin is not, and should not be regarded as, an offer of securities to the public. Investment opportunities will only be offered to, and may only be taken up by, persons who are "eligible persons" in terms of section 5(2CC) of the Securities Act 1978 or who are otherwise entitled to receive an offer of securities without a prospectus and investment statement (for example, where the offer is made under the Securities Act (Venture Capital Schemes) Exemption Notice 2008). Interested parties should contact Pacific Channel and will be

required to provide confirmation that they are "eligible persons" or otherwise qualify to receive further information. No expression of interest will involve an obligation or commitment of any kind. If you are not familiar with the provisions of the Securities Act 1978, please consult with your professional advisor.

#### *Avacyn Pharmaceuticals Inc.*

Avacyn has developed a strategy and potential solution for eliminating several different types of antibiotic-resistant superbugs. The company's lead drug candidate is able to kill a large array of serious disease-causing bacteria, such as Staphylococci [MRSA], Enterococci, Streptococci, and Bacillus anthracis [anthrax], including strains that are drug-resistant and often hospital-acquired. Preclinical experiments demonstrated that the drug candidate could be used to rescue mice previously challenged with lethal doses of B. anthracis (anthrax). Experiments also showed that continuous, long-term exposure of disease-causing bacteria to the drug did not generate resistance in those bacteria. The company was founded by Allan R. Goldberg, Ph.D., former managing partner of The Channel Group, Pacific Channel's US affiliate.

#### *LivingGreen Ltd*

LivingGreen Ltd is a proven formulator, manufacturer and marketer with a new focus on branded, natural and sustainable cleaning and hygiene products for commercial and specialist markets. The company intends to use new equity investment to appoint a CEO (identified) who will accelerate business development and market expansion, obtain green certification for its products, launch products in New Zealand and Australia and carry out international market development.

## 10 Chinese investor seeks kiwi smarts

A large private Chinese foodstuffs company would like to diversify by making equity investments in New Zealand sectors that are aligned with China's priorities. This includes life sciences and clean technology where a key person in the company has personal affiliation to New Zealand. The business is open to early stage, pre-revenue investments where the technology can be shown to be globally leading and globally scalable. The company can assist with market entry to China through its expertise, networks and capital. However, this is not a requirement for investment. Please let us know if you wish to put forward an opportunity.

## 11 On the move

Pacific Channel is moving together with our associates at [Pharmaceutical Solutions Limited](#), which provides clinical trial management in New Zealand and Australia.

From 1 October, 2012, our address is:

Level 2, Northern Steamship Building  
122 - 124 Quay Street  
Auckland 1010

Postal and telephone contact details are unchanged.

[Click here](#) for a map, which also shows a picture of the building. Our new offices are smarter and have a larger meeting room and space for growth. We look forward to hosting you soon.

## 12 Subscribe/Unsubscribe

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Want to unsubscribe? We have sent you Pacific Channel Bulletin because we have had contact with you and hoped that you would find it of interest. However, if you do not wish to receive another

issue, please reply to this email with 'Remove' in the subject line or click the link below.

## 13 Feedback

Thank you. We look forward to sending you the next update on the progress of Pacific Channel and its portfolio and client companies. In the interim we welcome your questions and feedback - please send to [info@pacificchannel.com](mailto:info@pacificchannel.com)

[www.pacificchannel.com](http://www.pacificchannel.com)

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