



# Biotech Daily

Monday July 11, 2011

*Daily news on ASX-listed biotechnology companies*

- \* **ASX DOWN, BIOTECH UP: CELLESTIS UP 20%; BENITEC DOWN 7%**
- \* **QIAGEN WINS CELLESTIS DISSIDENTS WITH EXTRA 25c TO \$3.80**
- \* **IMPEDIMED'S 12m COVERED LIVES ON-TRACK FOR 20m TARGET**
- \* **NARHEX DISSENT ON FOUNDING DIRECTOR'S OPTIONS**
- \* **SENATOR CARR: COMMENT ON TAX CREDIT ADMINISTRATION**
- \* **SMALL DISSENT ON ALL 22 BIOPROSPECT EGM RESOLUTIONS**
- \* **JERSEY'S PROXIMA INCREASES, DILUTED TO 43% OF BONE**

## MARKET REPORT

The Australian stock market fell 1.56 percent on Monday July 11, 2011 with the S&P ASX 200 down 72.4 points to 4582.3 points.

Seventeen of the Biotech Daily Top 40 stocks were up, 13 fell, two traded unchanged and eight were untraded. All three Big Caps fell.

Cellestis was best, up 63 cents or 20.1 percent to \$3.76 with 2.4 million shares traded, followed by Genetic Technologies up 12.8 percent to 26.5 cents with three million shares traded.

Antisense and LBT both climbed 11.1 percent; Impedimed was up 9.3 percent; Cellmid rose 8.3 percent; Anteo was up seven percent; Universal Biosensors was up 4.55 percent; Acrux and Psivida were up more than three percent; Optiscan, QRX and Starpharma rose more than two percent; with Phylogica and Sunshine Heart up more than one percent.

Benitec led the falls, down 0.2 cents or 6.7 percent to 2.8 cents with 6.5 million shares traded.

Living Cell, Viralytics and Virax fell four percent or more; Nanosonics and Phosphagenics were down more than three percent; Cochlear shed 2.5 percent; with CSL, Patrys, Prima and Tissue Therapies down more than one percent.

## CELLESTIS

Cellestis says Qiagen has increased its takeover offer by 25 cents to \$3.80, winning the support of the previously hostile shareholder action group.

In April, Qiagen announced the \$3.55 offer for the Melbourne-based developer of the Quantiferon test for tuberculosis and was immediately scorned by the Cellestis Shareholder Action Group as being less than half their lower valuation of the company (BD: Apr 4, 14, 2011).

Cellestis was trading at \$3.00 at that time.

The \$3.55 offer valued the company at \$341.3 million and today's \$3.80 offer implies a value of \$365.3 million.

The Shareholder Action Group claimed to have as much as 34 percent of shareholder support, more than sufficient to block the 75 percent requirement for the scheme of arrangement meetings, although some questioned the strength of that support.

Today Qiagen raised the offer to \$3.80 and allowing for a special dividend of seven cents, pending board approval, shareholders will receive \$3.73 per share, when the acquisition is finalized.

Cellestis chief executive officer Dr Tony Radford told Biotech Daily that as part of the deal, he and founder Dr James Rothel would not receive the extra 25 cents on the 19.9 percent of their combined shares over which Qiagen had an option to acquire (BD: Apr 4, 2011).

Dr Radford said that he and Dr Rothel held about 23 percent of the company.

Dr Radford said the company had received a waiver from the Australian Taxation Office for the seven cent dividend.

Dr Radford told Biotech Daily that with the support of Gavin Ross and Vic Bula, who had led the shareholder action group, the acquisition of his company by Qiagen would proceed as planned.

"We're happy to have the rise in the offer from Qiagen following negotiations by all parties," Dr Radford said.

"The result is an uplift in benefit for all shareholders," Dr Radford said.

A Cellestis media release said that Mr Ross and Mr Bula supported the improved proposal and intended to vote in favor of the scheme.

The company said Institutional shareholder, Centaurus Capital, has also indicated its intention to support the improved proposal, subject to no superior proposal being made. Cellestis said the improved proposal had been declared final and would not be increased in the absence of a competing proposal.

Cellestis said it would seek approval of the Supreme Court of Victoria to adjourn the scheme meeting previously scheduled for July 20, 2011 to a date falling in the first week of August 2011 to provide time to consider the improved proposal.

Mr Ross said that he had "exhaustively analyzed Cellestis since the scheme was announced and ... concluded that the best option is to accept this increased offer".

"We will be making recommendations accordingly to our clients," Mr Ross said.

Mr Bula said that "having thoughtfully and seriously considered this improved offer, which is now likely to be the best price that we will see in the immediate future, I have decided to vote in favor".

Cellestis said that Centaurus Capital held 7.8 million shares, or 8.1 percent of the company, had also indicated its intention to support the revised scheme subject to no superior proposal being made.

Cellestis quoted Centaurus saying "the revised price of A\$3.80 offers an attractive outcome to all Cellestis shareholders and maximizes shareholder value versus all alternatives available to the company".

Cellestis jumped 63 cents or 20.1 percent to \$3.76 with 2.4 million shares traded.

## IMPEDIMED

Impedimed says it has the first 12 million 'covered lives' in the US under health benefits programs for Federal employees.

Impedimed has previously announced the signing of 'preferred provider organizations' which provide reimbursement for the company's L-Dex test for unilateral lymphoedema of the arms for female breast cancer patients (BD: Aug 25, 30; Sep 3, 2010).

In March, Impedimed extended its time for coverage of 20 million lives and 50 million lives by nine to 15 months (BD: Apr 1, 2011).

Today's announcement secures 12 million of the 20 million targeted for the end of 2011.

Today, Impedimed said the two programs were what were called 'covered lives' meaning specific insurance coverage as part of a health insurance plan.

The company said that nine million Federal employees, retirees and family members were covered under one program and three million under a second program.

Impedimed said an initial 'Explanations of Benefits' statements for US medical providers for Federal employee members showed a reimbursement payment within the company's expected range.

Impedimed said the first plan was an insurance benefits program for Federal employees carried out by more than 300 local insurance providers and health plans across the US.

The company said a further three million lives were covered lives through the Federal Employees' Compensation Act that provided workers' compensation coverage to three Federal and postal workers around the world for employment-related injuries and occupational diseases as directed by the US Department of Labor.

Impedimed said the program reimbursed medical providers for L-Dex testing to aid in the clinical assessment of unilateral lymphoedema of the arms for female breast cancer patients who have undergone mastectomy and partial mastectomy treatments.

Impedimed said its L-Dex U400 device was built on a bioimpedance spectroscopy platform, which had regulatory marketing clearance on three continents and access to an American medical association current procedural terminology (CPT) category III code.

The company said that an accreditation program for US breast centers recently established a clinical standard for lymphoedema risk reduction and management, supporting the establishment of baseline assessment prior to surgery and post-surgical monitoring at each subsequent patient visit.

Impedimed was up 5.5 cents or 9.3 percent to 64.5 cents.

## NARHEX LIFE SCIENCES

Nine of 10 resolutions to the Narhex annual general meeting were passed overwhelmingly with dissent against the issue of 2,500,000 options to founder John Majewski.

The issue of Mr Majewski's options was passed with 110,602,920 proxy votes (86.8%) in favor and 16,864,731 proxy votes (13.2%) against.

The issue of options to directors Peter Christie, David Mandel and Peter Nash were all passed by 128,714,596 proxy votes in favor and fewer than one million against.

All other resolutions were passed by wider margins.

Narhex was unchanged at 3.4 cents.

## FEDERAL GOVERNMENT

The Federal Government says it wants businesses and the public to comment on how the research and development tax credit scheme will be administered.

The Federal Government said it expected the legislation to pass the Senate with the support of the Greens in August and be dated from July 1, 2011 (BD: Jun 15, 2011).

The Tax Laws Amendment (Research and Development) Bill 2010 and the Income Tax Rates Amendment (Research and Development) Bill 2010 were passed by the House of Representatives prior to the August 21, 2010 Federal Election.

When it was originally proposed in the 2009 budget the start date for the scheme was intended to be July 1, 2010 (BD: May 13, 2009).

Today, Innovation Minister Senator Kim Carr called for comment on the tax credit's detailed administrative arrangements.

"The R&D Tax Credit will encourage a surge of improved materials, products, processes and services, leading to greater prosperity and more high-wage, high-skill jobs for Australians," Senator Carr said. "...because small and medium-sized businesses, whose R&D efforts are generally constrained by cash flow, will have better access to the tax credit than they have had with the R&D Tax Concession," Senator Carr said.

A Department of Innovation media release said the legislation that would enable the research and development tax credit contained powers to make regulations and decision making principles, to assist with administration of the new scheme.

The media release said the decision-making principles related to the circumstances in which the Innovation Australia Board could extend deadlines, review findings about research and development activities and core technology and vary registrations.

The consultation documents are at: [www.innovation.gov.au/RDTaxCreditRegulations](http://www.innovation.gov.au/RDTaxCreditRegulations) with submissions due by August 5, 2011.

## BIOPROSPECT

All 22 resolutions on the issue of shares and options put to the Bioprospect extraordinary general meeting were opposed by about 10 percent of the active vote.

Of the more than 348 million proxy votes available, nearly all resolutions attracted more than 100 million votes in favor but all were opposed by between 10 million and 12 million proxy votes.

The issue of shares to Pitt Street Absolute Return Fund saw a decreased number of available proxy votes with 41.4 million (77.8%) in favor and 11.8 million (22.2%) against.

The issue of shares and options to Dr Quinlan and Novus Capital were among the closer votes with more than 98.3 million in favor and up to 12.65 million against.

Bioprospect was untraded at 0.8 cents.

## BONE MEDICAL

Proxima Concepts and associates have increased their substantial holding in Bone and have been diluted through a share issue.

In the substantial shareholder notice the Channel Islands-based Proxima said it increased and was diluted from 49,028,952 shares (46.82%) to 52,214,829 shares (42.72%).

Bone was untraded at 1.4 cents.