



# Biotech Daily

Thursday May 28, 2009

*Daily news on ASX-listed biotechnology companies*

- \* **ASX DOWN, BIOTECH UP: GENETIC TECHNO UP 42%, PROGEN DOWN 12%**
- \* **FTC LEGAL ACTION STALLS \$US3.1bn CSL-TALECRIS DEAL FIVE MONTHS**
- \* **CAPITAL GROUP CLIENTS TAKE 11% OF COCHLEAR**
- \* **FORMER BIOSIGNAL DIRECTORS LODGE ASIC COMPLAINT**
- \* **IMPEDIMED PLACEMENT RAISES \$5m; RIGHTS OFFER TO RAISE \$7m**
- \* **PALLANE MEDICAL IPO TO RAISE \$12.5m FOR VIRUS DIAGNOSTIC**
- \* **CEPHALON TAKES 70% OF ARANA; APPOINTS FOUR DIRECTORS**
- \* **GRAEME BODEN REPLACES HELICON DIRECTOR DR ARTHUR EMMETT**
- \* **TGA APPROVES KARMELSONIX PERSONAL WHEEZOMETER**

## MARKET REPORT

The Australian stock market fell 1.19 percent on Thursday May 28, 2009 with the S&P ASX 200 down 45.4 points to 3,755.7 points.

Thirteen of the Biotech Daily Top 40 stocks were up, 11 fell, nine traded unchanged and seven were untraded.

Genetic Technologies was best on no news, up 2.1 cents or 42 percent to 7.1 cents with 168,000 shares traded, followed by Bone Medical up 11.1 percent to 20 cents.

Prana climbed 8.6 percent; Biota was up seven percent to \$1.375 with 3.6 million shares traded; Genera was up 4.9 percent; Acrux, Alchemia, Bionomics and Viralytics rose two percent or more; Chemgenex, Heartware and Novogen were up more than one percent; with Impedimed up 0.66 percent.

Progen led the falls, down 11 cents or 11.96 percent to 81 cents with 2,000 shares traded, followed by Living Cell down 10 percent to 18 cents.

Optiscan lost 9.1 percent; Clinuvel fell 7.6 percent; Nanosonics was down 5.75 percent; CSL, Phosphagenics and Starpharma were down more than three percent; Cytopia, Pharmaxis and Resmed shed more than two percent; Cochlear and Peplin were down more than one percent; with Arana down 0.4 percent.

## CSL

The US Federal Trade Commission legal action to prevent CSL's proposed \$US3.1 billion acquisition of Talecris Biotherapeutics will not be resolved for a further five months.

CSL legal department senior vice-president and general counsel Greg Boss told a telephone conference this morning that the FTC would mount two parallel legal cases.

Mr Boss said an injunction which should take two to four months to resolve and the FTC hearing was likely to begin in late October and take about a month to resolve.

CSL chief executive officer Dr Brian McNamee said in a media release that his company strongly disagreed with the FTC's decision to challenge the deal and would vigorously oppose the actions.

"The FTC has failed to recognize that this combination is pro-competitive, provides significant efficiencies that will improve the supply of biotherapies and is beneficial to the patient community," Dr McNamee said.

"The Commission failed to take into account the substantial remedies that were offered by CSL which addressed their concerns especially in relation to plasma supply, Alpha-1 and Rho-D," Dr McNamee said.

In a telephone media conference, Dr McNamee said the FTC's complaint was more about the dynamics of the sector than CSL becoming too big.

He said CSL had offered to divest 20 to 25 plasma centres of a total of 150 centres providing about 800,000 litres or four percent of the plasma market, along with the specialist product groups Alpha-1 and Rho-D (or anti-D).

He said that the FTC had a theory of "coordinated behavior" with which CSL strongly disagreed.

"I'm particularly surprised and disappointed with the Commission's theory that there is any coordination in the plasma industry," Dr McNamee said in a CSL media release.

"This sector is intensely competitive with manufacturers rapidly expanding," he said.

"A combined company will have the ability to more quickly and efficiently meet the expected continuing demand for plasma therapies that are critical to patients suffering from bleeding disorders, immune deficiencies, CIDP, genetic emphysema, and other rare diseases," Dr McNamee said.

"The merger would result in an improved ability for CSL to supply therapies to patients and customers through expanded and integrated manufacturing with greater efficiency and fewer bottlenecks," he said. "An integrated R&D platform would also result in innovative products reaching the marketplace sooner."

In the telephone conference Dr McNamee said there was a strong level of support from patient groups and customers.

In August 2008 CSL and Talecris entered into an agreement under which CSL agreed to acquire Talecris for US\$3.1 billion in cash (BD: Aug 13, 2008).

The transaction required regulatory approvals including, approval by US anti-trust authorities.

CSL fell \$1.12 or 3.7 percent to \$29.03 with 6.9 million shares traded.

## COCHLEAR

The US based Capital Group Companies increased its substantial shareholding in Cochlear from 5,563,219 shares (9.94%) to 6,145,347 shares (10.96%) on May 26, 2009. On November 3, 2008 Capital Group increased its holding from 7.75 percent to 8.80 percent and on December 3, 2008 increased to 9.94 percent.

The shares were acquired at an average price of \$50.15.

Cochlear fell 67 cents or 1.23 percent to \$53.63.

## BIOSIGNAL

Two directors of Biosignal have reported the company to the Australian Securities and Investments Commission over related party and transparency issues.

In a letter to ASIC's complaints division dated May 11, 2009, former chairman John Keniry who resigned today, with founder and former chief executive officer Prof Peter Steinberg who resigned last week (BD: May 21, 2009) said there were a range of issues relating to the actions of Empire Investments that the regulator should investigate.

The complaint was made under the 'Whistleblower' provisions of the Corporations Act.

A spokeswoman for ASIC told Biotech Daily that the Commission had received the complaint, but said: "We don't comment on operational matters."

In documents received by Biotech Daily, Dr Paul D'Sylva is cited as a principal of Empire Investments.

Dr D'Sylva categorically told Biotech Daily on May 7 that he was not a director or principal of Empire Investments. He restated this position on May 21, 2009.

The letter of complaint to ASIC details a series of events leading up to Empire nominating three directors on April 28. Those directors resigned on May 7 and were replaced by three further Empire-nominated directors (BD: May 7, 2009).

Documentation to ASIC shows that Biosignal was introduced to a US biopharmaceutical company by Dr D'Sylva and that a merger as part of a broader \$2 million capital raising to be underwritten by Chimaera Capital would occur, along with the placement of 12,000,000 one cent shares to Chemventures, which would fund Biosignal to the proposed merger. Along the way, Chemventures was replaced by Empire Investments, whose letter head provides no address, nor an Australian Business Number.

Following the resignation of the first set of directors, the US biopharmaceutical deal fell through leaving Empire with control of Biosignal through its majority of the board despite holding only 9.2 percent of the company.

Chimaera Capital was also involved in Pharmaust at the same time as Dr D'Sylva was the company's managing director and one of the Empire-nominated directors at Biosignal. Manraj Khosa was Pharmaust's company secretary.

In the letter to ASIC the two former directors voice concerns over a range of issues.

Biotech Daily attempted to contact Mr Khosa and Dr D'Sylva for comment but had not heard back at the time of publication.

"We believe that the company should be put into a trading halt pending investigations by ASIC," Mr Keniry and Prof Steinberg said in their letter to ASIC.

Biosignal was untraded at 2.6 cents.

## IMPEDIMED

Impedimed has raised \$5 million through a placement of 7,812,500 shares at 64 cents a share to clients of Wilson HTM Corporate Finance.

The placement and a one-for-nine rights offer to raise a further \$7 million at the same price are fully underwritten by Wilson HTM.

Impedimed said the funds would support the US adoption of its L-Dex U400 test for use in the assessment of unilateral lymphoedema of the arm for female breast cancer survivors.

The funds will be directed to expanding US sales, technical support and managed care teams and funding of a potential lymphoedema patient registry along with market development, expanding regulatory and quality resources and working capital.

The record date for the entitlement offer is June 5, 2009 with the offer opening on June 10 and closing on June 25.

Impedimed was up half a cent or 0.66 percent to 76 cents.

### PALLANE MEDICAL

Pallane Medical through its merger with Dia-B Tech launched a prospectus to raise a total of \$12.5 million through the issue of 50,000,000 shares at 25 cents each.

The offer is conditional upon a 20:1 consolidation of Dia-B's shares and completion of the company's proposed acquisition of Pallane Medical.

Pallane said it was focused on the rapid detection of virus infections through tissue culture. Pallane said that following the offer, the new entity would have a notional market capitalization of \$100 million dollars, although a substantial number of shares held by certain investors associated with Pallane may be forfeited and canceled should milestones relating to the development of Pallane's technology not be met.

Marc Sinatra's Bioguide Brief Note on the prospectus will be published tomorrow.

Dia-B fell 0.2 cents or 12.5 percent to 1.4 cents.

### ARANA

With three trading days until the close of the takeover offer, Cephalon has acquired nearly 69.73 percent of Arana investor acceptances and appointed four directors.

Arana said directors Gordon Black and Lincoln Chee had resigned and Cephalon had appointed its chairman and chief executive officer Frank Baldino as chairman of Arana along with directors Kevin Buchi, Jeffry Vaught, and Lesley Russell.

Independent directors Robin Beaumont and Chris Harris remain on the board for an interim period but Mr Beaumont has resigned as chairman and will be lead independent director.

Mr Buchi is Cephalon's chief financial officer; Mr Vaught is the chief scientific officer and Mr Russell is the chief medical officer.

Arana said the independent directors committee, Robin Beaumont and Chris Harris, would continue to have sole responsibility for the conduct of all matters relating to the Cephalon bid for the company until the bid is closed.

Mr Beaumont said Cephalon was the majority shareholder of Arana and it was "appropriate that it has representation on Arana's board which reflects its shareholding". He said the appointments would "ensure that the day-to-day operations of the company can revert to business as usual following the inevitable uncertainties caused by the Cephalon bid".

"Importantly, this will allow management to work with the restructured board to review company strategy in the context of the new ownership structure," Mr Beaumont said.

The number of acceptances for the Cephalon offer increased from 139,352,297 shares (61.12%) to 158,973,750 shares (69.73%).

Arana fell 0.5 cents or 0.37 percent to \$1.36.

### HELICON

Helicon says Dr Arthur Emmett has resigned as a director and will be replaced on the board by company secretary Graeme Boden.

Helicon said Dr Emmett was appointed as a director in June 2006 and has resigned "for personal reasons unrelated to his Helicon directorship".

Mr Boden has been a director and company secretary of ASX listed companies for more than 20 years with more than 30 years experience in the resource sector.

He is the principal of Boden Corporate Services and a director of S & A Capital.

Mr Boden continues as Helicon's company secretary.

Helicon was untraded at two cents.

## [KARMELSONIX](#)

Karmelsonix says the Australian Therapeutic Goods Administration has approved its, Personal Wheezometer device.

Karmelsonix said the approval permits the company to market and sell the Personal Wheezometer to all segments of the market.

Karmelsonix fell 0.1 cents or 2.27 percent to 4.3 cents.