oion
oxford investment opportunity network

May 2010

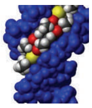
Newsletter

Angel-backed MGB Biopharma joins fight against superbugs

MGB Biopharma Limited established operations in Glasgow in mid April and has raised a total of just under £2M which will be drawn in two tranches over technology milestones as the programmes proceed. The company has received funding from OION in association with an angel syndicate led by Archangel Informal Investments Ltd together with TRI Cap Ltd, Barwell plc and the Scottish Co-investment Fund.

The company focus is on a novel class of anti-infective – that of DNA Minor Groove Binders (MGB) with initial emphasis on developing an antibacterial compound to the point of first in man clinical testing. The technology was the subject of an exclusive license executed from the University of Strathclyde. The team at MGB, is comprised of highly experienced pharmaceutical and biotech experts with well-proven track records.

The technology has so far demonstrated very significant in vitro and in vivo activity against Gram positive bacteria, including MRSA, and also against some Gram negative bacteria. The objective will be to introduce a totally novel mechanism of action into the field of antibiotic treatment. As a new class the major current concern of bacterial resistance will be fully met as the efficacy of currently available drugs becomes less over time with the widespread emergence of such resistant bacterial strains such as MRSA *(methicillin resistant Staphylococcus aureus)*.



DNA showing an MGB compound from the MGB family bound to the minor groove pocket

Dr Miroslav Ravic, Chief Executive Officer of MGB Biopharma commented, “The introduction of a new class of antibacterial is an all too rare event in medical science. We are particularly proud to be working with the DNA Minor Groove Binder Technology from the University of Strathclyde – I believe the last Scottish association with the discovery of a new antibacterial class was none other than that of Sir Alexander Fleming’s discovery of penicillin 82 years ago. We are excited by the fact that MGB Biopharma has the potential to bring a new mechanism of action into the treatment of serious hospital and community acquired infections. This is an area of high unmet need as a result of the rise of resistant bacteria which are not susceptible to many currently available antibacterial products”.

The MGB Team together with the Strathclyde Team. L to R : Prof Curtis Gemmell, Prof Colin Suckling, Dr Catherine Breslin, Dr Miroslav Ravic (MGB CEO), Louise McKean, Gavin D Clark (MGB CBO) and Raymond Spencer (MGB CFO)

Professor Colin Suckling, of Strathclyde's Department of Pure and Applied Chemistry, has been Principal Investigator in the DNA minor groove binder technology. He said: "This is technology which was initiated and developed in Scotland and which is now being funded to grow in Scotland - for worldwide benefit. … We look forward to the new company taking the technology further so that improved and safer treatments can be delivered to patients."

MGB Biopharma
Innovative Development Company

Network Manager’s Update

It seems to be an eon ago that around ninety guests attended this years Annual Dinner at Oriel College in Oxford. Such a genteel event in refined surroundings … the impact of the election and spending cuts from the any new Government were spoken about but perhaps not anticipated to be so quick in their implementation. However the full implications will not be known until after the June 22 Emergency Budget. The Queens speach hinted at things to come but, as always, the devil is in the detail.

We continue to seek interesting opportunities for the members. The down side to businesses finding bank funded credit very difficult to secure gives an upside to us, with companies that might not have sought equity funding bringing some interesting deals to the network. Over the summer period if anything interesting comes in I will send out the detail to you direct.

The investor workshops continue with the next one planned for morning of 29 June at our offices in Mill Street. Laytons will be providing the speaker and it will be based around protecting yourself in the investment documentation. (Heads of Terms, Shareholder Agreements ...)

We also have the investment meeting at Harwell on 6 July with the opportunity to have a tour of the Diamond Synchrotron. If you are interested in being taken around this iconic facility please let us know soonest. The tour can be tailored for groups from a strong scientific background to those with limited knowledge but a curiosity to understand more.

Any questions or if you just fancy a chat over coffee, I am always open to invites. ... Eileen

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OION would like to acknowledge and thank

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Company News Updates

Atlantic Healthcare is commencing manufacture and international supply of alicaforsen for Inflammatory Bowel Disease under Named Patient Supply regulations.

Cambridge UK, Sydney Australia, 19th May 2010: Atlantic Healthcare Limite an international specialist-led pharmaceutical company, who presented at OION in January, announced that, in response to requests for alicaforsen from hospital-based specialist clinicians, it is commencing manufacturing in readiness for international supply of alicaforsen enema under its Named Patient Supply (NPS) programme. Alicaforsen offers a new treatment option for certain named patients suffering from Inflammatory Bowel Disease, including pouchitis. Pouchitis is a debilitating condition for which there is no approved treatment.

Atlantic will make alicaforsen available in response to specific requests made by clinicians in selected countries as soon as manufacturing is completed, expected in the Autumn. The product will initially be available for named patients under the management of gastroenterologists and colorectal surgeons. The Company will market products in the United States and Europe itself, and through partners and licensing/distribution relationships in other regions.

Fertility Focus is nearing completion of the current round of financing with £350k pledged so far towards the minimum requirement of £500k. Due diligence has been completed by Go Beyond (Geneva and Lausanne, Switzerland), Sophia Business Angels (Nice, France) and TriCapital (Borders, Scotland) and is detailed in the Due Diligence report which can be distributed to parties interested in joining the round. Two further managed angel funds (one from UK, one from France) are expected to come on board in the next 10 ten days, with a close expected by mid June.

Hybrid BioSystems, who presented at the February investment meeting is pleased to announce first close of funding of £240k at the end of the last tax year March 2010. Their second close will be in early July. Hybrid is an Oxford Biotechnology Company focused on revolutionising viral vaccines with their patented vaccine delivery technologies. They have an established and well equipped laboratory located at Cherwell Innovation Centre in Oxfordshire.

In December 2009, Michelson Diagnostics raised £664k. Investors in the round included a syndicate of business angels that included OION angels. This funding has supported the completion of FDA 510(k) clearance, clinical trials in the USA and recruitment of key new staff/Board. Further funding in 2010, of up to £2M, to support the company to break-even in 2011, development of a 2nd generation product, enable placement of VivoSight scanners in multi-centre trials in USA and Europe and to validate the business model prior to scale-up in 2012

PhotoBiotics who presented at the October 2009 OION event, recently closed a funding round of £390k. A med tech spin-out company from Imperial College London, PhotoBiotics is developing ground-breaking products for the treatment and diagnostic imaging of cancers that should also avoid the devastating side-effects seen with surgery, radiotherapy and chemotherapy. The funding will support the Company through 2010, during which time it will progress its R&D programme to achieve a significant value-adding milestone, taking the lead product candidate, ProstaLite for prostate cancer, to the point of entering formal preclinical development and subsequent Phase I/II clinical trials, as well as generating proof-of-concept in animals for an MRI imaging agent. The Company has already been approached by a major pharma company with a view to initiating a licensing/collaboration dialogue regarding the Company's platform technology.

Current Opportunities

Company A has a unique expertise and patents combining video processing with wireless transmission. Their product is unique in successful delivery of high quality HD video over long distance wirelessly. The company is close to securing two lead customers, one with a major networking business and is raising £1m expansion funding

Company B has developed novel-patented technology for multiple applications in the medical field. The first product will enable them to take it to the market quickly. The company is looking to raise £500k to support industrial scale up, complete additional feasibility studies in lung cancer and provide headroom for negotiating license deals.

Company C has develop its product Automated Metadata Insertion, to enable media asset organisations to scan through their media files (both video and audio) log the content more efficienlty and faster. Most content is expensively stored and unknown, AMI allows a cost to becomes an asset. Ready for market is looking to raise £800k to achieve swift growth . An exit via a trade sale in three years is expected.

Company D produces modular, easy-assembly, off-grid eco buildings. All-natural buildings feature green roofs, solar and wind power, water harvesting, natural insulation. With a strong pipeline of orders, seeking funding of £250K to move to larger scale production and to support expansion.

Company E is an engineering software company that has existing products, customers and sales in the chemical and mining industries it has developed 3D software tool to optimise the way in which a complete nuclear facility is dismantled. Currently completing the validation of the software in collaboration with the UK's national Low Level Waste Repository and leading UK decommissioning contractors. It is looking to raise £500k for commercialization.

Company F has developed a low cost, simple to use system for rapid diagnosis of infectious diseases in point-of-care settings such as GP surgeries. The system uses novel, patented sensor technology, and is raising £500k from private investors, as part of a £2 million financing. To be used to transfer the product to manufacture and gain European regulatory clearance ahead of launching its first product, a 20 minute test for Chlamydia

Due Diligence

Sooner or later, any technology-led company is going to get involved in some sort of corporate transaction. The existence, ownership, nature and scope of its intellectual property rights will come under scrutiny. In a start-up company, this could happen at the point when the company seeks to raise capital from outside investors. Companies at a later stage may be floated, or sold, or a business unit could be hived off. In all these cases, assembling and analysing data about the company's rights is termed "due diligence".

Patents can be a difficult area for due diligence. Apart from the technical complexities, which will normally require specialist knowledge, a patent portfolio is often quite an unwieldy package of information. Issues can arise on several levels. There are comparatively mundane issues about what stage patent applications have reached, and whether patents are still in force, as well as questions about the extent of the coverage internationally and who actually owns the rights More difficult questions can arise on the technical front – for example, is the company's product actually covered by the claims of the patents; is the coverage broad enough to warn off potential competitors; and does the company's product infringe any rights of third parties?

In all these areas, there are many pitfalls both technical and legal. These potentially make due diligence on IP more challenging than other more straightforward issues such as leasehold property, environmental concerns, employment contracts and ownership of moveable assets.

The types of due diligence exercises which are likely to arise in the technology sector are:

- Reports for AIM, main market or other stock exchange listings
- Investigating and reporting on patent portfolios, ownership, infringement and validity of rights
- Patent clearances and freedom to operate opinions
- Trade mark searches and reports on brand strength
- IP aspects of licensing and joint ventures

For more information, please contact : Dr Claire Irvine, UK and European Patent Attorney, on 01865 397900 or by email at cirvine@marks-clerk.com

Marks&Clerk LLP
Patent and Trade Mark Attorneys

Structuring your EIS investments and avoiding the loan trap

This note highlights the importance of properly structuring investments on which Enterprise Investment Scheme (EIS) tax relief is claimed. If investments are structured incorrectly EIS tax relief may be lost as indicated by the decision in *Revenue and Customs v Alan Blackburn Sports Limited and another [2008]* ("Blackburn case").

EIS provides tax relief for individuals who subscribe for shares wholly in cash in qualifying unquoted trading companies provided certain conditions are met. The scheme aims to help smaller, high risk companies raise finance by giving tax relief to investors.

EIS tax relief is denied where the individual, who has subscribed for eligible EIS shares, receives any value from the company on or before the date of the issue of the shares. An individual receives value from the company if the company:

- Repays (in pursuant of any arrangements for or in connection with the acquisition of the shares) any debt owed to the individual, or;
- Makes to the individual any payment for giving up his right to any debt on its extinguishment.

In the Blackburn case, Mr Blackburn made investments totalling £1.19 million in the company which was owned by himself and his wife. He made several cash payments on the understanding that shares would be issued. However, there were no documents showing that the money advanced by Mr Blackburn would be for allotments of shares and the cash was in some cases advanced before the issue of shares.

The case was heard by the Court of Appeal which held as follows:

- The first cash payment made by Mr Blackburn to the company in the absence of the prior subscription for shares should be characterised as a loan. Consequently, the subsequent allotment of shares by the company should be treated as the discharge of that loan. This meant that the shares were not subscribed wholly in cash and, as a consequence, EIS relief was denied.
- However, in relation to the subsequent issue of shares, the Court accepted that a course of dealing had emerged and that all parties accepted and expected that the payments would result in the allotment of shares in the company. There was an implied agreement that the company would allot the shares; the payment should therefore be characterised as contributions to the capital account of the company, conditional on the subsequent allotment of the shares to Mr Blackburn. This meant that EIS relief could be claimed for the later allotments.

Top Tip: Make sure that any payment made by an investor into an EIS company before the issue of or subscription for shares does not create a debt. Any such payment should be made pursuant to a formal document (such as a share subscription letter or agreement) with supporting resolutions and minutes to show that the payment is in consideration of an issue of shares and that no debt is to be created just because the payment precedes the issue.

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