

Universal Biosensors, Inc.
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Universal Biosensors

20 December 2013

Universal Biosensors secures up to US\$25 million loan facility

Universal Biosensors, Inc. (ASX: UBI), a pioneer in medical diagnostics at the point-of-care (“POC”), announced today that its wholly owned subsidiary Universal Biosensors Pty Ltd (“UBS”) has secured a five year term loan facility of up to US\$25 million with funds managed by Athyrium Capital Management, LLC (“Athyrium”), a US-based investment adviser. This facility leverages the strength of UBI’s future Quarterly Service Fees and is anticipated to fund Universal Biosensors through to positive cash generation and profitability.

The funds will provide Universal Biosensors with the financial strength and flexibility to pursue its expansion into the POC coagulation testing market. With three POC coagulation testing products in development with Siemens, and Universal Biosensors’ own PT-INR test targeted at the patient self-test market, Universal Biosensors is looking to take advantage of its success in blood glucose testing to diversify its business into other POC tests and pursue opportunities where it can take increasing control over its own products, revenues and margins.

Under the arrangement, Universal Biosensors will draw down US\$15 million upfront, with a further two tranches each of US\$5 million available to be drawn at Universal Biosensors’ option if certain commercial conditions are achieved prior to 30 January 2015. The loan bears interest at 10.5% per annum and requires the payment of a number of non-refundable fees. The loan is secured by substantially all of the assets of the Group. In connection with the loan, UBI has granted to Athyrium a warrant entitling the holder on exercise to be issued 4.5 million shares of common stock in UBI, at an exercise price of A\$1.00 per share. The warrants are exercisable at any time and expire seven years from the closing date.

Paul Wright, CEO of UBI, said *“This is a transformational event for the Company that has been made possible by the anticipated growth in UBI’s Quarterly Service Fees. We will use this loan capital combined with our existing shareholder funds, to commercialise the POC tests and drive Universal Biosensors towards profitability and positive cash generation. We are encouraged that a specialist US healthcare fund of Athyrium’s calibre has validated our own confidence in the future potential of the business in providing this financing option. We look forward to working closely with the team from Athyrium to accelerate shareholder value.”*

Richard Pines, a Partner at Athyrium, said *“The UBI management team’s track record of creating commercial stage POC products with global partners such as LifeScan and Siemens is impressive. We are excited to invest in the Company’s powerful technology platform and*

Under applicable United States securities laws all of the shares of our common stock are “restricted securities” as that term is defined in Rule 144 under the Securities Act of 1933, as amended (Securities Act). Restricted securities may be resold in the public market to United States persons as defined in Regulation S only if registered for resale or if they qualify for an exemption from registration under the Securities Act. We have not agreed to register any of our common stock for resale by security holders.

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pipeline of high value future product opportunities, as we believe it will lead to significant innovation in both professional and consumer POC testing.”

A copy of the Form 8-K to be filed with the US Securities and Exchange Commission describing the Credit Agreement, is attached.

About Athyrium

The finance provider, Athyrium, is a US-based investment adviser in the healthcare and life sciences industry, specializing in providing growth capital to emerging businesses in the global healthcare sector. The Athyrium investment team has substantial healthcare investment experience across a wide range of asset classes, including public equity, private equity, fixed income, royalties, and other structured securities. Athyrium invests across healthcare verticals, including biopharma, medical devices and products, and healthcare services, partnering with management teams to implement financing solutions and provide capital needs. For more information, please visit www.athyrium.com.

Ends

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About Universal Biosensors

For additional information in relation to Universal Biosensors, refer to <http://www.universalbiosensors.com/announcements.html>.

Universal Biosensors is a specialist medical diagnostics company, founded in 2001, that is focused on the development, manufacture and commercialisation of a range of in vitro diagnostic tests for point-of-care use. These tests capitalise on a technology platform which uses a novel electrochemical cell that can be adapted for multiple analytes and provide for enhanced measurements in whole blood.

Under applicable United States securities laws all of the shares of our common stock are “restricted securities” as that term is defined in Rule 144 under the Securities Act of 1933, as amended (Securities Act). Restricted securities may be resold in the public market to United States persons as defined in Regulation S only if registered for resale or if they qualify for an exemption from registration under the Securities Act. We have not agreed to register any of our common stock for resale by security holders.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d)
Of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **December 19, 2013**

UNIVERSAL BIOSENSORS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

000-52607

(Commission File Number)

98-0424072

(IRS Employer
Identification No.)

1 Corporate Avenue, Rowville, 3178, Victoria Australia

(Address of Principal Executive Offices) (Zip Code)

Telephone: +61 3 9213 9000

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On December 19, 2013 (“Closing Date”), Universal Biosensors, Inc. (“UBI”) and its wholly owned subsidiary, Universal Biosensors Pty Ltd (“Borrower”) (together UBI and Borrower, the “Transaction Parties”) entered into a credit agreement with Athyrium Opportunities Fund (A) LP (“Athyrium A”), as administrative agent (the “Administrative Agent”) and as a lender, and Athyrium Opportunities Fund (B) LP (“Athyrium B”) as a lender (Athyrium A and Athyrium B together with any other lenders party thereto from time to time, the “Lenders”) (the “Credit Agreement”).

On the Closing Date, UBI entered into the following additional agreements:

- a Pledge and Security Agreement by and between UBI and the Administrative Agent (“Pledge and Security Agreement”);
- a Specific Security Deed by and between UBI and the Administrative Agent (“Specific Security Deed”); and
- separate Warrant Agreements by and between UBI and Athyrium A and UBI and Athyrium B (“Warrant Agreements”).

On the Closing Date, the Borrower also entered into a General Security Deed by and between the Borrower and the Administrative Agent (“General Security Deed”).

The Credit Agreement, Pledge and Security Agreement, Specific Security Deed, and General Security Deed are referred to herein as the “Loan Documents”.

On the Closing Date, the Borrower and UBI also entered into the Third Amendment to the Amended and Restated Master Services and Supply Agreement by and between the Borrower, UBI and Cilag GmbH International dated May 14, 2009 (“Third Amendment to the MSSA”).

The following are brief summaries of the foregoing agreements.

Credit Agreement and other Loan Documents

Pursuant to and subject to the terms of the Credit Agreement, the Lenders agree to provide term loans to Borrower in the principal amount of up to US\$25,000,000. A first tranche loan of US\$15,000,000 was drawn on the Closing Date and a further two tranches each of US\$5,000,000 (the “Loans”) may be drawn within 30 days of any fiscal quarter ending on or before January 30, 2015 in which the Borrower satisfies certain conditions, including achieving specified quarterly service fee revenues from the sale of the OneTouch Verio blood glucose strips and coagulation manufacturing revenues. Unless the facility is otherwise terminated earlier pursuant to the terms of the Credit Agreement, the Borrower is required to repay the outstanding principal amount of the loans drawn down, together with all accrued and unpaid interest thereon and all other obligations on December 19, 2018 (the “Maturity Date”). The obligations of Borrower under the Credit Agreement are guaranteed by UBI.

The Loans bear interest at 10.5% per annum, payable in cash quarterly in arrears, and as otherwise described in the Credit Agreement. A default interest rate of 13% per annum shall apply during the existence of a default under the Credit Agreement. The Loans will be interest-only until the Maturity Date, and must be repaid in full on the Maturity Date along with all accrued but unpaid interest.

The Borrower has also paid a non-refundable fee of \$625,000 to the Lenders on the Closing Date (being 2.5% of the aggregate credit facility) and a commitment fee based on any available unused borrowing commitment under the Credit Agreement until January 30, 2015. The Lenders will also be entitled to receive 30% of the net proceeds of milestone payments paid under the Collaboration Agreement by and among Borrower, UBI and Siemens Healthcare Diagnostics, Inc., up to a maximum of \$600,000 in the aggregate. The Borrower has also agreed to pay certain taxes arising in connection with the Credit Agreement and other Loan Documents, including withholding taxes. The Borrower has also agreed to pay certain reasonable out-of-pocket expenses incurred by Athyrium in connection with the Loan Documents, or as may be incurred in connection with the enforcement or protection of its rights.

Voluntary prepayments of the Loans are not permitted prior to the second anniversary of the Closing Date, except in the event of a change of control of a Transaction Party. After the second anniversary, the Borrower can make voluntary repayments in minimum principal amounts of \$2,500,000 together with interest, plus the premium described below. The Borrower must make mandatory prepayments in certain prescribed circumstances, including in the event of raising additional debt financing, a sale or transfer of assets other than in certain circumstances and in the event of other specified extraordinary receipts. In such events, the Borrower must prepay to the Lenders 100% of the net cash proceeds received. In the event of a prepayment on or prior to the second anniversary of the Closing Date, Borrower must also pay a prepayment premium of 20% of the loans due and payable on that date. If there is a prepayment after the second anniversary of the Closing Date, the Borrower must pay a prepayment premium commencing at 15% of the loans due and payable on the applicable date and reducing pro-rata on a monthly basis until the Maturity Date.

The Credit Agreement is secured by substantially all of the assets of the Borrower and UBI, including the stock in the Borrower held by UBI. UBI has guaranteed the performance by the Borrower of its obligations under the Credit Agreement. The security interests granted by the Borrower and UBI are evidenced by the Pledge and Security Agreement, the Specific Security Deed and the General Security Deed.

The Credit Agreement contains customary representations and warranties in favor of the Administrative Agent and the Lenders. The Credit Agreement also contains certain covenants, including among other things, covenants: (i) relating to the delivery of financial and other information and certificates, notices of defaults, litigation and other material events; payment of taxes and other obligations; maintenance of insurance; (ii) which limit or restrict the incurrence of liens; the making of investments; the incurrence of certain indebtedness; mergers, dispositions, liquidations, or consolidations and significant asset sales; restricted payments; transactions with affiliates other than on normal and arms-length terms; burdensome agreements; prepayment of

other indebtedness; ownership of subsidiaries; and (iii) which require the Borrower to maintain unrestricted cash of not less than \$2,000,000 in a specified bank account at any time.

The Credit Agreement also contains events of default, including among other things defaults relating to non-payment, breach of covenants or inaccuracy of representations and warranties, cross-defaults to other indebtedness, bankruptcy and insolvency defaults, material judgment defaults, regulatory defaults, the occurrence of a material adverse effect, or un-remedied material breach by the Borrower or UBI or termination of a key contract. The occurrence of an event of default could result in the amounts owing under the Credit Agreement, including all unpaid principal and interest being due and payable, and could result in the Administrative Agent enforcing its security over the assets of the Transaction Parties in accordance with the terms of the Credit Agreement, Pledge and Security Agreement, General Security Deed and Specific Security Deed.

Warrant Agreements

In connection with the Credit Agreement, UBI has granted the Lenders warrants entitling the holders to purchase an aggregate total of 4,500,000 shares of common stock in UBI at an exercise price of A\$1.00 per share, exercisable at any time from the Closing Date and expiring 7 years from the Closing Date (“Warrants”). The Warrant Agreements set forth the terms of the Warrants. The Warrants are freely transferable. The holder of a Warrant has the option to pay the exercise price in cash or by making a cashless exercise. The Warrant Agreements contain provisions for calculating cash damages payable by UBI to the holder of the Warrants in the event that UBI fails to deliver freely tradable shares when required following exercise of the Warrants. The number of shares to be issued on exercise of the Warrants and/ or the exercise price of the Warrants will be adjusted in certain circumstances including bonus issues, pro-rata issues and reorganizations of share capital.

Third Amendment to the MSSA

The Third Amendment to the MSSA sets out the terms pursuant to which UBI, the Borrower and Cilag GmbH International (“Cilag”) agree that Cilag’s obligation to pay Quarterly Service Fees survives termination of the MSSA for the bankruptcy of a party, in accordance with the terms of the provisions of the MSSA relating to Quarterly Service Fees.

The foregoing are only summaries of certain terms of agreements discussed herein. These summaries do not purport to be complete and are qualified in their entirety by reference to the full text of such agreements, each of which have been filed as an exhibit to this Form 8-K.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosures set forth under Item 1.01 of this current report on Form 8-K are incorporated by reference herein.

Item 3.02. Unregistered Sale of Equity Securities.

The disclosures set forth under Item 1.01 of this current report on Form 8-K relating to the Warrant Agreements are incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Credit Agreement dated December 19, 2013 by and among Athyrium Opportunities Fund (A) LP as Administrative Agent and a Lender, Universal Biosensors Pty Ltd as borrower, Universal Biosensors, Inc. as a Guarantor, and the other Lenders and Guarantors as party thereto from time to time
10.2	Third Amendment to Amended and Restated Master Services and Supply Agreement by and among Universal Biosensors, Inc., Universal Biosensors Pty Ltd, and Cilag GmbH International
10.3	Common Stock Purchase Warrant by and among Athyrium Opportunities Fund (A) LP and Universal Biosensors, Inc.
10.4	Common Stock Purchase Warrant by and among Athyrium Opportunities Fund (B) LP and Universal Biosensors, Inc.

