

Should His Co. Take On Bird Flu? CEO Considers

By John Letzing

5/1/2006 -- When Paul White, a newly installed CEO, organized a leveraged buyout in 2004 of Novazone Inc. - a company that installs IT-based systems for cleaning and preserving food using ozone - he took control of a nine-year-old start-up that hadn't found its focus yet.

White, a former partner at Fremont Ventures, also helped bring in heavyweight investor Foundation Capital, which pitched in with a \$10.6 million round of funding for Novazone in December that year. White then focused the company, which had at that point been treating everything from wastewater to water used in cosmetics manufacturing, on specifically targeting the bacteria and viruses that can plague food producers.

"Food has really been the primary new focus," said White. Since he took over, the company, launched in 1995, has racked up a heavy roster of customers in the market, including Sunkist Growers Inc. and Safeway Inc.

But as poultry producers brace for a possible outbreak of the avian flu in the U.S., Livermore, Calif.-based Novazone finds itself uniquely positioned to re-direct once again and use its technology to combat a global scourge.

Novazone's management and VC investors say that ozone, a natural compound of oxygen molecules that not only keeps ultra-violet rays away from the earth's surface but also effectively kills mold and bacteria, could conceivably be shifted to quashing bird flu before it spreads widely. Novazone's secret sauce, White said, is the hi-tech way it distributes and monitors the ozone. He feels the company is uniquely positioned should the poultry industry come calling.

Ozone can be distributed through the air, or into both the birds' drinking water and into the water used to process carcasses. Too much ozone at one time could have adverse health effects for workers and livestock, that's why the company's IT system is especially important.

So far, it's unclear what the response might be to a possible bird flu outbreak in the U.S., but indications for poultry producers aren't good. Following outbreaks in Europe, the Middle East and Africa, annual poultry consumption in February had fallen some three

million tons short of what was previously expected, according to the United Nations Food and Agriculture Organization.

Prospects for Novazone's role as a bird flu fighter however, will be murky until an outbreak actually occurs. That's because the poultry industry won't adopt ozone technology until then, if at all, said Dee Graham, a microbiologist and Novazone technical advisor who said he has consulted with poultry producers in California on the matter.

Should the opportunity arise, it will be just another challenge for a relatively new CEO. White, 44, received his master's of business administration from Harvard University before moving on to work as an executive with 3Com Corp., and then into a CEO restructuring job with medical equipment company Med-Mart Inc. before landing at Fremont Ventures.

For Novazone, he was the right guy at the right time, able to hold sway with tier one venture capitalists when the company needed fuel to grow, and operationally capable enough to take advantage of the new possibilities for ozone - the compound had been FDA certified for direct use on food products only in 2001.

White carefully chose his words when asked about pursuing a bird flu-killing business. He said that Novazone already counts poultry giant Foster Farms Inc. as a customer, though it has not asked the start-up for products specifically purposed for bird flu. But White said that "I'm 100 percent certain the science would work," for that purpose, adding that, "It may be a market that we go after later in the year, that will depend on the level of interest."

Foster Farms, through a spokeswoman, declined to comment. Bill Mattos, a spokesman for the California Poultry Federation, the state's poultry producers' trade association, said only that "Ozone's been looked at and tested, and I've heard some good things."

Alternatives to ozone include chlorine dioxide to kill the bird flu virus - though that process, Novazone's Graham said, could damage the health of plant workers and make water undrinkable for birds.