

Stimulating Innovation in Medical Technologies

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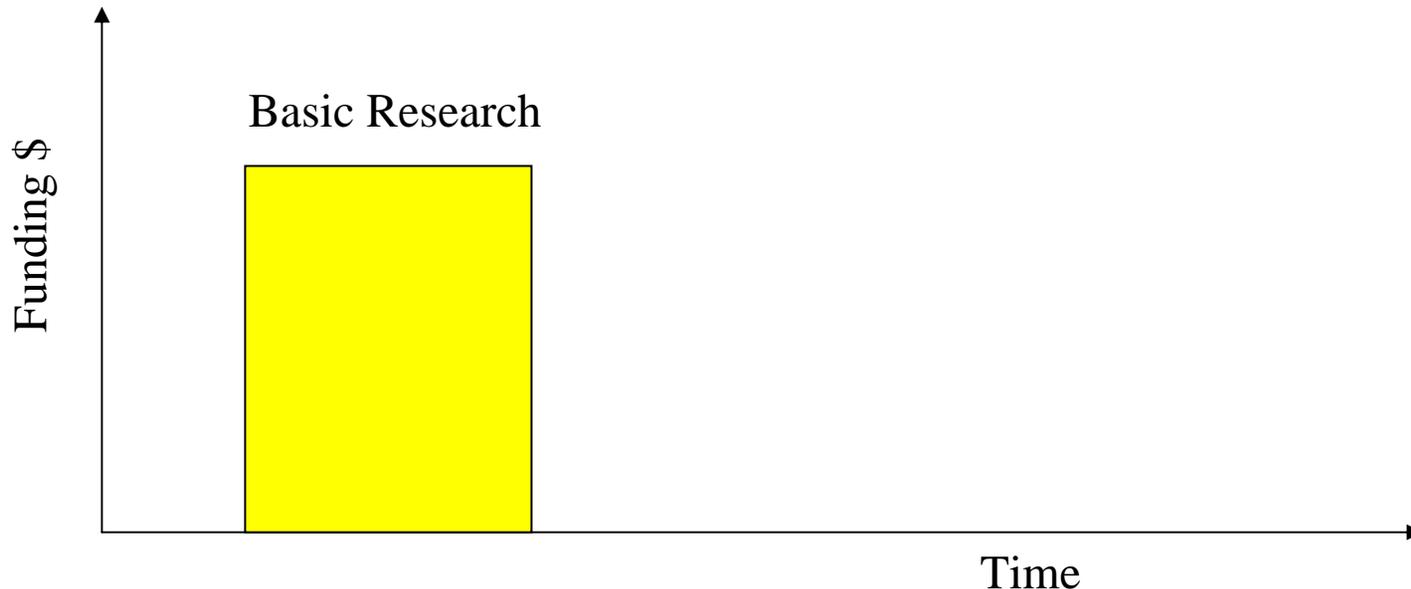
President

Cary Pharmaceuticals Inc.

November 8, 2004

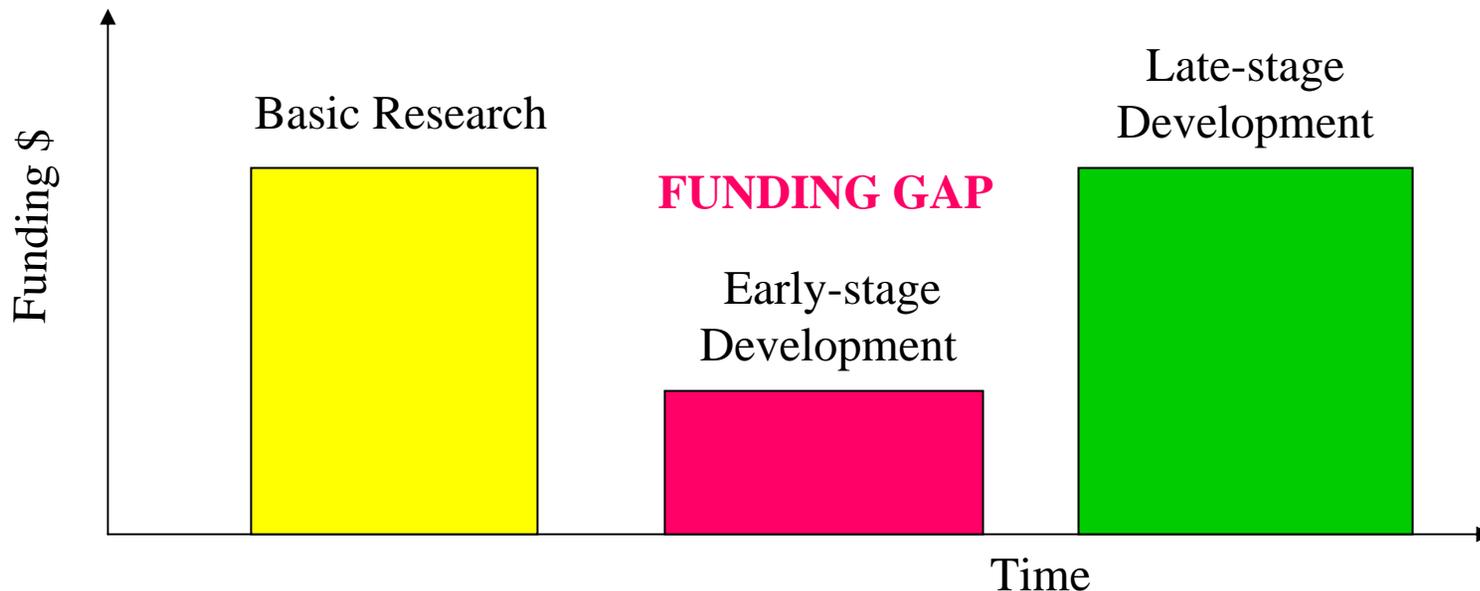
Current Situation - NIH

- Spends \$ Billions on Basic Research Each Year
- Commercializing Inventions is Not Its Mission
 - Pharma Industry Is Expected to Fulfill This Role



Current Situation - Industry

- Large Pharma Companies Spend \$ Billions on Basic Research Each Year
 - Not Averse to In-licensing Promising Medical Technologies, but Phase II Data is Preferred



Bridging the Gap

- Small Specialty Pharma Companies Such as Cary Pharmaceuticals Are Attempting to Bridge This Gap by:
 - In-licensing Promising Medical Technologies From NIH/Universities
 - Advancing Development Through Phase II Trials
 - Out-licensing After Phase II Trials to Large Pharma Companies

Cary Pharmaceuticals

- Based in Northern Virginia
- Operations Began in 1998
- Three Products Under Development
 - **Tempol:** Hypertension / *Georgetown University*
 - **QuitPak:** Smoking Cessation / *UCLA*
 - **Catheter Lock Solution:** Clot Prevention / *Kent St.*
- Raised \$3.8 M in Financing to Date
 - \$2.8 M From Fortune 20 Health Care Company

Success is Capital Dependent

- Most Common Source is Venture Capital
 - Many VC's Avoid Health Care Investments Due to Long Time Horizon and \$\$\$ to Market
- VC's Receive Up to 2000 Business Plans/Year
 - Fund < 10 Deals (0.5% rate)

Success is Capital Dependent

- SBIR/STTR Funds and State Programs Can Be Equally Challenging to Obtain
- As a Result, Many Small Companies Are Not Able to Raise Sufficient Capital to “Bridge the Gap”

Recommendations

“A critical drug discovery is worthless until it gets into the hands of the people who need it.”

A recent TV commercial touting
UPS's extensive distribution network

Recommendations

1. Form NIH “Small Business Innovation Development Fund” (SBID)
2. Require SBIC’s to Provide Funds to VC’s Specifically For Early Stage Development
3. Incentives for Development of NIH/University Technologies Similar to Orphan Drug Program
4. Urge SBA to Provide Assistance to Companies Developing NIH/University Technologies

Recommendations

5. Encourage State Governments to Use Tobacco Settlement Money or Pension Funds to Fund Development of NIH/University Technologies
6. Encourage NIST to Provide Funding for Technologies With High Commercial Potential
7. Establish Tax Benefits for Parties Who Invest in Companies That Develop NIH/University Technologies