
THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

iCo Therapeutics Inc.

ANDREW J. RAE, President and CEO of iCo Therapeutics Inc., has spent a decade in the biotechnology industry, most recently as CFO with Ability Biomedical Corporation (Irvine, California; Vancouver, British Columbia), acquired by Medarex, Inc., in 2004. Mr. Rae has also served as Vice President, Finance and Corporate Affairs at Active Pass Pharmaceuticals (Vancouver British Columbia). During his tenure at Active Pass and Ability Biomedical, Mr. Rae raised approximately \$20 million in venture financing, engaged in a successful cross-border M&A transaction, and played a significant role in shaping multiple business development deals. Prior to his operational experiences, Mr. Rae served as Biotechnology Equities Analyst at Goepel Shields & Partners (now Raymond James Canada), covering Canadian biotechnology stocks. Mr. Rae's qualifications include a BSc from the University of Western Ontario and an MBA from Simon Fraser University.

(TAM210) TWST: We'd like to begin with a brief historical sketch of iCo Therapeutics and a picture of the things you are doing at the present time.

Mr. Rae: iCo Therapeutics is a company that was formed in 2005. It is Vancouver based, and the principals include myself (this is my third startup company); John Clement, formerly of QLT Therapeutics, Inc.; and John Meekison, who is a former investment banker. We are the co-Founders of the company. iCo Therapeutics has received financing from Canadian sources to date. We are focused on reprofiling existing compositions of matters or drugs for use in the eye.

TWST: What does this reprofiling entail? Does it have to do with a focus on isolated biological environments?

Mr. Rae: That's right. By isolated biological environments, we refer to the local versus systemic delivery of existing drugs. Isolated biological environments include the eye, but certainly could also include the spinal cord or joints. The notion here is that by re-formulating and re-dosing existing compositions of matter or drugs, we can extend both the patent life and the product life cycle for these drugs.

TWST: Are there other companies attempting the same thing?

Mr. Rae: There are a number of companies that are performing reprofiling; other terms for it include repositioning. In repositioning, we could include companies such as Aspreva Pharmaceuticals, which is looking at new uses for the transplant drug, CellCept. What they are doing is building additional indications and labels for that drug. Our strategy is to focus on earlier-stage developments and drugs, including those that have not been approved, so potentially mid-stage clinical candidates that may have uses in the eye, in particular.

TWST: How is this done?

Dr. Clement: I think as Andrew intimated, we are essentially taking drugs that have a clinical history, re-dose and re-formulate them for local application. We're taking a drug we can either administer directly to the eye by intravitreal injection or in a formulation and a dose where it can be applied topically, depending upon the particular indication that we are pursuing. And with that, it's a matter of looking at the scientific literature, identifying similarity in a target in a systemic disease that has an application in an ocular disease, or where we've seen compounds that are being used systemically and there has been clinical evidence on systemic use that actually impacts an ocular condition. The thought process is, if it is effective systemically, why not just put it there directly, instead of treating the rest of the body along with one small area of the eye?

TWST: Why hasn't this been done sooner?

Mr. Rae: We are looking at that question regularly. The answer is that, as you may know, reprofiling and repositioning drugs has become a staple of the startup industry, as venture capitalists are asking firms to be “mature,” owning some used applications for mid-stage to late-stage clinical applications. The answer is that there are many examples systemically, and I think because ocular is a space that is under appreciated; i.e. not all large pharmaceutical firms have a franchise in ophthalmology. Due to the fact that perhaps some parties view these markets as being smaller than they would like to pursue, it has been under the radar screen now.

Having said that, there are a number of unmet medical needs in ophthalmology. The epidemiology (meaning the prevalence and incidence data) would indicate that certain unmet medical markets in this space are actually very large markets. The fact that some healthy deals have been done in the space gives us great encouragement that this is an area we should be pursuing, but surprisingly enough, not that many firms are focused in ophthalmology.

TWST: What are the principal unmet markets or needs that you are addressing?

Dr. Clement: I think the obvious one is age-related macular degeneration or AMD. That is one disease we have a possibility to pursue with our initial product that we've in-licensed. Other areas that our product iCo 007 has potential to include diabetic macular edema, where there is no therapeutic approved yet. It's simply addressed with laser and vitrectomy. The other area we want to pursue is diabetic retinopathy. We see the public health problem from diabetes and the ocular diseases associated with it to continue to be a huge public health problem going forward. It will not be a disease of aging as AMD is. It's a disease that appears very early in life, type 2 diabetes, and there's going to be a tremendous need for products that address those conditions for the rest of their lives. There's a need for the patients and certainly a need in the marketplace to have that satisfied.

TWST: What are the key items on your strategic agenda for the next few years?

Mr. Rae: The strategy moving forward is to acquire a portfolio of clinical stage opportunities in ophthalmology. We are currently looking at a Phase II opportunity, a front-of-the-eye indication where we could take that project through to the end of the Phase III and then find a marketing partner. We obviously intend to move into clinical trials for our first opportunity, a back-of-the eye retinal disease application, first targeting diabetic macular edema. We have a dependence in the sense that we need additional resources to acquire these candidates, those being later stage opportunities in the area of dry eye and additional ocular inflammatory conditions that we intend to target, really focusing more on front-of-the-eye as opposed to back-of-the-eye opportunities where we hold on to the value of those drugs further, and the trials, in fact, take a significantly shorter amount of time to conduct.

Dr. Clement: Also, part of the model is risk-reducing strategy, whereby if the drug has a clinical history of already being used

in man, then we know it's safe, because it's gone through all the pre-clinical testing and initial human testing. The other aspect to the drug development process is the scale-up in the manufacturing of clinical grade material, and, again, if it's already been used in man, you can check that box as well because the innovators have already scaled up the manufacturing and clinical material has been made.

By focusing on a development program, we've managed to reduce the risk even more. It certainly makes it attractive for our investors and potential investors that the money they are investing is going into furthering the development of the product.

We plan to remain a virtual organization where we have key folks in-house who will manage processes external to the company — for example, in clinical development, to have key personnel in-house who will interact with contract research organizations that are ocular specific that already exist, allowing us to manage multiple projects within our relatively small company. We can be nimble in our decision making, and we are not taking time to build up that critical mass to carry out those activities internal to the company. We can essentially buy that service from an already-established organization. So we're keeping our fixed costs very low, our variable costs as they are and putting most of the investment into actually furthering the product development.

TWST: What about possible problems and challenges, things to worry about?

Mr. Rae: The answer is that drug development is a very risky venture, even if you have partially reduced the risk for those opportunities. Of course, one of the fundamental and underlying principles of the company is to not be a platform company, but to look at multiple therapeutic modalities to focus not only on a currently in-licensed antisense therapeutic and also at antibody fragments, small molecule applications, recombinant proteins as a risk-reduction strategy and, furthermore, looking at opportunities at various stages of development, which carry their own intrinsic, risk profile.

Finally, people are the most crucial aspect to this business. We have a good team that is really the founder team and we've layered on top of that team some very key people who have clinical regulatory acumen. But to further reduce risk, obviously we want to add additional world experts in the field of age-related macular degeneration, diabetic retinopathy and fields like dry eye ocular allergy, who can provide additional inputs as strategic advisors to the company. I think you'll see a number of upcoming announcements that will allow us to effect that kind of risk reduction as well.

TWST: Would you tell us about the background and the expertise of the three Founders of the company anyone else who you would like to talk about?

Mr. Rae: In a nutshell, I think we have a nice mixture of competencies. John Clement's background, both at QLT and BioChem Pharma, really is more of a Big Pharma, business development acumen combined with his PhD in pharmacology and toxicology. That's a great background for a business development person and he's well connected in the ocular space.

Myself, I am a serial entrepreneur. This is my third startup. The last one sold to Medarex in 2004. Prior to that, I was an Equities Analyst. I think what I bring is the startup formation knowledge and experiences as well as the analyst background, which had me really try to understand companies and try to understand how companies speak to the Street.

As for John Meekison's background, he has raised money principally for Canadian biotechnology companies, although he has done fundraising for US firms as well. And really, his acumen includes investment banking as well as spending some time in institutional sales, so understanding who that end user is, what the company is as a public entity.

The Chair of our Board is the former head of TD Securities' Biotech Investment Banking Group in Canada. It's one of the top five banks in the Canadian context. He also had a stint in institutional sales. We've tried to surround ourselves with advisors who are bonafide operators of very large companies, including Julia Levy, one of the founders of QLT and formerly the CEO when Visudyne, the first treatment for wet macular degeneration, was approved. Other Board members include Richard Glickman, the CEO of Aspreva, one of the most successful IPOs in Canadian biotech history. George Lasezkay, who is a former VP at Allergan, really brings some additional contacts to the Board, and we certainly want to think globally, not provincially.

TWST: What would you reasonably expect the company to look like in about three years?

Mr. Rae: That's a very good question. The answer is, there is an increasing focus on merger and acquisition activity and there is no doubt that it's a growing trend in biotechnology. The company at that stage, assuming appropriate resources, would have sufficient clinical developments and pipeline to represent a very interesting take-out candidate. Having said that, this company is very opportunistic and it may well be that there is a public liquidity event. Prior to that point in time, that would be our expectation.

TWST: Will the company at some point be looking beyond ophthalmology?

Dr. Clement: In the first instance, we're building an ocular company. Beyond that, there are other isolated environments such as a joint or spinal cord, where a similar kind of strategy could be employed. At this time we want to keep our focus (no pun intended) and skill sets aligned with that primary corporate objective right now.

TWST: What would be the two or three best reasons for the potential long-term investor to take a very close look at iCo Therapeutics?

Mr. Rae: I think the first answer is, typically there is a valuation differential between the Canadian and the US marketplace. We are looking at a Phase II opportunity and I think, quite honestly, you're looking at a significant multiple from our currently undisclosed valuation once we become a Phase II entity. Number two, strategy is key, if it is paired to an appropriate management team that has the core knowledge or core competency, and effectively, that is a business development competency with great connectivity in the oc-

ular space and the ability to create multiple opportunities transactionally to further increase the valuation of this entity.

Finally, ophthalmology is a very interesting space currently. I believe you're going to see additional interest here, much like looking back at wet macular degeneration prior to QLT developing Visudyne for that area. Really, the marketplace had not thought about wet macular degeneration. All of a sudden, it has become a very hot space and commodity, and I believe you'll see that moving forward for other ophthalmic indications.

Dr. Clement: For me it's a matter of making sure that the products we have in the door now are going to move forward in their clinical development plan, and on the other side, looking for product number three, number four and number five. From the business development standpoint, I think I used the analogy with my partners that we've landed one plane, the other one is on final approach to the runway and we have a few others that are in a holding pattern and circling above the airport. With the additional finances that we can bring into the company, we can land those other planes as well and really enhance the pipeline that we're looking to create.

My wife made the statement to her friends over Christmas that John had a big change in his career in 2005. He left a job where he maybe worked 60 hours a week to go to a job where he now works 24/7. It's our baby and I think it's given us all a great deal of satisfaction to see where we've come in the last year, what we've accomplished, what we have to accomplish this year, and the excitement that we've created among ourselves and with our investors and in the local community.

TWST: Since people are living longer, more and more people will be reaching a point where macular degeneration could arise.

Dr. Clement: Absolutely. You've raised a very good point. And as I mentioned, it's primarily a disease of aging. AMD is the leading cause of blindness in people over the age of 50. The incidence is most likely going to increase. And as that baby boomer bubble moves through there, the market is going to show tremendous expansion in that aspect as well.

With our first product looking at a retinal focus, we are hoping to provide the retinal specialists with additional tools that they could use to address the condition in their patients. We see certain limitations to the products in the space now. We see that our product has the potential to enable the physician to better manage the condition by not having the patient in his office at the frequency they are now visiting.

TWST: What is the likelihood with the use of your products of taking the management of the condition very far? In other words, can people get a little bit better? Can they be cured?

Dr. Clement: I think trying to cure AMD would be the Holy Grail. I think the agent we are developing and those already in the marketplace allow the physician to better manage the disease. With a product profile such as ours, maybe once every six months the patient could visit the retinal specialist, have a dose of the drug administered, and they're good to go until the next visit.

With patients taking medication (e.g. pills or eyedrops) there are compliance issues. The physician is never sure that the patients have either taken the medication or taken it in the right way. You are not sure if the patient actually followed your directions to the letter or if they are getting worse. Are they getting worse because the medication is not working or are they getting worse because they just didn't take it properly? By using the intravitreal route, the doctor can ensure that the medication has been delivered to the right spot, enhancing the chances that a positive result will be realized. We believe this direct intravitreal administration by the physician really addresses two key issues. One is compliance and the other is better patient/disease management.

TWST: What occupies most of your attention right now on a week-by-week basis?

Mr. Rae: Of paramount importance to me is the team that is being built at iCo. I think we're off to a good start with the founder team, and certainly I believe job number one for myself is seeking out additional people to join the team. We have a philosophy here that empowers those key players to take a significant role and be the voice of the company in their own respective areas of competency. That's quite important.

Just given my finance background, seeking additional funding for the company comes in at number two. But really the funding follows people and that's quite evident when one looks at significant financing for important companies with novel ideas both in Canada as well as the United States.

Dr. Clement: For me, it's a matter of making sure that the products we have in the door are progressing forward in their clinical development plan, as well as the business development side, looking for product number three and number four and number five.

TWST: iCo has received recognition in Canada as one of the best private firms to invest in.

Mr. Rae: Yes. That would include groups such as Ventures West, The Business Development Bank of Canada, GrowthWorks Capital, etc. That is given out once per year. We will be spending some time in New York, Boston and San Francisco with US venture capitalists in forums that are related to that top 10 award. I would say that our goal is to be globally recognized and therefore many of our efforts are spent both in the United States as well as the United King-

dom, where we have a world class CSO, Dr. Santa Ono, who holds a GSK Professorship at University College, London. Hopefully we can pursue that additional recognition moving forward. We understand that people are watching our milestones and our promises and we aim to meet and exceed those expectations.

TWST: Is there anything you would like to add, particularly regarding challenges, opportunities, strategies and long-term objectives?

Mr. Rae: The ocular space is currently a very interesting marketplace and one that will grow at a clip faster than is expected. We have been surprised by the number of opportunities that have become available to us. Obviously, John's good work with respect to business development has been crucial, but I think it also speaks well to the strategy that was laid down in the form of a business plan in 2005. We hope to lever off of those opportunities in short order, because obviously I believe that space will become more competitive moving forward.

TWST: Thank you.

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