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A SMALL COMPANY PERSPECTIVE ON PARTNERING WITH LARGE PHARMA.

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The nature of the start-up company in the bio-tech or bio-pharma field is complex and constantly evolving. At the heart of the company is the desire of its founders to bring to fruition their concepts and dreams in an economically successful frame work. The objectives are to efficiently utilize capital to advance the concepts (which quickly become technologies) through a series of stages that will prove feasibility and add value. In drug industry terms start-ups want to move their intellectual property from concept to feasibility through models of efficacy and safety. At each stage success brings added value, all things being equal. The forces acting upon the company are manifold. Success of candidate molecules is never assured, competition is intense and the process itself is expensive. In addition, investors seek good returns on their invested capital, which translate into an exit strategy that will generate liquid assets.

There are many reasons why a small company would like to partner with big pharma. Small companies do not have the same financial and/or physical resources as giants such as Pfizer, which in 1998 spent 2.8 billion dollars on R+D alone. Small pharma also does not commonly have the name recognition or sales force capable of generating an impactful entrance into the marketplace. But why would big pharma look to little pharma?

Recently, large-pharma has shown considerable interest in partnering with small-pharma. The reasons behind this are several; such as access to new technology platforms, exclusive rights to promising new chemical entities, increases in the productivity of the R+D dollar, in-licensing technologies that are at a more developed stage of development and buffering potential in-house failures. Without question big pharma needs to make substantial returns for their shareholders and to do this they need to bring products to market and not just consolidate costs. In order to be competitive they need to be productive and that means they can not be left out in the cold when it comes to promising technologies. In essence, big pharma needs little pharma although these needs are separate and distinct from the needs of little pharma's.

The start-up company may focus its goals on more immediate successes that may stem from a partnering relationship with big pharma. We may be looking for ways to augment our financial situation both in terms of corporate funding but also in terms of increasing our attractiveness to investors. We may also be looking for a market leader whose sales force and name recognition in a particular therapeutic arena may add to our corporate comfort level in so far as we expect the large pharma's track record and degree of market penetration to bring momentum to the launch of our new technology. In addition we would look for the partnership to be a long term relationship.

At what point does a small company look for and go for a partnership? The timing can make all the difference in the world as to how the deal is slanted. There are issues of intellectual property, control and the extent of the involvement of the large pharma. Two different cultures of management and organization usually cannot coexist; one will prevail, but which one? What are the perceptions of each party? Does the large pharma feel they own the small pharma because of their financial investment? Does the small pharma try to keep control of "their" technology? The subtle nuances to the deal or contract between the two sides are very stressful and intimidating to the smaller guy who may be outsourcing legal counsel, whereas big pharma's team of corporate lawyers could be intimidating. What are the

boundaries of the relationship and the extent of each party's involvement?

As a small company, our aim is do what we do best and to seek partners (large pharma) based on what we believe is best for the company and for the success of our product. Integral to this strategy is the concept that both parties have unique goals for the partnership. This latter issue is critical for success, for if both parties have the same end game in mind (e.g., name branding, sales or overall control of the partnership) the likelihood of the deal stalling is increased. If both parties understand the value of the partnership and if the roles of each party are clearly defined there should be maximum gain from a partnership for both sides.

The nature of the start-up company brings with it unique and challenging opportunities for management and technological development. Ultimately, it is important to understand the value of your technology as thoroughly as possible so that each party can agree to a fair deal. Boiled down, the reason for partnering rests on the premise that each half of the whole can perform a particular function better than the other and in combination both parts gain economically.

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