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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Helicon Therapeutics, Inc.

JOHN F. TALLMAN, PhD, is currently Chief Executive Officer and President of Helicon Therapeutics, Inc. He was the Founder and Chief Scientific Officer of Neurogen Corporation, a publicly traded NASDAQ company. In that position, he led the advancement of a number of drugs to the clinic with neuroscience indications. Dr. Tallman was also a member of the neuroscience faculty at Yale University, and previously served as a Section Chief at the National Institute of Mental Health. He is the holder of numerous awards in neuroscience, and is the author of many peer-reviewed papers in neuropharmacology.

TWST: Could you give us an overview of Helicon Therapeutics and your drug discovery and gene programs?

Mr. Tallman: Helicon Therapeutics is a privately held biotech company that was established in 1997 to take advantage of some discoveries which had been made at the Cold Spring Harbor Laboratory that Helicon licensed from the Laboratory. The original technology was directed toward identifying genes that are involved in the incorporation of short-term into long-term memory, and essentially identifying those genes in a model organism called the fruit fly. From the fly genes, Helicon identified mammalian or human analogs or homologues of those genes that could be used to discover drugs that would activate the processes of memory incorporation in animals and in people. The object is to eventually take those drugs into human clinical trials and develop them as products.

Helicon has been in its facilities at Farmingdale since about 2001, and it has really intensified its focus on the drug component of the business and identifying compounds for human clinical testing, which it anticipates beginning in the year 2004.

TWST: Are all your targets defined as disorders of cognitive function?

Mr. Tallman: Helicon has remained keenly focused and will be at least for the next few years on disorders of cognitive function. This focus really covers a wide area of disorders ranging from such well known disorders as Alzheimer's disease to areas such as the treatment of individuals who have had strokes or are undergoing stroke rehabilitation, and also potentially people who have cognitive deficits that are not necessarily due to Alzheimer's disease, but could use improvement of their long-term memory.

One of the potential newer areas that Helicon is beginning to explore is treating forms of mental retardation, where cognitive function is impaired for specific biological (genetic) reasons.

TWST: What is going to be out there in the market that treats any one or all of these disorders?

Mr. Tallman: The current marketed products for the treatment of disorders of cognition primarily are the drugs that are called cholinesterase inhibitors, which include marketed drugs such as Aricept, which is a Pfizer product. This is the primary group of drugs that is currently approved, and, clearly, people who are marketing these drugs are looking for their general utility in areas of cognition. There are a number of other drugs that are in various stages of development, including preclinical development, some of which have been into human clinical testing, which make use of different targets for the treatment of cognitive disorders, but none of these drugs have yet been approved.

In addition, of course there are drugs that are directed toward the dissolution of amyloid plaques in Alzheimer's disease, but these would not fall into the category of drugs for cognitive function.

TWST: We have been hearing for quite some time, as far as Alzheimer's is concerned, that there will be a drug out there in the market fairly soon. How advanced is the trial for Alzheimer's?

Mr. Tallman: The compounds we have are still at the preclinical stage of development. The first of these will, assuming that all our toxicology studies are successfully completed for the compound, be in human clinical testing and Phase I testing in 2004.

TWST: What about the compounds from other pharmaceutical companies?

Mr. Tallman: At the present time we have an alliance primarily for the first compound which we have licensed from a company in British Columbia called Inflazyme. They had been working on the compound, and related compounds, for an entirely different, non-central-nervous-system indication. We were able to license this compound from them for the particular indication of, essentially, disorders of cognition, and this has been very, very useful for us, as we had been developing our own chemistry effort in-house, to have a compound at this stage of development.

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Mr. Tallman: Other pharmaceutical companies have different compounds at different stages of development. Certainly there have been, historically, some other cholinesterase inhibitors. Then there have been other drugs directed to other particular targets. For instance, drugs that are targeted to one or more of the glutamate receptors have been in human clinical testing, most of them in Phase II or early Phase III testing, and there are some compounds that have had other uses, or indications, that have also been in human testing for memory improvement. We'll see how quickly they get approved.

Again, right now the only drugs that really have been officially approved are the cholinesterase inhibitors.

TWST: How would your drug be different from those already in testing? What would be its advantages?

Mr. Tallman: The differences between drugs such as the one that we're developing versus the other drugs that are in development is that this is the first compound in this class of compounds that really targets the CREB gene and its activity. CREB is essentially a transcription factor that was identified through the studies of long-term memory in fruit flies, and activation of CREB and CREB function leads to very specific changes in the expression of other genes, resulting in particular changes at contact points between cells in the brain. Drugs such as the cholinesterase inhibitors, what they generally do is turn up all the activity in the brain, and they are not specifically directed toward the processes of memory, per se. It's a little like turning up your radio at the edge of a transmission cycle so you get a lot of static while you can continue to hear the activity with the cholinesterase inhibitors. Helicon's drugs would be the equivalent of switching from AM to FM.

TWST: Could you comment on some of the alliances that you have at this point in time?

We don't at this time have any long-term collaborative relationships with pharmaceutical partners in other areas, although this is something that is of interest to us in a scenario that we will be developing over the next year or two.

TWST: Have you received any indication of interest from these pharmaceutical companies?

Mr. Tallman: We have actually had some interest from pharmaceutical companies, both in the area of gene discovery, making use of our database for the identification of genes, and then, more recently, as people became aware that we have this compound in preclinical development for the area of memory consolidation, which the pharmaceutical industry is quite interested in, we have begun to get some interest there. We've made the strategic decision at the moment to keep the compound in our own pocket, so to speak, until we have proved principle with the compound. That way it will be a much more valuable commodity to talk with pharmaceutical firms about.

TWST: What are some of the other ongoing operations at your company?

Mr. Tallman: At the company currently we actually have a number of secondary products that are in earlier stages of development. Some of them have entirely different mechanisms of action from the first compound. The one thing, at least for the moment, that most of them have in common is that they all are activators of CREB — this was really the first major gene that was identified as being involved in the process of memory consolidation — and in point of fact it's been interesting to find that these other compounds, which have different mechanisms, all actually impact the processes of memory and memory consolidation in both young and old mice and in various transgenic animals which have had knockouts of particular genes in related pathways. So the compounds themselves may be used either as complementary products or may actually find utility in different sub-indications in the cognitive area.

Then of course, the area of gene discovery continues to be a major driving force for the future, and this capability is something that really uniquely identifies Helicon from other companies in this space.

TWST: Tell us how your company has been financed thus far and, assuming that you are not generating any revenues at this current juncture, could you lay out your strategy as to how you will get your preclinical trial drug to the stage where you will be commercial?

Mr. Tallman: As I think I mentioned to you, up to the present time, Helicon has been essentially funded through investments by a number of private individuals and European and American funds, and that has been sufficient for us to be able to bring the compounds to this stage of development. We have also obtained a number of small grants related to particular compounds that would be of interest for further development.

What we have done strategically is to remain quite small, and do most of our activities with outside vendors. This allows us to bring the compounds further in development before we need to partner with the large pharmaceutical firms, as one has to do, ultimately, for the large Phase III trials and marketing. So what we intend to do is continue to look for partnerships in the area to offset some of our costs for the gene-discovery component of our work. There again, part of the strategy for partnering really relies on getting the compound a little further in development. For that, we've developed a plan whereby we feel that we can develop the financial resources to do this through the sale of private equity, at least for the moment — and these have been fairly tough markets until now.

TWST: How many employees does your company have? What is your burn rate?

Mr. Tallman: The company has just slightly under 20 employees at the present time.

Mr. Tallman: Yes. Having recently talked with a number of people with whom I've dealt in the past who do more work for public companies than for private companies, there is a sense that the logjam is breaking up. We have seen at least one or two filings for IPOs from some companies that are a little further along in development than we are. We'll see how those initial public offerings go, and that will define what the opportunities are going to be. I remain skeptical that the window for private companies going public is going to be as large as people are thinking or hoping, so our strategy is to continue in the private mode, at least for another round or so, while we follow what happens in the public markets. One of the things that I think is a criterion for being a public company today is the ability to maintain a certain valuation, and I'm not sure that Helicon quite has the product line at the present time — or the breadth of products — at such a stage of development that it would be wise for us to be public. So I think that we'll continue on our own strategy going forward and continue to build shareholder value with our current base and, perhaps, some other shareholders that we might add in the future.

Having said that about the public markets, that activity also reflects down, affecting a company's ability to raise private equity. The sense there is that the latter part of this year and maybe next year — assuming there are no economic downturns — will be better.

TWST: What do you consider the strengths and advantages of your management team?

Mr. Tallman: We've kept the management team fairly small to the present time. Again, my own experience as Founder of another biotechnology company (where the focus was more in the psychiatry area) certainly leads me to be able to develop strategies for fundraising and also compound development that I think are fairly unique and strong.

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Our burn rate, as a private company we don't release those numbers publicly, but it's been fairly modest to the present time, in the range of under $5 million a year. Some of those costs will go up a little bit as we go into the clinical trials and as we start to do large-scale synthesis, toxicology and clinical trials, but that's one of the objectives that we certainly keep our eye on very carefully, and we work in close proximity with some of our larger shareholders in reviewing and keeping our costs down.

TWST: Recently, it seems as if the biotechnology funding has opened up. Are you going to take advantage of that?

The other real strength of Helicon and its team, essentially, is in its scientific capabilities. And the scientific capabilities, particularly in the gene discovery and drug discovery and drug testing area and disorders of memory, are really unsurpassed anywhere else in terms of both gene models and animal models of cognitive function.

TWST: If you were to sit down with an investment banker or a private financier and try to convince him or her to invest in your company, what would be two or three reasons you would offer?

Mr. Tallman: Having had exactly those kinds of meetings, I think I can summarize the major things that we really look at as the true strengths of Helicon. The first is that this area, strategically, from an investment point of view, is an area that's going to grow over the next 20-30 years, as the population in the United States goes from being perhaps one in eight people now being above age 60 to one in five — and this, I think, is a trend that's true also in Europe and in many parts of Asia. So there is going to be a real focus on these kinds of drugs as people get older and live longer and have a need for them. I think you're also seeing the barriers dropping now for drugs where you're treating essentially things like cognitive function. As people have more experience and are getting older but physically are still well, they want, essentially, to remain well mentally. So I think this is an area, strategically, which is going to grow.

In terms of discovering new ways of treating these disorders, until, essentially, the genome was sequenced — and, certainly, the fruit fly or drosophila genome is entirely known now — it was not possible to look at the multiple pathways that are involved in memory and memory function in an organized way and choose the right targets to go and identify. Drugs such as Aricept were really developed out of a different era of pharmacology from the 1970s and 1980s. Now, with the wealth of genes and novel targets that are available with databases such as Helicon has developed, we have many more ways of choosing more selective ways of discovering drugs.

Finally, the third area, of course, an important reason why people should be interested in Helicon, is that we actually have developed to some extent, and will continue to develop, the capabilities to take advantage of these targets. This will be seen in the concrete outputs from our gene discovery work, which will translate itself into drugs which we can use in human clinical testing and go forward. And of course, the markets for these drugs can be quite large.

TWST: Thank you.

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