



## *President's Message*

**19 April 2013.** Greetings. I would like to take the opportunity to personally thank you for visiting the Magellan BioScience Group, Inc. website and reading this message that is critical to every person. Every few months we hear about the antibiotic shortage in newscast, web based media or magazines in which the piece inevitably sensationalizes either the loss of limbs or the tragic death of a promising individual. In my on-line commentary response to the Yahoo article "Drugs to Fight Deadly Superbugs in Short Supply," this is an area that continues to be short funded by the government. With the lack of direct involvement of the pharmaceutical industry to develop new antibiotics due to increased FDA regulations as well as reduced profit and risk aversion (average drug development cost today is one billion (B) dollars), this leaves small business to address the issue.

Where do small businesses receive revenue to start a risky venture? Often times the process starts with a small business innovative research (SBIR) grant from NIH or via private equity/foundation from preliminary research of a promising lead(s). In applying for an SBIR grant, a concise research plan is detailed in less than 10 pages. Short is sweet? These abbreviated packages have been instituted because grant awards has been in reduction since 2010 - more grant applications, same size review boards having more than one hundred grants to triage have created a serious condition at NIH. Additionally, anti-infective discovery routes by traditional methods of the past are less favored for funding when compared to younger scientist utilizing genomics to solve the current issue. These genomic approaches will not solve the current global antibiotic shortage and neither will medicinal chemists modifying existing drugs to prevent resistance. We are reaching a critical period likened to which people of 100 years ago could succumb to a simple scratch.

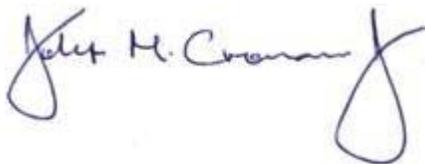
Magellan BioScience Group, Inc. is one of these small companies that worked in collaboration with a university to identify new anti-infectives. In our case, we screened over 3,000 microbial extracts, and had more than 50 leads. Of these leads, two in particular were identified as having selectivity toward virulent strains of methicillin and vancomycin resistant ***Staphylococcus aureus*** - problematic strains



that could indiscriminately kill young and old. These two leads were further evaluated and found to have a new mode of action when compared to all antibiotics – something not seen in over 20 years. An SBIR application was prepared and submitted, and the results from the first submission indicated that the application was not scored. Having hired an expert grant writer to address our deficiencies as well as add additional data, we once again were dumbfounded by the reviewer's comments, and the fact that our grant was not scored. As surmised, NIH grant reviewers are often academicians or group leaders within the industry that have limited knowledge in the complete drug discovery process. When addressing a serious issue such as the lack of antibiotics, one would expect that resources would be properly allocated and that qualified people are in place on the grant review panel. Often times the grant section head has to select names from a list to replace members whom remove themselves from the process without full consideration of their background-only that the replacements have been qualified by someone. With regard to our application, the reviewers expected an identified compound, when in fact a phase one SBIR is proof of concept, not proof of a drug candidate. Clearly we had shown that our concept yielded fruit, but we lack the financial backing to further our research since we have only two attempts at government funding. Remember it takes ~1 billion dollars to bring a drug to market, but probably in our case \$1 million would allow the confirmation of our leads and initiate toxicological screens. With this important global need, Magellan continues to seek funding to identify new anti-infectives.....

As always, I hope you return often and look forward to any opinions regarding this or other biotechnology subject matter.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey M. Cronan". The signature is fluid and cursive, with a large, stylized initial 'J'.

***Magellan BioScience- Contributing to a Sustainable World***

