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Welcome to the July 2009 Issue!

The **PharmSource PERISCOPE** provides valuable insight into sales issues and trends for companies that sell goods or services to bio/pharma. It helps you recognize new business opportunities, and overcome sales obstacles. Enjoy the July issue.

The PharmSource Team

Pharma Sales: Lead Activity Report

PharmSource Lead Sheet: June Opportunities

282 overall leads for pharma vendors were reported by the *PharmSource Lead Sheet* in June, 2009.

Lead Type	June-09	2009 Y-T-D
Non-US Leads	110	653
Early development candidates	64	405
Late development candidates	64	367
Large molecule candidates	43	235
Small molecule candidates	91	573
Company Financings	70	370
New sourcing executives	23	124
Parenteral dosage form candidates	59	337
Oral candidates	57	361
Total Leads*	282	1731

* Total leads include product acquisitions/alliances, company acquisition/alliances and other sponsor events. Pipeline leads shown are categorized by development, API and dosage form.

Lead Sampler

Below are two actual leads from a recent issue of the *PharmSource Lead Sheet (PLS)*, the weekly, web-based information service that delivers new business opportunities and key market intelligence information to companies serving Bio/Pharma. It reports new information on products in development, acquisitions, alliances, financing transactions, and more, and delivers up to 70+ fresh leads each week.

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Tel. 703-383-4903
 Fax. 703-383-4905

www.pharmsource.com
 info@pharmsource.com

Use the *PLS* to stay on top of opportunities as soon as they're announced, to keep attuned to market activity and trends, and as a key resource for targeted marketing.

FOR WEEK OF: 06-28-2009	Phase I
Products in Development ● Product Acquisitions ● Corporate Finance ● Other Sponsor Events ● Key Appointments ● Downloads Preferences Comments/Questions? Full Database Search Qualifying Info Search PRINTER FRIENDLY [Export All] [Clear All] Export help	Company: Oncothyreon, Inc. HQ Location: Seattle, WA Product: PX-866 Dosage Form: Oral solid Parenteral Nature of API: Chemical - Normal potency Therapeutic Area: Oncology Comment: Oncothyreon presents positive preliminary results from a Phase I trial with PX-866, an orally administered treatment for patients with advanced solid tumors. The product is a semisynthetic viridin analog that inhibits phosphoinositide-3-kinase signaling. Following both oral and intravenous administration, PX-866 can induce prolonged inhibition of the tumor PI-3 kinase signaling. Corporate: Robert L. Kirkman, MD , President and CEO Corporate: Gary Christianson , COO Print Lead Email Lead

Corporate Finance, Alliances, and Acquisitions

Corporate Finance	
Company: HQ Location: Financing Type: Amount Raised: Description: Strategy: Research contact: Research contact:	CEL-SCI Corp. Vienna, VA Private equity placement \$5.85 million CEL-SCI raises \$5.85 million in a registered direct offering. The proceeds will support the company's H1N1 swine flu program, the validation of its manufacturing facility for contract manufacturing services and to produce its cancer drug Multikine for a planned Phase III trial. CEL-SCI develops new immune system-based treatments for cancer and infectious diseases. Eyal Talor, PhD , SVP, Research and Manufacturing Daniel Zimmerman, PhD , SVP, Cellular Immunology Print Lead Email Lead

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User Tip

PLS Coverage of Major Medical Conferences

Acting as a virtual prospecting department to help keep you “in the know,” the *PharmSource Lead Sheet (PLS)* research team covers many major medical conferences throughout the year. In doing this, we take a highly targeted approach to capture fresh product leads from a wide range of therapeutic areas. This research is one of several techniques we use to get the latest clinical developments to you swiftly and efficiently.

Our conference coverage team recently covered the American Society of Clinical Oncology (ASCO) 2009 annual meeting. This resulted in our identifying several novel drug candidates in the early stages of development; this information was promptly published in the *PLS* for your immediate use. All of the ASCO abstracts were closely reviewed by our team, and we found that the majority—over 90%—of the developments presented *had already been published in the PLS prior to the meeting*. This is just one example that showcases the thoroughness of our coverage. It’s testimony that our dedicated scientific research team knows exactly where to look to stay on top of clinical pipeline developments. We know that getting this information to you early is critical in helping you identify new business opportunities.

Additional conferences the *PLS* research team will cover this summer include the following:

- *5th IAS Conference on HIV Pathogenesis, Treatment and Prevention (IAS 2009)*, July 2009, South Africa.
- *American Dermatological Association 2009 Annual Meeting*, August 2009, Utah, USA
- *European Society of Cardiology (ESC) Congress 2009*, August 2009, Spain.
- *Interscience Conference on Antimicrobial Agents and Chemotherapy (ICAAC)*, September 2009, California, USA.
- *38th Annual Meeting of the American College of Clinical Pharmacology*, September 2009, Texas, USA.

Sales Article

[Editor’s note: Even before the economic challenges and pharma consolidations in recent months, the cost of acquiring a new client was about eight times the cost of keeping an existing one. In this article, author Sean D’Souza provides compelling reasons to maintain close ties with your clients and actively seek their feedback. Much can be learned from the dialogue between you, and it can pay off in a big way. JLM]

Never Trust a “Silent” Customer

By Sean D’Souza

In a Bain & Company survey of major corporations, they found that on average, U.S. Corporations lose half their customers in five years. Notice, it wasn’t “one year” or “suddenly”. Clients have a tipping point. They get unhappy bit by bit and then its camel-back-breaking time. So, if you think that all your customers are happy with you—they aren’t. It’s a basic fact of life.

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[In] a study...done on a bank, they found they had as many accounts as they'd had a year ago. What they failed to measure was how most of the people had "silently" transferred the money out into other banks and the closure of the account was a last measure, somewhere down the line.

The same thing applies to your customer. Like a patient Buddha, they will seemingly appear to put up with everything, till suddenly you find they don't use you anymore. This is a classic flight of business. You hear nothing of it, till it's almost gone and it takes a mammoth effort just to hold on to the business.

If you look at it from another perspective, you might even be getting equal to or slightly less business from your customer. Naturally this doesn't ring any alarm bells. However, if...your customer has grown bigger and richer [but] your business with them has not grown exponentially, you are actually LOSING OUT.

No matter how successful your business, you will always have scope for improvement. Best of all, you will always have complaining customers. Don't deny the fact. Accept it and then do something about it.

The Real Reason You Lose Customers

Last month we went to KFC to pick up some chicken and chips for dinner. On the way home we discovered that the chicken and the chips were soggy and tasted terrible.

How would most customers react? It would depend on their history with the product, but most people would grumble and simply not go back. We complained. We picked up the phone and called the toll free line at KFC. They asked us to place our order. We said we didn't want to place an order; we just wanted to complain.

They said, "We don't take complaints on this line. You'll have to call the manager at the branch where you bought it and talk to him."

Now why would I bother to go through all that trouble? It's easier to never go back. All that money that KFC spends trying to get new customers is going down the drain and out the back door because they don't have a complaint line.

Most companies act precisely in the same manner. For one, they have no real complaint department. If clients are unhappy, they feel embarrassed to complain and because no route has been cleared to vent their feelings, they avoid it completely. Then they leave.

Obviously, you can't wait for something to go wrong. Your job is to find ways to get the client to complain. If they complain, you are getting feedback that is extremely valuable and is probably relevant for all your other clients as well. Best of all, empowered with a complaint channel, a well-trained client will complain at every juncture, giving you the opportunity to fix the problem and regain their trust.

How Companies React to Complaints

Virgin Airlines CEO, Richard Branson, sometimes makes an appearance at the gates when a flight is late, apologizing profusely to all passengers as they check out. How mad would you continue to be if you ran into a situation like this?

Yet most companies detest complaints...so they never ask for feedback. On the rare occasion that clients get mad enough to put it in words, it's too late. Even then, a complaint is treated with nuisance value.

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The first step a company takes when dealing with complaints is that they fix it.

Yeah, Right!

Because of their crummy service, the plane took off without you, you missed your meeting and lost more than just your temper. Do you think, just replacing something is going to erase all that trouble? It's going to take much, much more. A simple replacement is never the answer. It has to be [far] more than just a numb "sorry." You've got to woo the customer back.

The Problem With Zero Defect

Lots of companies ran themselves into the ground trying to achieve zero defect. In an unpredictable world like ours, that goal is unreal. Even the best of intentions aren't much use if you run into a flash flood. Clients recognize that. However, it's up to you to have a disaster recovery plan in place.

At Nordstrom stores across the U.S., salespeople are empowered to do "whatever it takes" to fix a problem, even if it means going to the store across the street and buying the product at a higher price. It's called the art of immediate recovery, and it assumes that something will go wrong and you will have a Plan B to fix it. The more you prepare yourself for this inevitable event, the less chance the client has to complain.

More often than not, a complaining client is complaining about everything but the product. Ever see people complaining about the food at a restaurant? The principal purpose of the restaurant is food, yet people leave because of loud music, bad service and everything else. Your job is to assume you're a restaurant and find out what your "everything else" is.

Getting Complaints is Like Winning Lotto!

1. What you need to do to ensure a regular stream of complaints. Dump the feedback form and go out and ask your customers face to face. Do it regularly and have them know to whom they can complain if anything goes wrong. There is no such thing as a silent customer.
2. Complaining customers are always very precise. They eliminate the vagueness of feedback forms. Listen to them, act on their complaints. It's not that they want to leave. They want to be wooed back. Fix the problem and then let them know how you fixed it.
3. They're giving you free feedback that would cost a fortune at a research company, so reward them. They've been inconvenienced...[and] that inconvenience factor deserves payment in the form of a reward over and above just fixing the problem. Customers who are bought back from the brink are extremely loyal and extremely 'noisy.' Treat them like the asset they are.
4. Remember, it costs eight times as much to get a new customer [as] it takes to keep an existing one. Keep them at all costs. Atone for your sins.
5. Rule #1: The complaining customer is always right.
Rule #2: When in doubt, refer to Rule #1.

About the Author

Sean D'Souza is a marketing and branding expert from New Zealand. To learn more, visit his web site at www.psychotactics.com.

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Prospect Profile

Paladin Labs, Inc. (PLB)

Paladin Labs, Inc. is a public Canadian pharmaceutical company that acquires, in-licenses, develops and markets specialty pharmaceutical products. Paladin Labs recently received \$58.7 million through the sale of common shares, as reported in the June 14, 2009 issue of the *PharmSource Lead Sheet*. The proceeds will fund: a transaction with Isotechnika (\$7 million); the commercialization of voclosporin (\$4.35 million); the final payment with respect to the acquisition of Dexadrine (\$10.76 million); the acquisition, in-licensing and launching of products with existing sales.

Corporate Highlights

- February 1983: Company was incorporated as a British Columbia company as GeriatRx.
- June 1985: Company completed IPO.
- May 1996: Company changed name to Paladin Labs, Inc.
- 2008: R&D expenditures were \$4.9 million.
- The company has 115 total employees (sales force: 33; manufacturing and production: 11; marketing: 14; general and administrative: 23; scientific affairs: 20; business development: 9; and government affairs: 2).
- Corporate Headquarters: Montreal, Quebec, Canada: 12,376 sq. ft.
- BioEnvelop edible film operations: St. Hyacinthe, Quebec, Canada: 14,000 sq. ft.

Manufacturing Status

- Paladin manufactures edible film and gel products through its subsidiary, BioEnvelop.
- Raw materials, production and packaging for all other products are provided by third party manufacturers.
- June 1998: Paladin and Pharmascience entered an agreement whereby Pharmascience would provide product formulation, laboratory studies, manufacturing and logistical services, including customer service, shipping and warehousing products, and invoicing and collection services.

Business Relationships

- Clinical trials are conducted by third parties. The company generally has projects in Phase II or later stages of development.
- Paladin outsources to a contract national primary care physician sales force, which includes 35 representatives.
- May 2009: Paladin and Isotechnika formed a partnership for the commercialization of voclosporin, an oral immunosuppressant to treat psoriasis and for the prevention of organ rejection in renal transplant patients.
- June 2009: Paladin and Sylphar N.V. entered an agreement to develop and market Whizzer, an oral dissolving teeth whitening film strip, in Europe.
- June 2009: Paladin acquired products currently marketed by Wyeth in Canada, which include Anacin and Anbesol.

Sourcing Opportunities

- Paladin utilizes its subsidiaries for services required internationally, but requires contract services elsewhere.
- Manufacturing, laboratory studies, marketing, sales and logistic services.

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Pipeline

Product Candidate	Indication	Dosage Form	Status	Next Anticipated Step
Fentanyl SDI	Opioid analgesic	Needle-free injection system	Phase I	TBA
Oralair Birch	Immunotherapy	Oral	Phase I	TBA
Estradiol+ Testosterone Gel	Menopause symptoms	Semi-solid	Phase II	TBA
Fidelin	Addison's disease	Oral	Phase II	Seeking partner to continue development
Octreotide SDI	Acromegaly	Needle-free injection system	Phase II	TBA
Oralair Mites	Immunotherapy	Oral	Phase II	TBA
Sumatriptan SDI	Migraine	Needle-free injection system	Phase II	TBA
Oralair Grasses	Immunotherapy	Oral	Phase III	Launch in Europe in H1 of 2010
Pennsaid Plus	Osteoarthritis	Semi-solid	Phase III	TBA

Finances

(In \$ thousands)	2007	2008
Revenues	55,424	72,857
General & Administrative Expenditures	4,604	6,820
R&D Expenditures	2,630	4,864

Contact Information

Paladin Labs, Inc.

100 Blvd. Alexis Nihon, Ste. 600
St. Laurent, Quebec H4M 2P2
Canada
Tel.: (514) 340-1112
Fax: (514) 344-4675
Email: info@paladin-labs.com
Web: www.paladin-labs.com

Key Officers

Jonathan Ross Goodman, President & CEO
Mark Nawacki, VP, Business & Corporate Development
Patrice Larose, VP, Scientific Affairs
Etan Jagermann, COO
Samira Sakhia, CFO

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2009 DIA Survey Results

CRO Market Update: Mounting Concern over Economic Climate

According to an informal PharmSource survey conducted among exhibitors at the 2009 Drug Information Association (DIA) annual meeting in San Diego last month, there is growing angst within the CRO market in light of the current business climate. This is sharply different from the results of the 2008 PharmSource DIA survey, in which CROs overwhelmingly anticipated extraordinary revenue growth and commented on the difficulty in keeping pace with the burgeoning market. Both surveys included responses from a similar range of companies providing clinical research, drug manufacturing and formulation, analytical services, packaging, printing, and distribution.

In the 2009 PharmSource DIA survey, a large majority of respondents expressed concern about economic challenges facing their companies. In fact, 75% of the survey participants were worried about the economy or changes within the current business climate that have occurred due to the faltering economy, such as declines in funding, cuts in pharma spending, company downsizing, and changes in the number of mergers and acquisitions. Also, they expressed concern about their ability to maintain a steady work flow in the face of pharma companies halting studies and holding back or canceling existing contracts at the last minute. Similarly, over half of those surveyed responded that financial issues (e.g., the economy, maintaining steady work flow, and securing new deals and funding) are the biggest obstacles being encountered by CROs today.

The growing level of anxiety over the economy was also evident in the respondents' outlook for their anticipated 2009 revenues. Nearly a third of those surveyed expect their 2009 revenues to remain the same or decline as compared to 2008. And among those who predicted flat or declining revenue, the vast majority (70% and 90%, respectively) cited cuts in pharma spending, declines in funding, and the overall economy as reasons for their lowered expectations.

Stronger, Larger CROs Will Survive

The 2009 PharmSource DIA survey revealed that the outlook among larger companies was sharply different than that among smaller and mid-sized companies. For example, larger companies were less likely to anticipate a decline in their 2009 revenues compared to mid-sized and smaller companies. Fewer than 5% of larger companies (> 501 employees) predicted that their revenue growth would decline this year, while 9% of mid-sized companies (51-500 employees) and 12% of small companies (< 50 employees) predicted that their revenues would decrease this year.

Several respondents from larger and mid-sized companies commented that the increased number of mergers and acquisitions in the current business climate has resulted in a shortened list of competitors, putting them in a better position to obtain business in the future. Therefore, it appears as if stronger CROs may benefit as weaker players leave the marketplace.

Regulatory Changes Provide Cautious Optimism

Despite growing concern over the economy, many CROs expressed cautious optimism regarding the present marketplace. In fact, 61% of those surveyed still expect their 2009 revenues to increase over those of 2008, and 64% expressed excitement over elements of the current business climate. One common reason cited for this optimism was changes in regulatory guidelines.

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Changes in regulations result in more business for CROs, as pharma companies face tightened guidelines and need extensive testing of their products. For example, with the implementation of the FDA's Risk Evaluation & Mitigation Strategies (REMS) policy, pharma companies are now required to illustrate how the benefits of new products outweigh the risks. This has caused a new emphasis on post-approval trials and extensive tracking of adverse events during follow-up. Furthermore, the FDA is requiring additional data before approvals are granted, which has underscored an increased need for early phase testing throughout the industry.

Although the CRO market seems to be bracing itself for the realities of the faltering global economy, there are new business opportunities on the horizon. This is especially true for stronger and larger companies that may benefit as the level of competition decreases in the wake of mergers and acquisitions throughout the industry. In addition, CROs that are well-equipped to handle either early phase and/or post-approval trials could experience a sharp growth in the demand for these services due to changes in regulations.

PharmSource Lead Sheet Special Offer

The *PharmSource Lead Sheet (PLS)* is the weekly web-based information service that identifies fresh business opportunities for companies serving pharma and biotech. Respected, endorsed and depended on by the top companies, the *PLS* informs you of new business opportunities. It lowers your prospecting costs, raises the productivity of your sales staff, and helps keep your lead funnel full.

If you're not yet a subscriber to the *PharmSource Lead Sheet*, we invite you to take a **complimentary test-drive** to see for yourself how this service can be a vital tool for growing your market share.

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To schedule your free **test-drive**, call Judy Miller at (703)383-4903, ext. 103 (ET)
or send an email to judy@pharmsource.com.

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