The Convergence Guide

LIFE SCIENCES IN NEW ENGLAND

COMING THIS FALL | VOLUME 1, 2006

CEO interviews

The Convergence Guide is a new publication that will paint a clear picture of the life sciences landscape in New England, gathering data from reliable sources, compiling lists of the region's most influential players and most important partnerships, getting perspectives from venture capitalists and investment bankers about financing trends, and conducting exclusive interviews with chief executives of New England's most important companies. Here are some excerpts from some of those interviews, in which top CEOs let us in on some of the challenges they're facing.

ALSO IN *THE GUIDE*:

- New financing options
- Stem cell activity
- Top pharmaceutical companies in New England
- Top life sciences academic centers in New England
- MassBioTech 2010 Report update
- A history of life sciences in New England

... and much more ...

DEBORAH DUNSIRE, MD
President and CEO
Millennium Pharmaceuticals Inc.

In your career at Sandoz, Novartis, and Millennium, what have you learned about leadership in the life sciences arena?

You have to have a clear strategic path. You have to know where are you going, what are you going to focus on, what are you going to do, and – this is very important – what you are not going to do. You have to do this in a clear, coherent way, so you can help people understand their role at the company.

How do you decide what not to do?

It's harder than deciding what *to* do. You have to be honest about what your company's core competencies and abilities are. You have to limit yourself to what allows you to win, so you have to make sure you're doing the things where you can have a winning edge. Last year we faced a difficult decision. We needed higher investment in development. It wasn't simply a matter of growing R&D. We had to balance it with the growth of the company. We can't do everything. At this point in our history, we have to rebalance investment toward development, as opposed to R&D.

How do you keep people motivated and focused on projects that may last years or decades?

Salesmen look at a very short-term time horizon before they require a reward from their effort. They naturally gravitate to those jobs. Chemists and biologists don't tend to have that time horizon. They understand that there's a long time horizon for their work. Their motivation comes from uncovering scientific frontiers. They have an insatiable scientific curiosity. They know it takes a long time to get there, but they can see to the end-game quickly. They're motivated to bring new therapies to patients, but they know it can be a fifteen year process. Central to everyone on our team is making sure we deliver a beneficial outcome for people who have diseases that don't have adequate treatments yet.

RICHARD F. POPS
CEO
Alkermes Inc.

You just received approval for Vivitrol, your inhaled treatment for alcoholism. What did you learn from the process of getting that unusual drug approved?

When you do something new, there aren't established markers on the road for approval. You have to listen carefully to everyone, because you don't really know if it's over until it's over when you're doing something that hasn't been done before. From the beginning of this program, because there wasn't an established precedent, everything was new and brought up all sorts of questions. What kind of clinical trials were right? What was enough data to file on? People who follow behind us have more of a road map.

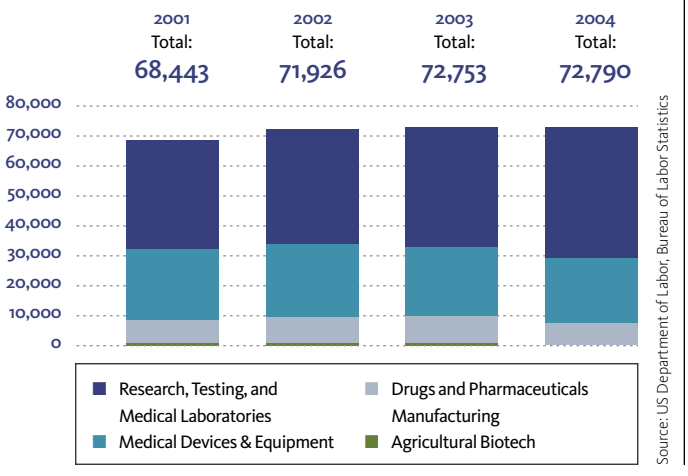
What public policy issues do you worry about most?

We're concerned about obstacles to innovation in this country. We want to make sure we maintain an environment in which risk-taking and innovation are permitted and rewarded. Such environmental conditions are easy to destroy through price controls and litigation, if you're not careful.

What do you and fellow CEOs see as some of the key macro issues affecting the life sciences industry nationwide?

Today people are talking a lot about the FDA. The industry is actively promoting stable permanent leadership at FDA. I'm hopeful that Andy [FDA acting commissioner Andrew C. von Eschenbach] gets the appointment and can keep the job for a certain amount of time. There hasn't been a permanent com-

MASSACHUSETTS LIFE SCIENCES WORKFORCE



missioner for most of the past five years. Stable leadership means a lot to this industry. The FDA is a large bureaucracy that needs leadership. Without leadership, decisions don't happen. The American public suffers because drugs don't get approved. The other issue, of course, is the reimbursement environment.

DANIEL VASELLA, MD
Chairman and CEO
Novartis AG

How is Novartis trying to make its R&D operations more efficient?

We have been very successful. We've received more approvals than other major pharmaceutical companies over the past six years. Right now we have more than 70 in development, and more than 50 in advanced status. [The leukemia treatment] Gleevec is the kind of breakthrough we crave. We're looking for our R&D to offer two different types of innovation: step improvements and real breakthroughs. We use external sources, like academia and biotech, but we also fund large-scale internal research. We've modified our internal research effort by moving closer to where the talent is. Cambridge is the best example. We have 1,300 researchers, embedded in an area right near MIT and Harvard and so many biotech companies.

What do you look for in a partner?

We ask two questions at first. What IP rights do they bring? What knowledge do they bring? And of course after identifying a partner, you have to be sure you can have a working relationship characterized by mutual trust.

VC interviews

TO SEE THE INDUSTRY THROUGH THE EYES OF INVESTORS, THE BOOK also includes a "VC Perspectives" section. One of the leading venture capitalists we speak to is Jean-Francois Formela. He is a Senior Partner at Atlas Venture in Waltham, Mass. His investments include Archemix, deCODE, ArQule, and Nuvelo.

The three elements I look at in a deal are people, technology, and assets. With the big "Hollywood" companies in biotech, investors have looked at the people first, and they were willing to trust that they would do the right thing. In the current cycle, you could argue that many VCs are looking at the assets. What do they have? Can it be made more valuable on a reasonable budget?

> **"We've done a couple of those Hollywood-style start-ups in the past couple of years, but it is being overshadowed by a new model."**

The old-fashioned Hollywood start-up – the concept of putting a lot of big names in place, raising money as soon as possible, and trying to develop a product by brute force – that concept needs an incredibly high level of justification today. That model for the life sciences is somewhat flawed, because the financial markets are not going to reward you for that.

We've done a couple of those Hollywood start-ups in the past couple of years. Alnylam and Momenta, for example. But I think the Hollywood model is already being overshadowed by a new model. Resolvyx Pharmaceuticals, one of my investments, is an example of the other way to do it. It's a very low-key start-up, where we're doing a tranche financing. We think the molecule we're testing has lots of potential, but we don't want to declare it until we've gotten more data on the program. We also want to keep our options open as to how we'll monetize or build a business around the assets. The approach is, let's take these assets, get to the point where there's independent validation in the market, and then ask, should it be monetized as a single project, or aggregated in with others? Resolvyx is run as a virtual company, with very little infrastructure, and a handful of people. They use a CRO for their research.

The history of this industry could be looked at as having diluted the few successes we've had. Every time someone was successful and was able to raise lots of money, they'd find a way to spend it. If they were successful as a company, they'd feel that they had to bring more development programs in. Things got diluted.

The power list

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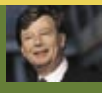

HENRI TERMEER
Chairman, President & CEO
Genzyme Corporation
Cambridge, Mass.
Nasdaq: GENZ

TERMEER, A NATIVE OF THE NETHERLANDS, HAS managed Genzyme from its earliest days as a start-up to an 8,000-employee public company. Revenues grew 24 percent in 2005, to $2.7 billion, and in April 2006, the company won the FDA's OK to market its third drug for a rare genetic disorder, Pompe Disease. That drug, Myozyme, could earn Genzyme as much as $100 million annually by 2010. One danger for the company, though, is getting singed by public outrage over high drug costs: Myozyme, at a cost of $200,000 a year per patient, will be one of the priciest drugs in the world.

Termeer oversaw the construction of Genzyme's new environmentally-friendly headquarters in Kendall Square, and *FORTUNE* honored the company as one of the 100 best places to work in the U.S. Termeer helped launch the New England Healthcare Institute to look for workable solutions to the healthcare system's many problems (he's now chairman emeritus), and also established a new program to foster the development of new treatments for diseases that affect the developing world, called the Humanitarian Assistance for Neglected Diseases Initiative. Among the boards he serves on: the Whitehead Institute, cardiac device maker Abiomed, and the Biotechnology Industry Organization.

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Published by
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