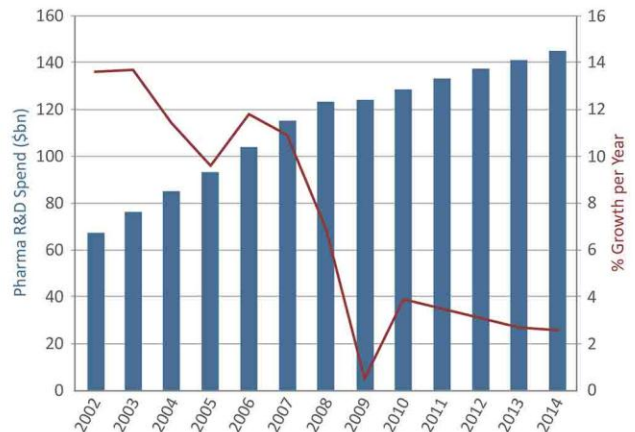


## THE BURDEN OF UNNECESSARY FIXED COSTS

Your primary objective is to add value by the efficient development of your assets to the next strategic milestone (clinical POC, merger, acquisition, partnership, sale etc.).

Adding to the many challenges in achieving these objectives is the economic environment, in which R&D spending is increasing whilst growth is decreasing (see bar graph) and VC investment is restrained.

Despite this, most companies persist in following the traditional model of hiring permanent headcount, with the attendant hiring, salary and overhead costs.



Source: EvaluatePharma® (06 April 2009)

*“There’s inherent inefficiency built into the traditional drug development model. The outsourced system allows you to do the same development with much smaller teams and many more products simultaneously.”*

**David Collier at CMEA Capital**

*Chakma, J. et al, Nat. Biotechnol. 27, 886-888 (2009)*

*“The unmet need in the industry is drugs, not companies.” ... “If you look at the biotech industry, about 90% of companies can be best described as being marginal. Too many of them have had large sums invested in them before delivering key data.”*

**Index Partner Francesco de Rubertis**

*BioCentury, November 2009*

## “Growing the company means increasing value, *not* headcount”

### CONSEQUENCES OF THE FIXED COST BURDEN

<Higher burn rate> <Staff paid even when not busy> <Turnover costs (recruitment, gap in resource need)>

#### IMPACT ON EXIT STRATEGY

*“But if the company may be an acquisition target, then by minimizing infrastructure, it makes it more attractive and easier for a potential acquirer to integrate what they want without worrying about shedding infrastructure”...*

*“Especially if you have a single asset...the potential acquirer is largely interested in the asset, and the infrastructure in support of that asset may not be as important in the acquisition.”*

**James Niedel, MD at New Leaf Venture Partners**

*Chakma, J. et al, Nat. Biotechnol. 27, 886-888 (2009)*

#### IMPACT IF MILESTONE DELAYED

*“If you’re building for an acquisition, and your acquisition doesn’t come around, then it’s “then what?” How do you manage in that type of environment?”...*

*“The acquirers are trying to spend less and less, which represents a challenge to the model.”*

**David Berry, Partner at Flagship Ventures**

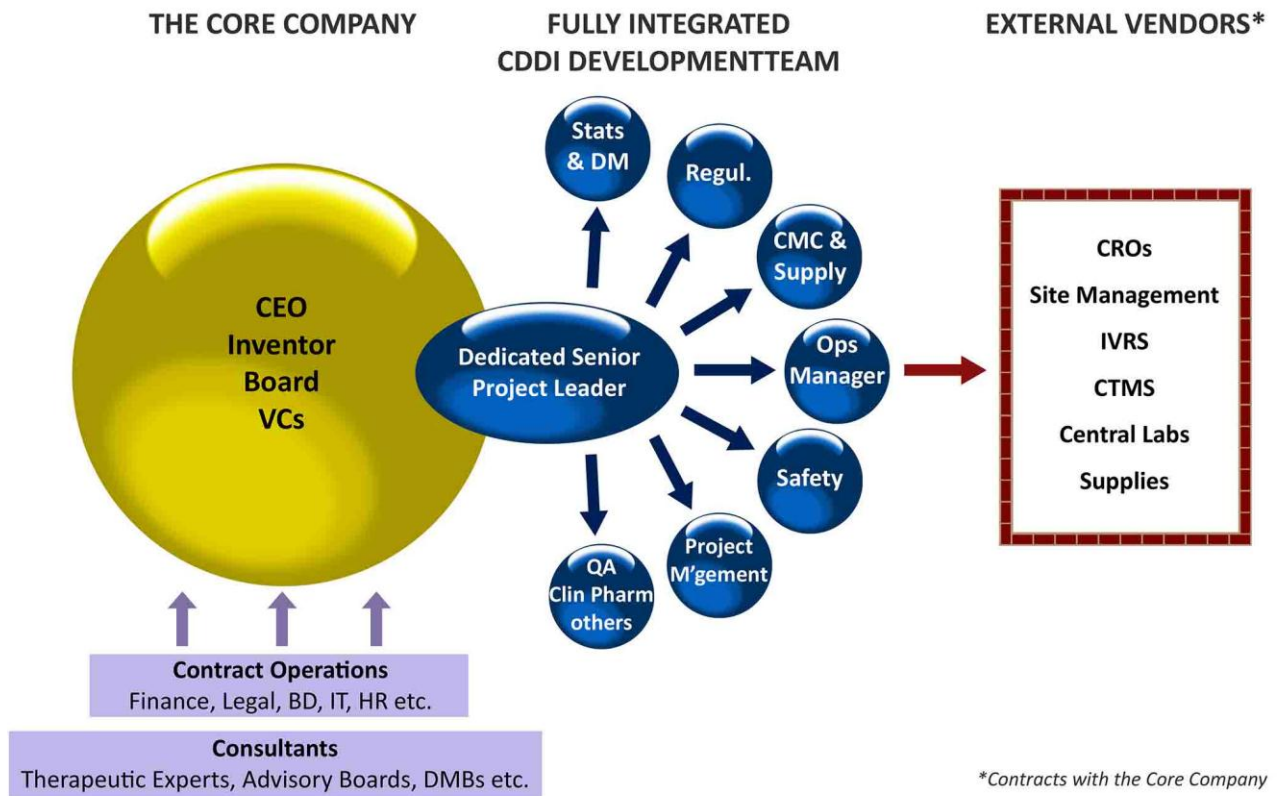
*Chakma, J. et al, Nat. Biotechnol. 27, 886-888 (2009)*

## THE SOLUTION : VIRTUAL ASSET DEVELOPMENT

The proposed model of Virtual Asset Development is the use of an external, professional, experienced and flexible team, integrating the specific mixture of skills needed to achieve your specific objectives.

<ul style="list-style-type: none"> <li>No, or low, office overheads and expenses</li> <li>Fewer staff overheads</li> <li>No recruitment costs</li> <li>No salary to pay if no work (use as needed)</li> <li>Reduced risk of over-run costs (greater efficiency)</li> <li>Avoid severance</li> <li>Little legacy infrastructure</li> </ul>	<p><b>Better capital efficiency and lower burn rate</b></p>
<ul style="list-style-type: none"> <li>Immediate availability</li> <li>Relevant expertise</li> <li>Better qualified</li> <li>Lower turnover</li> </ul>	<p><b>More effective staff management</b></p>
<ul style="list-style-type: none"> <li>Faster decision-making; less bureaucracy</li> <li>Build permanent organisation when outcome more certain</li> <li>More time to recruit best staff and train new staff</li> </ul>	<p><b>Greater flexibility</b></p>

## THE ADVANTAGES OF THE CDDI MODEL OF VIRTUAL DEVELOPMENT



- A dedicated senior project manager, embedded in the company, ensures total commitment to the project and clear lines of responsibility and communication.
- The team is instantly available, and can be tailored to the company needs on a constant basis.
- Input from other experienced CDDI members, even if not directly employed on the project, gives added breadth and value.
- Obviates the need to manage and coordinate several independent consultants, CROs and vendors.
- Frees up management time and resource.
- The core company can take care of running the business: managing its finances, legal affairs, business development and other operational fundamentals, some of which smaller companies might outsource.