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## HHS contract boosts Iomai

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Iomai Corp. stock jumped 15 percent in three days last week after the Gaithersburg biopharmaceutical company announced it won a major Department of Health and Human Services contract to develop a flu patch to be used for an influenza pandemic.

The contract could be worth as much as \$128 million if Iomai develops the patch containing an immune system stimulant into a successful product.

The deal immediately caught the attention of stock analysts, who saw the government contract as a breakthrough for a company that has reported several quarterly losses recently.

"We believe our novel immune-boosting patch for use with injectable vaccines for pandemic influenza could play a critical role in addressing the growing concern about vaccine supply in the event of a pandemic," said Stanley C. Erck, Iomai chief executive officer.

"Unfortunately, history suggests that influenza pandemics are inevitable, and given current concerns about the avian H5N1 strain, we are looking to accelerate the development of this product to help alleviate those supply concerns."

Iomai would get \$14.4 million initially to fund its research and development for the next 15 months. Afterward, if government tests show the first phase of the project is successful, the company would get an additional \$114 million to develop the patch to the point that it could be distributed to the public.

The first phase includes using the patch on 150 healthy volunteers to determine whether it stimulates an immune response.

The deal "dramatically increased this company's value," said David Webber, research analyst for the financial firm First Albany Capital. "After near silence since Iomai's February 2006 [initial public offering], the contract significantly validates Iomai's technology and puts it on the inside track toward a lucrative stockpile contract."

The stockpile he mentioned refers to the government's efforts to store enough vaccine to handle a major bird flu pandemic, which could kill millions of people worldwide.

Currently, the federal government says it could provide enough vaccine for only about 10 percent of the U.S. population.

Iomai's patch would use an adjuvant, or immune system stimulant, that would allow people to be vaccinated on smaller doses of the bird flu, or H5N1, vaccine. Tests on guinea pigs showed the Iomai patch enhanced the effectiveness of the vaccine by as much as 1,000 times. On rats, the effect was enhanced about 100 times.

Mr. Webber said a stockpile contract with the government would be worth at least \$750 million.

Annabel Samimy, research analyst for financial firm UBS, referred to the contract

announced last week saying, "We view this as a very attractive award, effectively laying out funding for the entire pandemic program."

After the flu vaccine project, the Iomai patch could be tried "with multiple vaccines for potential universal use," she said.

However, she said Iomai must first prove its effectiveness and form partnerships with other companies to develop the vaccine.

The company, which was founded in 1997, reported a loss of \$9.3 million, or 55 cents per share, in the third quarter of 2006, compared with a loss of \$5.8 million, or \$7.29 per share, one year earlier. Revenue fell to \$30,000 from \$504,000 in the third quarter of 2005.

The widening loss resulted from the end of a grant from the National Institutes of Health and increased operating costs, which were expected to cease being a problem as researchers completed Phase 1 tests with the flu patch, Mr. Erck said.

Iomai's stock, IOMI on the Nasdaq, closed yesterday at \$5.74 a share, down 1 cent or less than 1 percent from Friday's close.

Its competitors include biotechnology companies Chiron Corp., GlaxoSmithKline and MedImmune, Inc. It operates with about 90 employees.

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