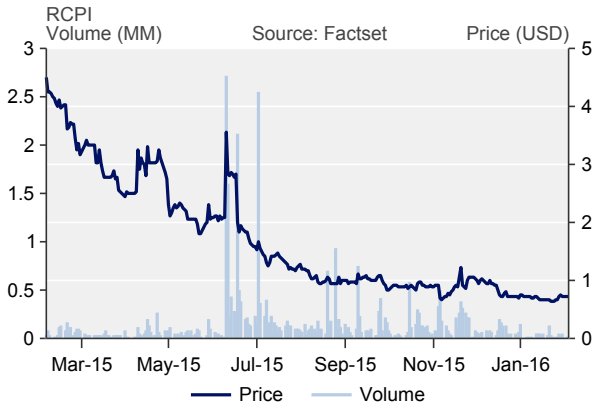
Biotechnology

RCPI - NASDAQ February 3, 2016

Intraday Price 02/3/2016	**$0.66**
Rating:	Buy
12-Month Target Price:	$4.00
52-Week Range:	$0.61 - $4.75
Market Cap (M):	7
Shares O/S (M):	11.2
Float:	97.2%
Avg. Daily Volume (000):	90
Dividend:	$0.00
Dividend Yield:	0.00%
Risk Profile:	Speculative
Fiscal Year End:	December

Total Expenses ('000)

	2015E	2016E	2017E
1Q	3,819A	3,264	3,766
2Q	2,024A	3,314	3,836
3Q	2,024	3,414	3,976
4Q	2,024	3,464	4,046
FY	9,891	13,456	15,625



Rock Creek Pharmaceuticals — Buy

Positive Phase I Data- Knocking Down Inflammation and Understanding MOA

Summary

- **Rock Creek announced positive data from the phase I study of anatabine citrate showing safety and tolerability. In addition, Rock Creek is using samples of tissue (blood) from the subjects to better define the MOA of anatabine citrate.**
- **Recall that anatabine citrate was previously a nutraceutical and used as an anti-inflammatory compound believed to (but not proven in controlled studies) function by down-regulating key inflammatory molecules STAT-3 and NF-KB.**
- **Blood samples were taken from the phase I subjects before and after anatabine citrate administration. These samples were then exposed (ex vivo) to an immune stimulant (bacterial antigen) and assayed for changes in both STAT-3 and NF-KB. Significant decreases in STAT-3 expression in patients who were exposed to anatabine citrate use were observed. Changes in NF-KB did not synchronize as precisely. This may have been a result of different stimulation times required for peak expression which may have skewed results. Combining both in one assay may not be the best method for validating each MOA, but for Rock Creek's purposes we see the science as a good starting point in the approval process.**

Details

Phase I PK Assays: Blood samples from patients were taken before and after anatabine citrate was given. Each sample was exposed to bacterial antigen called LPS (bacterial lipopolysaccharide). When blood is exposed to LPS, the white blood cells ramp up the inflammatory response, which is driven by increased expression of STAT-3 and NF-KB. Samples taken before patients were exposed to anatabine citrate were stimulated with LPS and the fold-increase in STAT-3 and NF-KB was used to establish the reference point(s). Blood samples taken after anatabine citrate was administered were then stimulated with LPS and the changes in STAT-3 and NF-KB expression were then compared to the reference points. STAT-3 expression was knocked down more than NF-KB. However, it was noticed that the 'before' STAT-3 increased a lot more than the 'before' NF-KB after the two hour LPS exposure. Thus the impact of anatabine citrate appears greater on STAT-3. It's possible the reference NF-KB peaked much earlier than 2 hours and it was 'missed'. Rock Creek is evaluating the assays and may need to run them individually and at different reference point times.

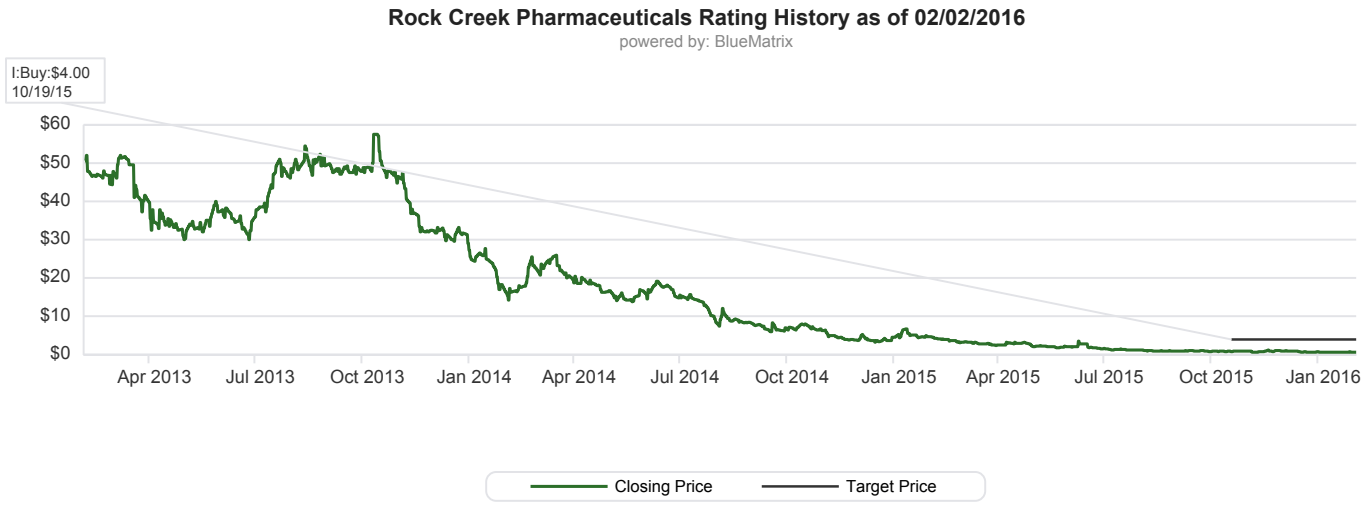
Anatabine citrate, Rock Creek's lead product candidate is a synthetic derivative of the anti-inflammatory compound anatabine (from the tobacco plant), and it is in clinical development for the treatment of psoriasis. Anatabine was a successful nutraceutical ("Anatabloc") used by more than 500,000 people, primarily to alleviate inflammation conditions such as osteoarthritis. Anecdotal evidence has also supported anatabine citrate being used in psoriasis.

Anatabine citrate targets two key inflammatory pathways. It is a small molecule with anti-inflammatory properties that binds to cholinergic receptors on the surface of immune cells and shuts down the signaling pathways responsible for driving inflammation. Anatabine citrate's binding and suppression of inflammation is unique in that it effectively suppresses two key mediators of inflammation, the transcription factors NF-kB and STAT3, while many other drugs only suppress one or the other. NF-kB and STAT3 drive the expression of damaging inflammatory cytokines like TNF-alpha, which is the target of blockbuster drugs like Humira, Remicade, and Enbrel. We see psoriasis as an ideal initial indication for anatabine citrate. We believe that anatabine citrate efficacy should be relatively easy to observe through changes in skin lesions as measured by the PASI (Psoriasis Area Severity Index) scoring system.

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DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 02/02/16	
		% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 months
Buy	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to outperform its relevant index over the next 12 months.	**87%**	**36%**
Hold	Fundamental metrics are currently at, or approaching, industry averages. Therefore, we expect this stock to neither significantly outperform nor underperform its relevant index over the next 12 months.	**13%**	**18%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**0%**	**0%**
	**See valuation section for company specific relevant indices*		

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The research analyst(s) primarily responsible for the preparation of this research report have received compensation based upon various factors, including the firm's total revenues, a portion of which is generated by investment banking activities.

Maxim Group makes a market in Rock Creek Pharmaceuticals

Maxim Group managed/co-managed/acted as placement agent for an offering of the securities for Rock Creek Pharmaceuticals in the past 12 months.

Maxim Group received compensation for investment banking services from Rock Creek Pharmaceuticals in the past 12 months.

Maxim Group expects to receive or intends to seek compensation for investment banking services from Rock Creek Pharmaceuticals in the next 3 months.

An affiliate of Maxim Group beneficially owns warrants/shares in Rock Creek Pharmaceuticals .

RCPI: For RockCreek we use the BTK as the relevant index

Valuation Methods

RCPI: Our therapeutic model assumes that anatabine citrate is approved and launched in 2020. We expect the initial indication to be for mild to moderate psoriasis. Our model assumes a risk adjustment due to the early stage of clinical development. We then apply a 30% discount to our free-cash-flow, discounted-EPS, and sum-of-the-parts models, which are equally weighted to arrive at our price target.

Price Target and Investment Risks

RCPI: RockCreek faces multiple risks associated with the company. These include but are not limited to: The pace and success of drug development activities; The possible out-licensing of any product candidates developed; obtaining regulatory approvals for any product candidates developed; the pace of development of new intellectual property for any product candidates developed; The company's ability to market and sell their products; and the ability to secure financing necessary to operate and grow the business. There can be no assurance that an IND filed with the FDA in the U.S. will result in the actual initiation of clinical trials in the U.S. or that the company's products will ultimately be approved or achieve or maintain expected levels of market acceptance in the U.S. or anywhere else.

RISK RATINGS

Risk ratings take into account both fundamental criteria and price volatility.

Speculative – Fundamental Criteria: This is a risk rating assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, fundamental risk is expected to be significantly above the industry. Price Volatility: Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a significant class of individual investors.

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Medium – Fundamental Criteria: This is a risk rating assigned to companies that may have average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to approximate the industry average.

Low – Fundamental Criteria: This is a risk rating assigned to companies that may have above-average revenue and earnings visibility, positive cash flow, and is fairly liquid. Accordingly, both price volatility and fundamental risk are expected to be below the industry.

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