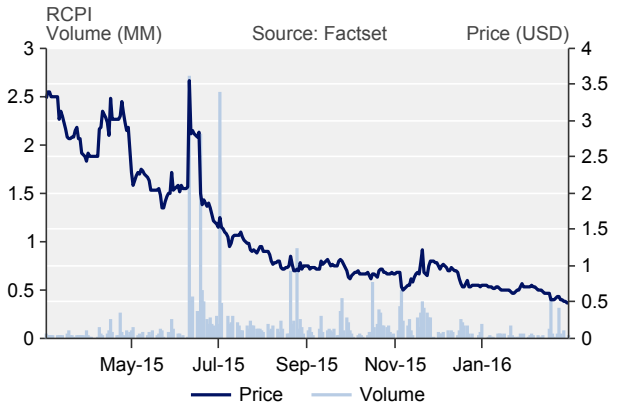
Biotechnology

RCPI - OTC March 1, 2016

Intraday Price 03/1/2016	**$0.50**
Rating:	Buy
12-Month Target Price:	$4.00
52-Week Range:	$0.48 - $4.29
Market Cap (M):	6
Shares O/S (M):	11.6
Float:	97.2%
Avg. Daily Volume (000):	54
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

Another Derm KOL Comes On Board

Summary

- **Rock Creek announced the addition of a third key opinion leader in clinical dermatology, Professor Alan Menter, MD, Chief of Dermatology at Baylor University Medical Center in Dallas, Texas. Dr. Menter will advise, enhance and assist the inflammatory skin diseases development programs for lead product anatibine citrate.**
- **Dr. Menter (Click Here For Video), previously held the position of clinical director of the National Psoriasis Foundation Gene Bank and has over 350 peer-reviewed publications in medical and dermatology journals. Dr. Menter co-authored a paper describing the first discovery of a gene for psoriasis. His research in psoriasis has examined UV phototherapy, use of biologics and genetic mapping of the disease. His clinical practice includes more than 1,600 patients on systemic and biologic therapy and phototherapy.**
- **Previously, Rock Creek brought Professor Christopher Griffiths, MD., (FMedSci, Foundation Professor of Dermatology at the University of Manchester) and Professor Vincent Piguet, MD, PhD, FRPC (Head of the Department of Dermatology and Wound Healing and Division of Infection and Immunology at Cardiff University, Welsh Institute of Dermatology) on board.**
- **Conclusion: This is continued positive news from Rock Creek. The company is continuing to build infrastructure and with the addition of Dr. Menter now has three top KOLs in the space, further validating Rock Creek's continuing commitment to develop anatabine citrate for dermatologic indications, in our opinion.**

Details

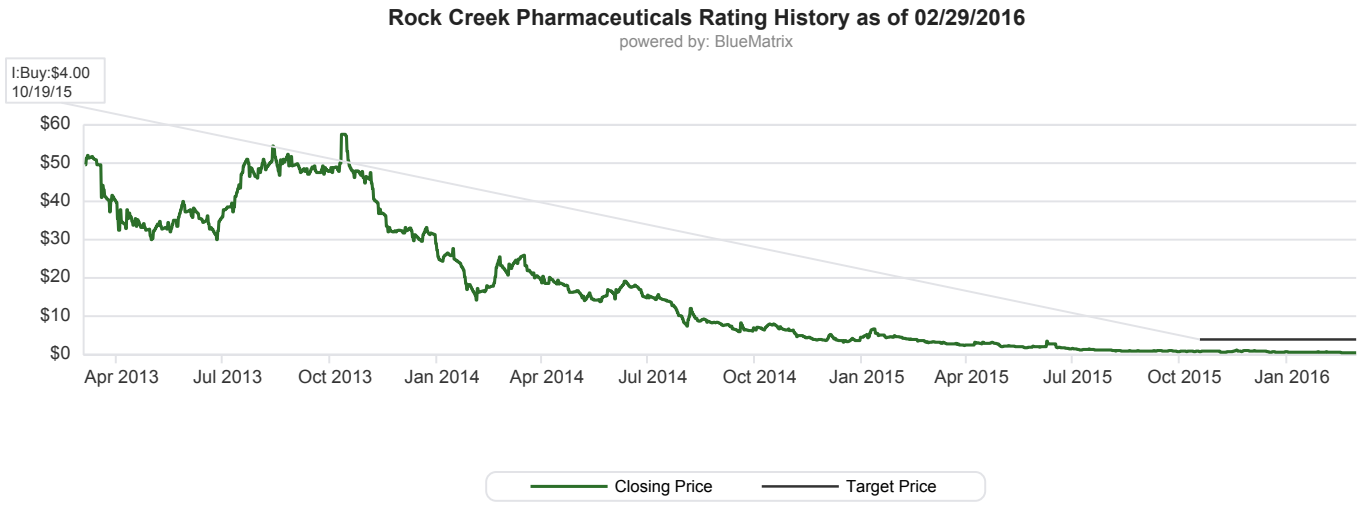
Phase I PK Assays: Blood samples from patients were taken before and after anatabine citrate was given. Each sample was exposed to bacterial antigen called LPS (bacterial lipopolysaccharide). When blood is exposed to LPS, the white blood cells ramp up the inflammatory response, which is driven by increased 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 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.

Jason Kolbert
(212) 895-3516
jkolbert@maximgrp.com

Jason McCarthy, Ph.D.
(212) 895-3556
jmccarthy@maximgrp.com

DISCLOSURES



Maxim Group LLC Ratings Distribution		As of: 02/29/16	
		% 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.	**86%**	**34%**
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%**	**22%**
Sell	Fundamental metrics and/or identifiable catalysts exist such that we expect the stock to underperform its relevant index over the next 12 months.	**1%**	**0%**
	**See valuation section for company specific relevant indices*		

INSTITUTIONAL USE ONLY

I, Jason Kolbert, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

I, Jason McCarthy, Ph.D., attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

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.

High – Fundamental Criteria: This is a risk rating assigned to companies having below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. Price Volatility: The price volatility of companies falling within this category is expected to be above the industry. High-risk stocks may not be suitable for a significant class of individual investors.

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.

DISCLAIMERS

Some companies that Maxim Group LLC follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in Maxim Group LLC research reports may not be suitable for some investors. Investors must make their own determination as to the appropriateness of an investment in any securities referred to herein, based on their specific investment objectives, financial status and risk tolerance.

INSTITUTIONAL USE ONLY

This communication is neither an offer to sell nor a solicitation of an offer to buy any securities mentioned herein. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of Maxim Group, LLC (“Maxim”).

Information and opinions presented in this report have been obtained or derived from sources believed by Maxim to be reliable, but Maxim makes no representation as to their accuracy or completeness. The aforementioned sentence does not apply to the disclosures required by NASD Rule 2711. Maxim accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that such liability arises under specific statutes or regulations applicable to Maxim. This report is not to be relied upon in substitution for the exercise of independent judgment. Maxim may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and Maxim is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in this report reflect a judgment at its original date of publication by Maxim and are subject to change without notice. The price, value of and income from any of the securities mentioned in this report can fall as well as rise. The value of securities is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities. Investors in securities such as ADRs, the values of which are influenced by currency volatility, effectively assume this risk. Securities recommended, offered or sold by Maxim: (1) are not insured by the Federal Deposit Insurance Company; (2) are not deposits or other obligations of any insured depository institution; and (3) are subject to investment risks, including the possible loss of principal invested. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support these losses.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

INSTITUTIONAL USE ONLY

Corporate Headquarters

The Chrysler Building
405 Lexington Ave., 2nd FL
New York, NY 10174
Tel: 212-895-3500

Capital Markets/Syndicate: 212-895-3695

Corporate Finance: 212-895-3811

Equity/Options Trading: 212-895-3790

Equity Research: 212-895-3736

Event Driven/Risk Arb Group: 212-895-3878

Fixed Income Trading: 212-895-3875

Global Equity Trading: 212-895-3623

Institutional Sales: 212-895-3755

Institutional Sales Trading: 212-895-3873

Prime Brokerage: 212-895-3723

Wealth Management: 212-895-3624

Woodbury, Long Island

20 Crossways Park Drive North
Suite 304
Woodbury, NY 11797
Tel: 516-393-8300

Red Bank, New Jersey

246 Maple Avenue
Red Bank, NJ 07701
Tel: 732-784-1900

San Francisco, Bay Area

Lafayette, California

3732 Mt. Diablo Blvd
Suite 158
Lafayette, CA 94549
Tel: 415-762-0114

Boca Raton, Florida

7900 Glades Road
Suite 505
Boca Raton, FL 33434
Tel: 561-465-2605