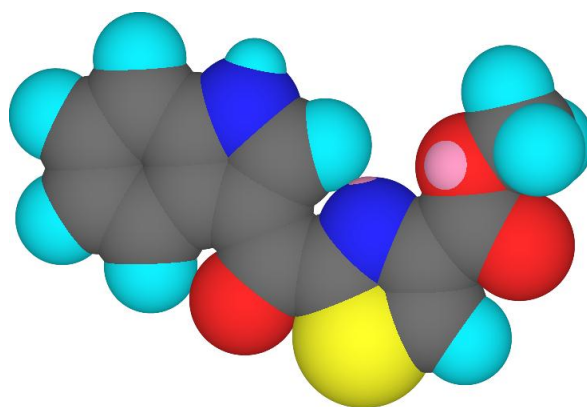


ITE FOR CANCER INTERVENTION AND POSSIBLE ERADICATION

A Business Plan of the AhR Pharmaceuticals, Inc.

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Cover Illustration:

Chemical structure of the natural hormone ITE (space filling model)

1. EXECUTIVE SUMMARY

1-1. A NOVEL CANCER THERAPY WITH POSSIBLE ERADICATION

1-1-1. SERIOUS PROBLEMS WITH CURRENT CANCER THERAPIES

There are two serious problems in current cancer therapies. The first is that the majority of therapeutic agents are chemicals foreign to a human body. The body then tries extremely hard to get rid of them. Since the body does not have a natural and safe way of metabolizing foreign chemicals, the elimination process generates a lot of chemically active intermediates, which will assault normal cells and tissues including, but not limited to, that of immune system's in the body, leading to serious side effects, toxicity, embattled immune system, and even the induction of new types of cancers. Since most of these agents were designed by humans, not the nature, they have very high chances of binding to and interacting with other cellular factors than their expected targets in the body. These "off-target" actions account for significant opportunities for side effects. The second is the effectiveness. The effectiveness of cytotoxic agents is limited by their indiscriminate toxicity to normal cells and tissues, including that of an immune system's. With a weakened immune system, cancer eradication is impossible. The efficacies of noncytotoxic agents, which target specific functions important for the survival of cancer cells, are limited by their single assaulting strategies. The hallmark of cancers is the constant genetic change. Once a cancer becomes independent of a specific function a therapeutic agent targets for survival, the efficacy of the agent will be lost immediately. The situation thus calls for a novel therapeutic agent that can assault cancers with multiple combating capabilities for sustained potency, mobilize the immune system to accurately attack and clean up individual cancer cells for possible eradication, and limit the chance of "off-target" actions and be metabolized safely for low side effect(s).

1-1-2. A POSSIBLE CANCER CURE WITH ITS CONCEPT PROVED

We discovered a natural hormone named ITE for the Ah receptor (AhR). ITE is able to block cancer growth and even eliminate cancer completely by choking cancers off blood supply, inhibiting division of cancer cells, promoting programmed cell death for cancers, inducing differentiation of cancer cells, obstructing estrogen and androgen actions, prohibiting cancer cell migration, and stimulating immune systems to accurately attack and clean up cancer cells. The multiplicity of the assaulting capabilities makes ITE therapeutic potency sustainable. The sustainability of ITE potency plus its capability of mobilizing the immune system makes cancer eradication a possibility. Importantly, since it is a natural hormone with a natural and safe way of metabolism and low chance of "off-target" binding, ITE is expected to be low in side effect/s. We have firmly established ITE efficacy in human cancers of prostate, liver, ovary, and breast on xenografting models (human cancer cells inoculated on mice with defects in their immune systems so they would not reject human cells). Using a syngeneic mouse cancer model (mouse cancer cells inoculated on mice with healthy immune systems), ITE's capability of stimulating immune systems could then be tested. On such a model for liver cancer, while cancers on vehicle-treated mice grew aggressively, all of 5 ITE-treated mice (100%) were indeed cancer-free after 43 days in the therapy (i.p., once daily) and none of them had anything growing back after a 50-day observation post therapy, indicating every cancer cell had been eliminated from every animal.

1-2. THE AhR PHARMACEUTICALS, INC.

AhR Pharmaceuticals, Inc., a Wisconsin C corporation, was founded by Dr. Jiasheng (Jason) Song, the major inventor of the ITE technology. Dr. Song is a member of the company's board of directors. The remaining members of the board will be named later. Dr. Hector F. DeLuca, a world authority on vitamin D endocrine system, has agreed to serve on the board of scientific advice of the company. More experts in fields pertinent to drug development will be invited to the board. The mission of the company is to develop the new natural hormone ITE we discovered into an efficacious and sustainable but low side-effect therapeutic agent in combating cancer, obesity, and disorders related to imbalanced actions of an immune system. The near term focus of the company is on cancer intervention and possible eradication.

1-3. THE INTELLECTUAL PROPERTY

The AhR Pharmaceuticals owns a pending US and other country's patent (international application, PCT/US2010/052729) covering ITE cancer intervention and eradication. The other patents developed by Dr. Jiasheng (Jason) Song, Dr. Hector F. DeLuca, and their colleagues are exclusively licensed from the Wisconsin Alumni Research Foundation (WARF). WARF manages all of the inventions from the University of Wisconsin-Madison, at which Dr. Song and his colleagues were working when the inventions were made. The WARF technology includes 4 issued US patents (US 6,916,834 B2, US 7,002,019 B2, US 7,241,900 B2, and US 7,419,992 B2) covering, respectively, the therapeutic preparation of ITE, synthesis of ITE, compound of ITE and its structural analogs, and the use of ITE in intervention of angiogenesis-dependent disorders. The WARF technology includes also issued European and other countries' patents equivalent to that of US ones mentioned.

1-4. PRODUCTS AND SERVICES

AhR Pharmaceuticals has firmly established ITE efficacy in cancer therapy (with a possibility of cancer eradication), ITE preliminary safety profile, and an efficient ITE chemical process for its large-scale production. The next task is to satisfy all of the requirements by the FDA (Food and Drug Administration) for IND (Investigational New Drug) application in ITE CMC (Chemistry, Manufacturing, and Control), safety, ADME plus biological effect of ITE dosing and biomarker/s predicting ITE efficacy. A phase I clinical trials will be conducted once the IND is in place to assess ITE safety and collect parameters of ITE dosing. Our first focus will be on cancer therapy. Obesity therapy (preliminary animal data shows efficacy) will gradually follow. Upon successful reach of the milestones outlined, the company will be ready to market ITE. We will not produce or sell any pharmaceutical products to end-users in the current business model. Instead, the company will market its intellectual property and expertise related to specific ITE therapies to major pharmaceutical companies for further down-stream development.

1-5. MARKET ANALYSIS AND MARKETING STRATEGY

It was estimated by NCI that **1,529,560** people in US would be diagnosed with and **569,490** people would die of cancer (**~1,500** people/day) in **2010**. The National

Institutes of Health (NIH) estimates that a direct medical cost for cancer treatment was around \$102.8 billion in 2008. Since our first indication of cancer would most probably be picked among cancers of prostate and the others, we will use prostate cancer as an example here. Prostate cancer is the second leading cause of cancer death in men in the United States. American Cancer Society estimated that there would be 217,730 men in US diagnosed with prostate cancer and 32,050 men would die from the disease in 2010. The direct medical cost for prostate cancer treatment has been estimated to be around \$9.9 billion a year in the US alone. The key strategy in marketing is to demonstrate the unique therapeutic capabilities of ITE to the targeted companies and the world. The best way of accomplishing that is to publish in quality academic journals and file quality patents. In addition, we will directly approach some selected companies.

1-6. MANAGEMENT AND OPERATIONS

The company is temporarily managed by its Founder. In assisting the current management, Mr. Charles Neider of Neider & Boucher has been serving as a Legal Adviser and Mr. Kevin Kelbel of Smith & Gesteland an Accountant/Business Consultant. The company will first focus on cancer therapy as its near-term goal. With the demonstration of ITE efficacy in cancer intervention and eradication on models, the company will develop CMC for a stable and controlled large-scale ITE production, assess ITE safety in a GLP setting, establish biomarker/s and biological effect of ITE dosing, investigate ADME of ITE, and develop clinical formulation of ITE etc. to prepare for IND application. With an IND in hands, a phase I clinical trials will be initiated.

1-7. FINANCIALS AND FINANCING

The cost of the first one full year of operation will be around \$1,834,981 plus \$245,500 for equipment. The table below summarizes the projected income statement for the first 5.5 years (July, 2012 – December, 2017). After operating at loss for almost 3 full years, the company will be profitable first time in the middle of 2015 (year 4) by licensing out the cancer therapy. Net income is projected to grow steadily in year 5, 6, and beyond.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Net Revenues	\$0	\$0	\$0	\$10,000,000	\$20,000,000	\$50,000,000
Costs & Expenses	\$440,315	\$2,411,865	\$2,530,037	\$5,686,096	\$10,373,155	\$14,974,902
Net Income before Tax	(\$440,315)	(\$2,411,865)	(\$2,530,037)	\$4,313,904	\$9,626,845	\$35,025,098

We need to raise \$2.5 M to fund the activities up to IND application. The next round of around \$4.5 M will enable us to finish the phase I clinical trials for cancer and start the development of obesity therapy. The company will establish strategic alliances with other companies. We will reinstate the collaboration with NCI to reduce costs in cancer therapy development. The company is a state certified technology company so that Wisconsin investors will get state tax credits for investing into the company. The company expects to be acquired by a large drug company in cancer and/or obesity therapy, providing an exit for investors. An IPO will be another attractive way of exit. The company will be flexible to other exit strategies preferred by investors after 3 to 4 years in operations. The company valuation at the end of year 5.5 will be around \$1.4 billion.