

# Executive Summary

**COMPANY:** Crown Laboratories, Inc. provides pharmaceutical and ethical OTC products to the medical marketplace. Crown competes in the \$3 billion world pharmaceutical industry. Crown markets its products under the names of Del-Ray Dermatologicals and Med-Derm Pharmaceuticals. Crown also provides contract manufacturing to the pharmaceutical industry.

**MISSION STATEMENT:** To continue to be a premier provider of niche pharmaceutical products. Crown is dedicated to building brand awareness through unique marketing programs to both the physician and the consumer. These programs showcase the wide range of quality products made in the company's FDA-regulated manufacturing facility. Crown is recognized as a leading developer, manufacturer and marketer of topical prescription and OTC products.

**PRODUCTS AND SERVICES:** Crown Laboratories' focus is in the field of dermatology, oncology and pediatrics. These niche pharmaceutical markets continue to grow at a rate in excess of 15 percent annually. Crown markets products under the Del-Ray Dermatologicals division. Del-Ray owns five ANDA products (Ala Scalp, Ala Quin, Ala Cort Cream 1%, Ala Cort Lotion 1% and TriDerm Cream 0.1%). Crown also has a number of ethical OTC products with significant growth potential. These include the shampoos, moisturizers, cleansers and high-strength keralytics.

**Blue Lizard Australian Sunscreen** SPF 30+ is the world's best sun protectant. This product was developed in Australia to fight nature's toughest elements. Blue Lizard is marketed through food, drug, independent pharmacies, physicians' offices and specialty retailers. Blue Lizard is packaged in a patented *Smart Bottle™* that alerts the user to the presence of harmful UV rays. Each time the bottle is exposed to UVA light, it turns a distinct blue color. The more intense/harmful the UV, the darker blue the bottle turns. The medical and retail communities have recognized this bottle as an effective educational tool. Many dermatologists have used this bottle to educate patients about the harmful effects of UV exposure.



**UlcerEase** is a product designed to combat mouth discomfort caused by chemotherapy, braces and other oral irritations. This product has been endorsed by John Hopkins, Mayo Clinic and many other prestigious oncology centers. It is nationally distributed through the CVS drug store chain and through many independent pharmacies.

Ulcerease is promoted to oncology centers, dermatologists, pediatricians and dental specialists via direct mail, journal advertising and by the Del-Ray Dermatologicals field sales force.

**Crown Laboratories, Inc.** currently contract manufactures products for a number of pharmaceutical and cosmetic companies. These companies provide a synergistic opportunity to lower costs and increase profits of Crown's branded products. This area of Crown's business has tremendous upside potential as more and more pharmaceutical companies are looking for reliable contract manufacturing.



# Crown Laboratories Overview

Formed in November 2000, Crown Laboratories was the vision of Dr. Don Kilday and Jeff Bedard, who wanted to combine the strengths of Blue Lizard Australian Sunscreen, Med-Derm Pharmaceuticals and Del-Ray Laboratories to become a true player in contract manufacturing and the consumer brands market.

Kilday and Bedard met in 1994 when Bedard joined Herald Pharmacal as a key executive and Kilday was a joint shareholder. After both left Herald, they kept in touch and later worked on a venture to bring medical spas to the retail marketplace.

The pair had quite a reputation among their colleagues. They were introduced to the Aussie who developed Blue Lizard Australian Sunscreen by Dr. Mark Rubin, a Beverly Hills dermatologist. Consulting for Blue Lizard resulted in acquiring it in 2001, solidifying the foundation for Crown Laboratories, Inc. Blue Lizard, which was launched in Australia in 1995, would be the company's flagship product.

While Kilday brought with him Med-Derm Pharmaceuticals and UlcerEase, the first acquisition under the umbrella of Crown Labs was Greg Holmes' company, Del-Ray. This piece of the puzzle gave Crown a respected line of ethical OTC and prescription products as well as the talent of Holmes, a widely respected chemist.

Contract manufacturing completes the operational side of Crown Laboratories. Contract manufacturing clients have chosen to market Crown's already established formulas under their own label or have relied on the company's reputable formulators to develop new products for them.



# Management Team

## Dr. Don Kilday, President and CEO (founder of Med-Derm Pharmaceuticals)

Dr. Don Kilday made his professional debut at a small retail pharmacy in Oak Ridge, Tennessee, shortly after graduation from the University of Tennessee at Memphis in 1970. Within a year, he moved back home to Kingsport, Tennessee, to run another pharmacy.

Two years later, Kilday opened the first pharmacy in Gray, Tennessee. Clearly an entrepreneur, he founded Pharmacists' Choice in 1976. The company, also located in Gray, distributed quality generic branded products at the front end of the generics movement. As it became clear that there was a significant void in the dermatology market and strong loyalty among dermatologists, the company made that its focus and changed its name to Med-Derm Pharmaceuticals.

Med-Derm started out distributing Benzoyl Peroxide, Hydrocortisone and Tetracycline products. The company still maintained a presence in family practice, particularly with its best-selling drug, Difil-G (for asthma, bronchitis, etc.).

Bob Meeks, a pharmaceutical sales representative with 40 years of experience, joined Med-Derm in 1978, opening up the company to a whole new world of derms and family practitioners. Soon after, Herald Pharmacal approached Med-Derm about being the exclusive distributor of its products in the Southeast.

In 1983, Herald Pharmacal took control of a huge part of the dermatology market when it bought the distribution rights to Glycolic Acid (AHA) from its formulator, Dr. Eugene Van Scott. AT that point, Kilday sold his interest in Gray Pharmacy and joined Meeks in covering the Southeast, For the next five years, he was able to build strong relationships with hundreds of dermatologists throughout the South and nationwide.



# Management Team cont'd

Dr. Don Kilday, President and CEO  
(founder of Med-Derm Pharmaceuticals)

By the late '80s, it became clear that Glycolic Acid was “the next big thing”. Extremely effective in reversing the signs of aging and as moisturizers, Glycolic Acid was only available in simple, unattractive packaging. Kilday saw the potential in dressing it up a bit.

Kilday's realization turned into MD Formulations, a product line of cosmetic Glycolic Acids. This was extremely significant, as it marked the beginning of the cosmeceutical industry. Glycolic Acids – from chemical peels to maintenance products – began to dominate dermatology practices. Dermatologists began to feel like they had a premier and exclusive product line to offer.

Kilday had been buying ownership interest in Herald since the early '80s and became majority shareholder in 1993. He traded Med-Derm's exclusive distribution agreement for additional ownership, but Med-Derm had a whole new focus.

Motivated by his mother's experience in chemotherapy for breast cancer, Kilday had worked with another pharmacist to create an anesthetic mouth rinse for ulcers and other irritations. Ulcerease was the first product of its kind on the market, and Med-Derm bought all rights to it in 1981. Today, Ulcerease is still one of the country's leading over-the-counter mouth ulcer products.

In 1994, Herald Pharmacal engaged a recognized dermatology sales leader to help build a national sales force – Jeff Bedard. Before Herald had a chance to go public, it sold to Allergan.

Kilday moved back to Tennessee and focused on Med-Derm but he and Bedard stayed in touch. They evaluated business opportunities together and were particularly interested in sunscreen. They had seen first hand that patients who spent thousands of dollars to reverse the signs of sun damage never wanted to do it again. It was Dr. Mark Rubin, a Beverly Hills dermatologist and medical advisor for Herald, who introduced them to a little Australian product called Blue Lizard.



# Management Team cont'd

## Jeff Bedard, Co-founder

A businessman with a background in chemistry, Jeff Bedard brings more than 20 years of pharmaceutical sales and medical consulting experience to Crown Laboratories. After graduating from the University of Iowa in 1983 with a bachelor's degree in chemistry, he joined the team at Stiefel Laboratories. He spent 10 years with Stiefel in the positions of territory manager, regional sales trainer, regional sales manager, and national accounts manager. This experience would prove invaluable years later, when Crown would partner with the company to market Blue Lizard.

In 1994, Bedard joined Herald Pharmacal, a start-up company in the skin care industry. He was a key executive and equity partner in the organization. During his time at Herald, Bedard developed and implemented a business model that enabled corporate revenues to grow from less than \$2 million to more than \$21 million within the first 18 months. Due to this explosive growth, Allergan, Inc. acquired Herald Pharmacal in August 1995. The acquisition resulted in a substantial return on investment for Herald shareholders.

Bedard joined a group of investors to found Rejuvena Corporation in 1996. Rejuvena develops and manages cosmetic centers, and Rejuvena Skin Therapy products are distributed by dispensing physicians throughout the United States. Bedard was instrumental in developing a business model that allowed multi-specialty physician groups (dermatology, plastic surgery, ob/gyn and ophthalmology) to operate through limited liability corporation medical skin care centers. These centers became integral parts of the Physicians' practices and allowed the doctors to participate in a larger portion of their patients' cosmetic treatment.

Bedard began lending his expertise to other companies in 1996, when he created Bedard Medical Consulting. He aided start-up to mid-size companies in their marketing and sales planning, media and public relations, business development, and capital asset acquisition. Some of his clients included Murad, Inc.; Bioglan Pharmaceuticals; Premium Pharmaceuticals LTD; Cosmetic Therapeutics, Inc. Zenith Medical, Inc.; and Med-Derm Pharmaceuticals, Inc.



# Management Team cont'd

## Greg Holmes, Vice President of Manufacturing (former President of Del-Ray Laboratories)

The Del-Ray branch of Crown Laboratories boasts five prescription and 12 ethical over-the-counter products, most of which were developed at a small company in Birmingham, Alabama, then known as Del-Ray Laboratories, Inc.

De-Ray Labs was started in 1969 by Raymond F. Delaney as a small distributor of dermatological products. Three years later, under the direction of formulator Vernon King, Del-Ray ventured into manufacturing with Del-Ray Special Shampoo, Ala Seb, Ala Seb T, Ala Bath and Ala Derm – products that are still going strong today.

In 1976, Del-Ray acquired the skills of a talented young biologist, Greg Holmes. The company's offerings expanded to include mild cleansers and moisturizers, an acne treatment, a scrub cleanser, an anti-inflammatory and Ray Block sunscreen. The products were available in drug stores throughout the Southeast.

Del-Ray's annual sales steadily increased over the next decade, going from about \$130,000 to \$900,000. Holmes attributes much of Del-Ray's success to its being part of the early days of the generic drug movement. Dermatologists recommended Del-Ray products because they were equal in quality to name-brand competitors but much lower in cost.

When Delany passed away in 1997, Holmes took over as CEO. His contract manufacturing business was very successful and included a Urea product, Rea-Lo Cream, distributed by Med-Derm Pharmaceuticals. A few years later, Med-Derm President Don Kilday and partner Jeff Bedard approached Holmes about joining Crown Laboratories.

Holmes' list of successful formulations has since continued to grow. He manufactured the first batch of Blue Lizard in the United States. He then created chemical-free versions of the sunscreen – an extremely rare and highly regarded product in the sun care market. He also has formulated Lamisilk daily hydrating cream and scrub for Novartis Consumer Health. Holmes' portfolio of consumer skin care topicals soon will include lip balm as well.



# Division Analysis

## Del-Ray Dermatologicals Med-Derm Pharmaceuticals

Del-Ray Dermatologicals boasts five prescription and 12 ethical OTC products. These therapeutic cleansers, moisturizers and shampoos are sold through physicians' offices and direct to consumer. Crown's flagship product, Blue Lizard Australian Sunscreen, is distributed under Del-Ray.

Med-Derm Pharmaceuticals is focused solely on Ulcerease, a Sodium Bicarbonate-based oral care product that delivers prompt relief of pain associated with mouth ulcers, canker sores and other irritations. Alcohol-free Ulcerease utilizes liquefied Phenol to deliver fast, temporary pain relief with proven anesthetic and antibacterial activity.

## Blue Lizard Australian Sunscreen

Crown is proud to own the world's very best sun protection, Blue Lizard Australian Sunscreen. Blue Lizard was created to combat one of the most intense UV environments in the world. To maintain that integrity, Crown still tests the product according to Australian Standards, which are much more stringent than FDA requirements. Crown Laboratories does not manufacture a suncare product with less than SPF 30 (the maximum allowed by Australian Standards).

## Contract Manufacturing

In 2003, the principles embarked upon a new chapter in the company's history: contract manufacturing. With 182,000 square feet of FDA-regulated manufacturing, office and warehouse space, Crown's potential is nearly unlimited.

