Why are smart money investors paying close attention to the developments at this emerging biotech? For the same reason Pfizer is.

This past summer, Bristol Myers Squibb acquired Amira Pharmaceuticals, the San Diego based privately held, a small-molecule pharmaceutical company focused on the discovery and early development of new drugs to treat inflammatory and fibrotic diseases, for $325M up-front plus a potential earnout of $150M
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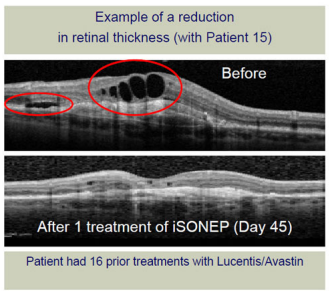
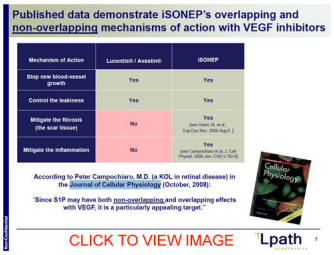
{rl}LPTN Investor Presentation;http://www.stockmedialink.com/LPathPresentation.pdf{/rl}{rl}LPTN Analyst Report;http://www.stockmedialink.com/LPTNReport.pdf{/rl}{tiny;lptn;3}{bmrutility}**LPath (OTCBB: LPTN),**
another San Diego based firm, whose shares currently trade just under $1 is the next comparable emerging biotech (working in the same space) which appearsto be a potential acquisition target. The firm's therapeutics platform is showing strong data which suggests that their drug-discovery engine has a unique ability to bind to and inhibit bioactive lipids that contribute to various diseases. Morgan Joseph, a firm with research analysts who distinguish themselves by zeroing in on quality companies with growth prospects and which often present special situations,
recently
rated the firm a "Buy"
with
a price target of $8.

With their ImmuneY2 platform technology, the company is generating antibodies against other bioactive-lipid targets, thus creating a compelling pipeline of therapeutic candidates.

As some of you may know, a recenty released NIH study found that both Avastin and Lucentis are equally effective in treating age-related macular degeneration. Lpath's iSONEP drug candidate has already caught the eye of the industry because in addition to working in similar fashion to those drugs, published data shows that the drug also appears to mitigate the scar tissues and inflammation associated with the eye disease. In fact, Phase 1 results suggest iSONEP might actually “melt away” less mature lesions and those with occult-type disease represent ~70-80% of the market, but close to 90% of the newly diagnosed patients.



Genentech originally developed Avastin to prevent blood vessel growth that enables cancerous tumors to develop and spread. In 2004, the FDA approved Avastin for the systemic treatment of metastatic colon cancer. Genentech later developed Lucentis, derived from a protein similar to Avastin, specifically for injection in the eye to block blood vessel growth in AMD. AMD is the leading cause of blindness in the U.S., and results from abnormal growth and leakage of blood vessels in the retina. Lucentis, specifically designed for AMD treatment, prevents abnormal blood vessel growth. It works in almost exactly the same way as Avastin, an older cancer drug. Complicating matters, in September, the U.S. Department of Veterans Affairs said it has stopped using Roche's (VTX: ROG.VX) Avastin to treat a sight-robbing eye disease as it looks into reports of increased risk of infection. In addition, contaminated vials of the cancer drug Avastin have been linked to an outbreak of eye infections in Florida and Tennessee, which has left some patients blinded.



Given Lucentis revenues of $2.9 billion, and the number of patients receiving this regimen escalating dramatically, there is little doubt that there is a market opportunity for LPath's drug candidate and evidence shows that the firm's pipeline may actually have several other blockbuster drug candidates in the making.

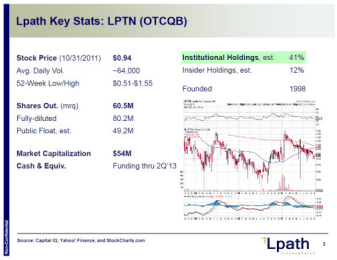
Already Pfizer (NYSE: PFE) has an established partnership (possible $500+M) with the firm for their ocular drug iSONEP with indications in Wet AMD, RPE Detachment, Diabetic Retinopathy.

It is public knowledge that Lpath is actively exploring partnership opportunities for some of their other unpartnered programs. Their program for Lpathomab is showing promise in several disease areas of unmet medical need, where there are large market opportunities exist in areas like Neuropathic/inflammatory pain, Diabetic neuropathy and Traumatic brain injury. In addition, published data shows that the drug's neuro-protective qualities may allow it to 'carry over' to the Alzheimer's and stroke space. At the very least, we know that recently released non-confidential information shows that Lpath is pursuing partnering discussions with other Pharma companies about this drug candidate.

It is important to realize that Lpath's proprietary ImmuneY2™ process generates high-binding and specific monoclonal antibodies against disease causing bioactive lipids. Using this

ImmuneY2, Lpath has already generated three proprietary drug programs, two of which are in Phase 2 (Pfizer has partnered one and has a right of first refusal on the other).

Those three drug programs are currently advancing to commercialization and according to the latest investor presentation by the company, as much as 41% of the current share float is now being held by “smart money” institutional investors. Insiders hold 12% of the company. From a financial perspective, the company also shows a strong balance sheet with a cash runway scheduled to last through June 2013.



Shares are currently trading -40% from their 52-WK High of $1.55. Prices have been basing at the current levels since the summer and appear ready to move given that only 229K of the firm’s 68.5 million shares are short the stock.

Late last week, rumors and reports started to flow that the firm will have results from their current Phase II drug studies released (after the start of the new year) and that they could be in line for a a buy-out offer if the data looks as good as anticipated. We have reached out to management for clarification on both of those issues and they have agreed to an interview which we will publish next week.

Given the current lack of market attention, shares appear undervalued at the current $63M market cap and later this week we will follow up with a widely distributed report about what makes their current Phase II drug candidates so attractive to Big Pharma.

Watch the trading action and decide if the upside risk here is worth taking a position in the firm as either a trade candidate or as longer term-investment.

Disclosure: None