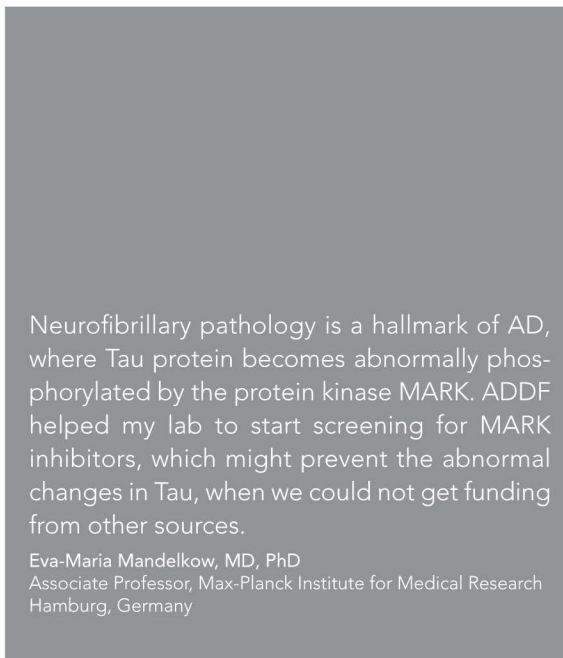




The ADDF/Elan award enables us to explore prototype drugs that fine tune the action of gamma-secretase, a key target for Alzheimer's drug discovery. My experience is that other agencies seem to want risk-free science, but the ADDF/Elan program emphasizes testing novel therapeutics that would potentially advance the field at a faster pace.

Michael S. Wolfe, PhD
Associate Professor, Center for Neurologic Diseases
Harvard Medical School and Brigham and Women's Hospital



Neurofibrillary pathology is a hallmark of AD, where Tau protein becomes abnormally phosphorylated by the protein kinase MARK. ADDF helped my lab to start screening for MARK inhibitors, which might prevent the abnormal changes in Tau, when we could not get funding from other sources.

Eva-Maria Mandelkow, MD, PhD
Associate Professor, Max-Planck Institute for Medical Research
Hamburg, Germany



The funding NeuroMolecular Pharmaceuticals received from the ADDF/ISOA allowed us to pursue our new chemical entity program directed towards superior derivatives of memantine (Namenda), accelerating the chemistry development, lead optimization and in vitro models. This program augments our pipeline with a potential breakthrough Alzheimer product.

Gregory Went, PhD
CEO and Chairman, NeuroMolecular Pharmaceuticals
Emeryville, CA

Our mission: Accelerating drug discovery for Alzheimer's disease through venture philanthropy.

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Alzheimer's Drug Discovery Foundation

2006 ANNUAL HIGHLIGHTS



MESSAGE FROM THE FOUNDING EXECUTIVE DIRECTOR

In the lifecycle of public charities, ADDF is a very young organization, established only a bit more than 2 years ago by the ISOA, a private foundation funded by the Estée Lauder Trust. As this report highlights, ADDF has advanced rapidly in a short period of time, achieving its goal of enabling the public to work with us to discover new drugs for Alzheimer's disease. Indeed, ADDF has already demonstrated success in fundraising, partnerships and grant-making. We are grateful to our partners for their trust and recognition of the value and importance of our efforts.

Today, the prospects for disease modifying drugs for Alzheimer's disease are improving, with many compounds now in human clinical trials. But despite this progress, we still have so much more to do. Our mission at ADDF is to accelerate drug discovery for Alzheimer's disease through biomedical venture philanthropy, so that loss of mind will no longer be the scourge of old age. I encourage you to participate with us to insure that we attain this critical goal.

Howard Fillit, MD

Discovery

THE ALZHEIMER'S DRUG DISCOVERY FOUNDATION (ADDF) IS ALL ABOUT SCIENCE. Building upon the highly focused mission and venture philanthropy investment model of its affiliated private foundation, the Institute for the Study of Aging (ISOA), the ADDF continued to support global scientists in their efforts to discover effective drugs for Alzheimer's disease (AD), related dementias and cognitive aging throughout 2006.

Unlike basic research that tries to understand the causes of a disease, drug discovery is an interdisciplinary process by which pills are created. It involves physicians, biologists, pharmacologists and medicinal chemists working together to screen chemicals, identify compounds, optimize their activity, and test them in the laboratory, animal models and human clinical trials. It is an extremely costly and time consuming process.

Traditional funding sources like foundations and government agencies tend to support basic research. Pharmaceutical and biotechnology companies favor financing later-stage drug development. Few sources support early-stage drug discovery, which has caused a major funding gap. ADDF and ISOA strive to fill this gap through venture philanthropy by awarding program related investment grants that enable them to receive a return on investment to fund more programs. Additionally, ADDF and ISOA staff continuously keep up with current research, proactively pursue scientists to apply for funding and provide them with technical assistance and resource networks to further their work.

In 2006, the ADDF and ISOA received a record 173 grant applications, the most applications received since their respective inceptions in 2004 and 1998. Of those, 35 were awarded funds totaling \$2,955,348, a 48% funding increase over 2005 thanks to many dedicated partners. Our second-year alliance with Elan Pharmaceuticals generated such exciting applications that we increased the number of awards for that program from 4 to 6. We also recovered payment on a convertible note awarded to Mindset Biopharmaceuticals in 2000.

Although it was a great year for advancing science, there were numerous requests that could not be funded due to limited dollars. Through establishing additional partnerships, the ADDF and ISOA could make an even greater impact on the field. Ultimately, supporting the discovery process leads to finding a cure.

2006 ADDF Contributing Partners: We gratefully acknowledge the following partners for their generosity and support. Through their dedication, we are able to advance our mission of accelerating drug discovery research.

Contributions of \$100,000 and above

Ms. Nancy Corzine
 Elan Pharmaceuticals, Inc.*
 Jack Parker Foundation Inc.,
 Ms. Nancy Parker Magoon and
 Ms. Jane Ellen Parker
 Mrs. Cynthia Hazen Polsky

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 Ms. Barbara R. Zapson

Partnership Sponsored Programs

PacifiCare Health Systems, Inc.*
 HealthCare Dimensions, Inc.*

*Payment from 2005 contractual agreement

Hope is on the horizon and it is being expedited by marrying smart business strategies with philanthropic giving.

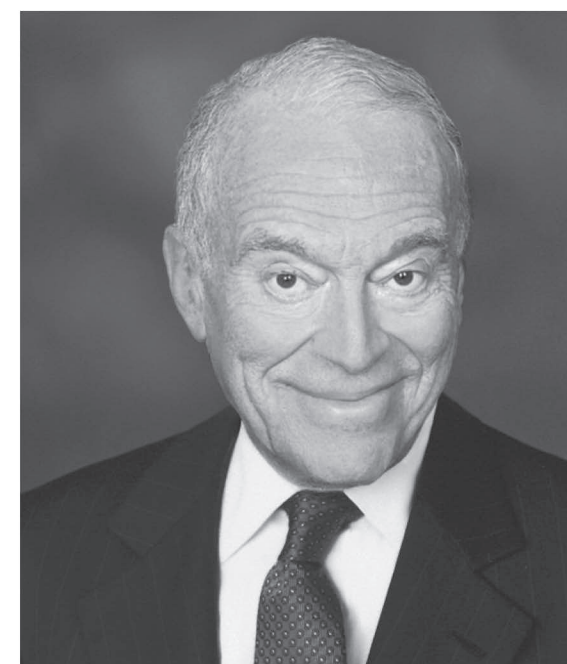
Hope

INNOVATIVE VENTURE PHILANTHROPY CONTINUES TO BE THE DRIVING FORCE BEHIND ADDF'S MISSION. IT DIFFERENTIATES THIS CHARITY FROM OTHERS IN PURSUIT OF A CURE FOR AD. APPLYING BEST PRACTICES IN VENTURE CAPITAL INVESTING TO A NON-PROFIT GRANT AWARD VEHICLE HAS HAD A POSITIVE EFFECT ON THE FIELD.

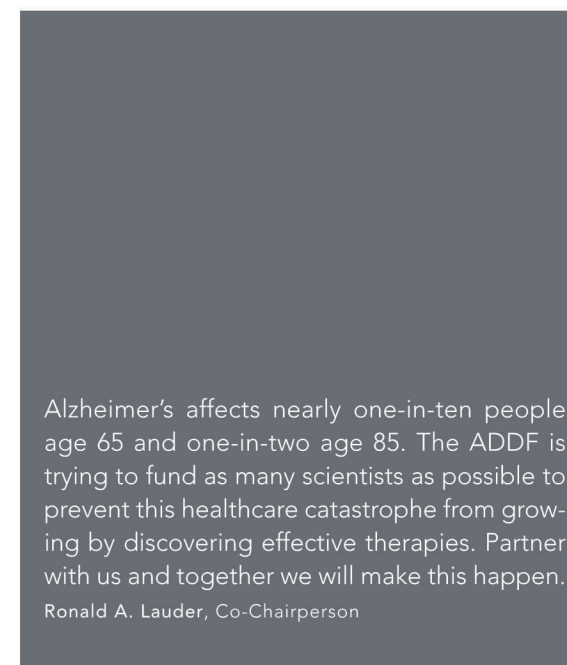
When the ADDF's sister organization ISOA started utilizing program related investment grants in 1999 there were only a handful of drugs in clinical trials. Presently, 60 trials are being conducted, several of which received pre-clinical funding from ISOA. During 2006, ADDF and ISOA financed many promising programs at leading academic research centers and biotechnology companies worldwide. Along with work by numerous scientists in academia and industry, the drug development pipeline has created real opportunities for producing disease modifying therapies.

In an effort to catalyze the field, the ADDF took the ISOA model to a new level in 2006. Maximizing a successful record in biotechnology investments, the ADDF developed a separate philanthropic *Fund for Alzheimer's Drug Discovery*. Structured like a for-profit fund, the *Fund* seeks to raise \$10 million, in units of \$50,000 each, over 30 months. *Fund* contributors may designate a 501(c)(3) organization to receive a pro rata return on investment when scientists achieve contractual milestones. To open the *Fund*, \$1 million needed to be raised by April 1, 2007. By year's end, the ADDF raised \$600,000 and received \$1,200,000 in pledges. With such an enthusiastic response, it is anticipated that the *Fund* will open well before its deadline date.

This project, along with other partnership activities, has stimulated individuals, foundations and corporations to align with the ADDF and work in concert to find a cure. Hope is on the horizon and it is being expedited by marrying smart business strategies with philanthropic giving. Join the ADDF and become a venture philanthropist responsible for changing the health of humankind.



Name one person you know who doesn't know someone suffering from a form of dementia. Our family wants to work with others to find a cure and instill hope for generations to come.
 Leonard A. Lauder, Co-Chairperson



Alzheimer's affects nearly one-in-ten people age 65 and one-in-two age 85. The ADDF is trying to fund as many scientists as possible to prevent this healthcare catastrophe from growing by discovering effective therapies. Partner with us and together we will make this happen.
 Ronald A. Lauder, Co-Chairperson



After watching my mother lose her humanity, and her life, during her nine-year battle with Alzheimer's, I was determined to do whatever I could to help eliminate this dreaded disease. Through my work with ADDF, I am now convinced that the way to a cure is by investing in research.
 Nancy Corzine, President

\$28,198,990

Amount to date ADDF and ISOA have awarded for 188 research programs and conferences in 12 countries.

AS A REGISTERED 501(C)(3) TAX-EXEMPT PUBLIC CHARITY, THE ADDF IS COMMITTED TO TRANSPARENCY AND ACCOUNTABILITY TO ITS PARTNERS.

The operational and financial relationship with the ISOA enables the ADDF to spend more on research grants and educational programs and less on general management and fundraising than most charities. This affiliation has especially made a difference during the start-up phase of the ADDF when the overhead expenses are generally at their highest.

According to the Charity Navigator, America's premier independent charity evaluator, the majority of 501(c)(3) organizations tend to spend approximately 75% on programs and services they provide. Concluding the second year of its founding, the ADDF is pleased to report that it spent 81% of its annual budget on research and scientific conferences, 6% above the national average.

In 2006, the ADDF and ISOA collaboratively awarded \$2.9 million in grants for 32 AD drug discovery research programs and 3 conferences worldwide.

Financials

19% ADDF GENERAL MANAGEMENT AND FUNDRAISING EFFORTS

81% ADDF RESEARCH GRANTS AND EDUCATIONAL PROGRAMS

