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**Meritage Pharma Initiates Phase 2b Clinical Trial of Oral Viscous Budesonide for Pediatric Patients with Eosinophilic Esophagitis**

**San Diego, CA (January 22, 2008)** Meritage Pharma, Inc. announced today that it has initiated a dose-ranging Phase 2b clinical trial to evaluate oral viscous budesonide (OVB) for the treatment of children and adolescents with eosinophilic esophagitis (EoE), an allergic inflammatory condition of the esophagus. EoE can cause difficulty in swallowing and heartburn, and in severe cases it can lead to food impaction (food getting stuck in the esophagus) and in children, a failure to thrive (poor growth or weight loss). The trial is being conducted at multiple U.S. clinical centers that specialize in the treatment of patients with gastrointestinal diseases.

EoE is an emerging disease that has only recently been classified as a separate condition. Most centers of excellence have seen a dramatic rise in the incidence and diagnosis of EoE over the last decade. EoE tends to be a chronic disease with persistent or relapsing symptoms. The disease occurs when eosinophils, a type of white blood cell involved in allergic reactions, infiltrate the surface of the esophagus. This eosinophil infiltration leads to inflammation of the esophagus and is believed to cause the symptoms of EoE. A variety of stimuli may trigger this allergic process including certain foods and environmental allergens. People with EoE commonly have other allergic conditions such as asthma or eczema.

Symptoms of EoE may include nausea, dysphagia (problems swallowing), vomiting, stomach pain, chest pain, heartburn, loss of weight, and food impaction. Other symptoms may include reflux that does not respond to proton pump inhibitor therapy, failure to thrive, poor appetite, malnutrition and difficulty sleeping.

The double-blind, randomized, placebo-controlled 12-week study in up to 80 patients with confirmed EoE aged two to 18 is designed to evaluate three different doses of OVB. Patients will be evaluated by performing biopsies of the esophagus obtained before and after OVB administration as well as their symptomatic response to therapy.

“There has been tremendous interest in Meritage Pharma’s OVB clinical trial due to the increasing number of EoE diagnoses and the lack of an approved therapy for EoE,” states Malcolm R. Hill, Pharm.D., chief scientific officer of Meritage Pharma, Inc. “Patients with EoE struggle with apparent allergies to many foods and other allergens, and it is often difficult to eliminate possible symptom triggers. Meritage Pharma is eager to evaluate OVB as a potential therapy to enable patients to thrive, despite their disease.”

OVB is a proprietary oral formulation of budesonide. Budesonide is the active pharmaceutical ingredient in several products approved by the U.S. Food and Drug Administration (FDA), including products for the treatment of pediatric asthma, allergic rhinitis and Crohn’s disease. Budesonide is a corticosteroid and has an established safety profile in those diseases. It works by decreasing inflammation in the treated area. Meritage Pharma’s proprietary formulation is viscous and is designed to coat the esophagus with budesonide where it can act locally.

The FDA has granted Orphan Drug Status designation to OVB for the treatment of pediatric EoE. FDA designation generally provides Meritage Pharma with market exclusivity for the product for seven years following FDA approval, in addition to other incentives.

### **About Meritage Pharma**

Meritage Pharma is committed to the development of prescription products based on safe and effective molecules for the treatment of gastrointestinal and atopic diseases. Meritage Pharma’s initial product candidate is intended for the treatment of pediatric eosinophilic esophagitis, an allergic inflammation of the gastrointestinal tract and is currently in a Phase 2b study. The management team has an established track record of building successful specialty pharmaceutical companies and in identifying and developing novel products for atopic diseases. The company was founded in March 2008 and has raised over \$22.5 million in Series A financing from Domain Associates, Latterell Venture Partners and The Vertical Group. More information about Meritage Pharma is available at [www.meritagepharma.com](http://www.meritagepharma.com).

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### **Forward-Looking Statements**

Meritage Pharma cautions you that statements included in this press release that are not a description of historical facts may be forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by Meritage Pharma that any of its plans will be achieved. Actual results may differ materially from those set forth in this press release due to the risks and uncertainties inherent in Meritage Pharma's business including, without limitation, statements about: difficulties or delays in developing, obtaining regulatory approval, manufacturing and commercializing its products; unexpected performance or side effects of its products that could delay or prevent development or commercialization; the scope and validity of patent protection for its products; competition from other pharmaceutical companies; and its ability to obtain additional financing to support its operations. All forward-looking statements are qualified in their entirety by this cautionary statement and Meritage Pharma undertakes no obligation to revise or update this press release to reflect events or circumstances after the date hereof.

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