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Geron Corporation (GERN)

BIOTECHNOLOGY

MARKET PERFORM / SPECULATIVE RISK

COMPANY UPDATE

JULY 19, 2005

GERN: MERCK COLLABORATION SETS SPOTLIGHT ON TELOMERASE

MARKET DATA		
GERN	$10.89	7/18/2005
Target Price	NA	
Market	NASDAQ-SC	
52 Wk Hi - Low	$11.24	- $5.15
Market Cap. (MM)	$603.7	
Shares Out (MM)	55.4	
Public Mkt Float (MM)	55.1	
Avg. Daily Vol (000)	1,202	

BALANCE SHEET METRICS (03/31/2005)	
Cash (MM)	125.0
LTD (MM)	2.5
Debt/Capital	0.4%

EARNINGS DATA			
FY - 12/31	**2004 A**	**2005 E**	**2006 E**
1Q - 03/31	($1.28)	($0.18) **A**	NE
2Q - 06/30	($0.20)	($0.18)	NE
3Q - 09/30	($0.23)	($0.20)	NE
4Q - 12/31	($0.20)	($0.23)	NE
Full Year EPS	($1.79)	($0.79)	$ (0.94)
Revenue (MM)	$1.05	$0.51	$1.0
EBITDA (MM)	($81.29)	($44.41)	(54.00)

VALUATION METRICS			
Price/Earnings	NM	NM	NM
Price/Revenue	573.4x	1,186.1x	603.7x

MERCK TO CO-DEVELOP CANCER VACCINE Yesterday, Geron announced a collaboration and licensing agreement with Merck (MRK, Not Rated) to co-develop a cancer vaccine targeting telomerase. Under the terms of the agreement, Geron will receive $2.5 MM in an upfront payment, an equity investment of approximately $18 MM in the next round of financing for Geron, as well as future milestone and royalty payments upon achievement of certain development, regulatory and commercial events. This 2-year joint research program will evaluate Merck's cancer vaccine program, excluding vaccines utilizing dendritic cell technology.

In addition, Merck acquired an exclusive option, for approximately $1 MM, to exclusively license Geron's Tvax cancer vaccine, currently in Phase 1/2 trials at Duke University. In our opinion, this deal not only provides validation for Geron's telomerase platform, but also provides Geron with clinical development expertise from a well-established company like Merck to advance the telomerase cancer vaccine program.

CANCER VACCINE PROGRAM UPDATE The company has optimized the Tvax cancer vaccine and is positioned to initiate a hematological malignancy trial in 3Q05. We expect the company to have preliminary/interim results as early as 4Q05. Furthermore, Geron is planning to initiate Phase 2 clinical studies evaluating Tvax in a variety of cancers in 4Q05/1H06.

TELOMERASE INHIBITOR UPDATE The company has obtained clearance to initiate an open-label, dose-escalation Phase 1/2 clinical trial evaluating GRN163L in advanced chronic lymphocytic leukemia (CLL). We expect the company to initiate another Phase 1/2 trial evaluating GRN163L in solid tumors in 4Q05/1H06.

INVESTMENT OPINION We are maintaining our Market Perform / Speculative Risk rating on Geron based on the company's current market valuation ($604 MM mcap). In our opinion, Geron shares may be volatile in the near-term as investors focus attention on the upcoming Senate vote regarding current federal restrictions on embryonic stem cell research funding.

RISK Our Speculative Risk rating takes into account the inherent risks associated with preclinical and clinical development, including failure to meet clinical trial endpoints, as well as associated regulatory risks.

INVESTMENT SUMMARY

Geron Corporation, headquartered in Menlo Park, CA, is a pioneering biotechnology company with novel therapeutics addressing markets of large unmet need, including cancer, neurodegenerative disease, spinal cord injury, cardiac failure and other chronic diseases. Geron seeks to successfully address two common themes in biopharmaceutical development in the modern era: 1) efficacy against disease without toxicity to healthy tissue; and 2) treatment of the disease rather than just the symptoms. The company's cancer vaccine platform seeks to exploit the patient's own immune system to specifically target cancer cells while sparing healthy tissue. The company's stem cell therapy seeks to convert diseased tissue to healthy tissue instead of treating the symptoms associated with diseased tissue.

Both cancer and regenerative medicine represent large areas of clinical unmet need. According to the National Cancer Institute, approximately 1.3 million new cases of cancer are expected to be diagnosed in 2003. The overall cost of cancer in 2002 was estimated at $172 billion, with direct medical costs (e.g., tests, drugs, supplies, health care personnel, and medical facilities) accounting for $61 billion. The overall costs associated with diabetes, neurodegenerative diseases, spinal cord injury, cardiac failure, and osteoporosis in 2002 were approximately $384 billion, with direct medical costs accounting for $201 billion and indirect costs accounting for $183 billion.

NEWSWORTHY EVENTS/MILESTONES FOR 2005/2006

Cancer Vaccine

- ✓ Initiate new Phase 1/2 trials at Duke (2Q05).
- Announce results from the ongoing optimization studies (including boost strategy and Ontak studies) (2H05).
- Initiate Phase 2 clinical study evaluating Tvax in hematological malignancies (3Q05).

Telomerase Inhibitor

- ✓ Submit IND to initiate clinical studies with GRN163L (April 2005).
- Initiate Phase 1/2 clinical studies in CLL (3Q05).
- Potential to initiate Phase 1/2 clinical studies in solid tumors (4Q05/1H06).

Regenerative Medicine

- Validation of GMP master stem cell bank (3Q05).
- Submit IND and initiate Phase 1 trial in spinal cord injury (2006).

INVESTMENT OPINION

We are maintaining our Market Perform / Speculative Risk rating on Geron based on the company's current market valuation. While we acknowledge that Geron is developing new modalities of treatment that address large areas of unmet clinical need, and therefore, may deserve to trade at a premium to its peers, we await additional clinical data and peer-reviewed publications, as well as additional clarity regarding the company's clinical program status, before re-evaluating our rating of the company.

GERON'S THERAPEUTIC PIPELINE PORTFOLIO

PRODUCT/INDICATION	STATUS	RIGHTS
ONCOLOGY		
Cancer Vaccine		
Prostate Cancer	Phase 1/2	Geron
Telomerase Inhibitor		
GRN163L	Phase 1/2	Geron
GRN719	Preclinical	Geron
Oncolytic Virus		
E2F/hTERT	Preclinical	Geron/GTI/Novartis
Diagnostic		
Bladder Cancer	Pilot trial	Roche
REGENERATIVE MEDICINE		
Spinal cord injury	Preclinical	Geron
Parkinson's disease	Preclinical	Geron
Heart failure	Preclinical	Geron
Osteoporosis	Preclinical	Geron
Diabetes	Preclinical	Geron
Arthritis	Preclinical	Geron

Source: Company Reports; Rodman & Renshaw, LLC

INVESTMENT PROS AND CONS

POSITIVES	NEGATIVES
Novel therapeutics tackling diseases not adequately treated with small molecules or biologics.	Majority of pipeline products in preclinical stage of development.
Stem cell therapeutics to enter clinic – valuation transforming event within 12-18 months.	Stem cell therapeutics proof-of-concept in humans remains to be demonstrated.
Phase 1/2 interim results for telomerase cancer vaccine demonstrate strong efficacy and safety.	Political climate may affect regulation of stem cells as therapeutics.
Validation from a large pharmaceutical company (Merck) through co-development collaboration on cancer vaccine targeting telomerase.	Financing or partnership necessary to continue development of pipeline.
Dominant intellectual property (IP) position in embryonic stem cells, telomerase therapeutics and nuclear transfer technology.	Stock more than fairly valued at current price
Sufficient cash for over 24 months.	
Pipeline products have multi-billion dollar market potential.	
Experienced and focused management team.	

Source: Rodman & Renshaw, LLC

INVESTMENT RISKS

The product may fail to meet efficacy endpoints during clinical development. While developmental risks are present with any developmental stage biotechnology company, we believe the strong pre-clinical results help to mitigate the underlying developmental risk associated with companies of this stage.

The company may fail to obtain regulatory approval to market its product candidates / may not be successful in commercializing the cancer vaccine as this is the company's first drug to market. We believe, if the results for the Phase 1/2 trials are positive, a big Pharma partnership could occur and enhance the probability of both regulatory and commercial success.

Stem cell therapeutics may fail to obtain approval due to the political climate surrounding embryonic stem cells. While the current law states that new embryonic stem cell lines may not be derived from embryos, existing lines are not subject to regulation. Additionally, if positive results are obtained in humans using differentiated cells obtained from hESCs, we believe that patients and health care insurance providers may support marketing of stem cell therapeutics.

RODMAN & RENSHAW RATING SYSTEM: Rodman & Renshaw employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector, as defined by First Call. The price objective is calculated to estimate the potential movement in price a given equity could achieve given certain targets are met over a defined time horizon. Price objectives are subject to exogenous factors including industry events and market volatility. The risk assessment evaluates the company specific risk and accounts for the following factors, maturity of market, maturity of technology, maturity of firm, cash utilization, and valuation considerations. Potential factors contributing to risk: relatively undefined market, new technologies, immature firm, high cash burn rates, intrinsic value weighted toward future earnings or events.

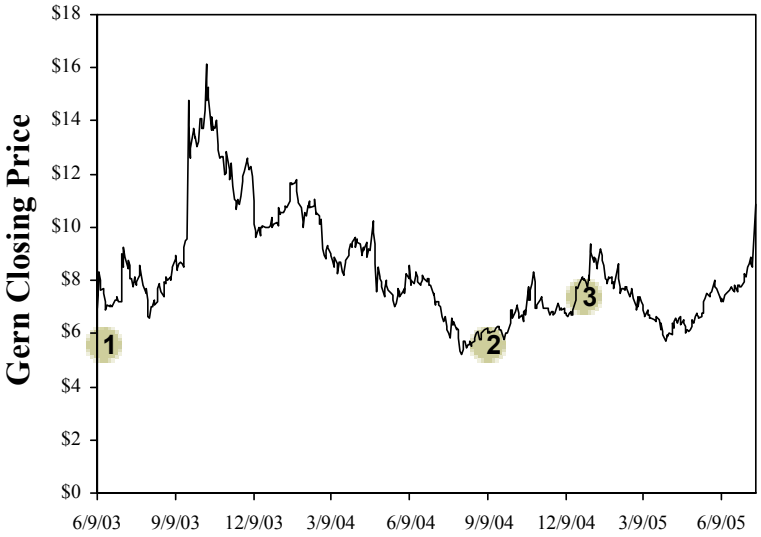
RETURN ASSESSMENT

- Market Outperform: The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Perform: The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Underperform: The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.

RISK ASSESSMENT

- Speculative – The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- Aggressive - The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- Moderate – The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.

RATING HISTORY



	Date	*Rating*	*Target Price*
1.	06/09/03	Outperform,	$9
2.	09/24/03,	Outperform,	UR
3.	12/16/03,	Market Perform,	NA

RATING SUMMARY

Rating	Research Coverage (Past 12 months)	Investment Banking Services Provided
Outperform	68%	40%
Perform	24%	60%
Underperform	3%	50%

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

ADDITIONAL DISCLOSURES
Rodman & Renshaw (the "Firm") is a member of NASD and SIPC and a registered U.S. Broker-Dealer.

ANALYST CERTIFICATION:

I, Reni J. Benjamin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company (ies) and its (their) securities.

I, Hao Zhou, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities.

None of the research analysts, the research analyst's household or the Firm, has a financial interest in the securities of Geron Corporation (including, without limitation, any option, right, warrant, future, long or short position).

As of June 30, 2005, neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Geron Corporation.

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