Excerpts from the BioPharmaceutical Royalty Rates & Deal Terms Report

Licensing Executives Society (U.S.A. & Canada), Inc.

June 2008
Methodology

In the spring and summer of 2007, Veris staff coordinated with the Licensing Executives Society and a specially selected committee of LES members to develop a survey instrument that would help determine royalty rate and deal terms benchmarks for the Licensing Industry. The survey was designed to focus on the Health Care Sector of the Licensing Industry, specifically the Biotechnology and Pharmaceutical segments and collect data on deals from the previous 3 years.

After multiple planning meetings, Veris drafted and tested the survey instrument with the help of the LES Royalty Rate Survey Committee. Veris incorporated edits and changes based on this exercise to construct and refine the final online survey instrument.

Veris worked with the committee to create a survey package that included:
1. Survey promotions;
2. The online, web-based survey instrument, and
3. Scheduled reminder emails.

During the LES (USA & Canada) annual meeting in October 2007, LES officially announced the survey to all appropriate LES members. In late October, LES provided Veris with a list of 1,569 email addresses that identified the senior LES member for each company with LES membership. Veris emailed each company a unique survey account on November 1, 2007. All companies were sent updates of their progress and reminders to continue throughout the survey collection phase. In order to garner further participation, the LES Royalty Rate Committee personally contacted the top 50 Pharmaceutical companies.

The survey ended on January 2, 2008 with 230 total respondents. Based on the responses, a majority of the participants represented the Biotechnology and Pharmaceutical industries. During the Chicago meeting in May 2008, the LES Royalty Rate Committee presented the survey's preliminary findings. A final report in electronic format was provided to LES members June 2008.
A Profile of Responses

Therapeutic Area

Anticancer deals comprised almost one third of the reported and analyzed deals.

Q6: Principle Therapeutic Area for License?

Category of Compound/Drug (n=155 analyzed)

Number of Deals

- Anticancer
- CNS
- Cardiovascular
- Inflammation
- Ophthalmology
- Immunological
- Anti-infective (bact.)
- Dermatological
- Anti-infective (viral)
- Gastrointestinal
- Respiratory
- Blood & Clotting
- Other
A Profile of Responses

Peak US Sales

Just over half of the deals were for products with estimated peak US sales of less than $100M, while one-fourth were for greater than $500M

Analyzed Deals Reported
(n=155 deals)

Q10: Estimated Peak U.S. Annual Sales?
Within groups, mean fixed royalty levels were below the values for tiered royalties.

Comparison of Tiered vs. Fixed Royalties

- Group 1 - Preclinical
- Group 2 – Pre-POC

Tiered-based on 11 deals
Tiered-based on 27 deals

Fixed—4.6% rate, based on 9 deals
Fixed—4.2% based on 63 deals

Valuation

Highest ratios of up front payments to NPV were in “Group 1” deals. All Deals: “Average” up front payment to NPV = 15% and “Median” of 7%.

<table>
<thead>
<tr>
<th># of Deals</th>
<th>Average</th>
<th>Median</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Deals</td>
<td>21</td>
<td>15%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Biotech Deals</td>
<td>7</td>
<td>14%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Pharma Deals</td>
<td>9</td>
<td>11%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Group 1 Deals</td>
<td>7</td>
<td>26%</td>
<td>22%</td>
<td>1%</td>
</tr>
<tr>
<td>Group 2 Deals</td>
<td>6</td>
<td>5%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Group 3 Deals</td>
<td>5</td>
<td>16%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Group 4 Deals</td>
<td>1</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Group 5 Deals</td>
<td>2</td>
<td>5%</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Note:* Analysis excludes 2 platform deals, 3 deals for which the NPV was not available, 1 deal with a reported NPV of $0, and 1 deal with an up front payment that greatly exceeded the NPV of the deal. All Deals and Groups include Academic and Other deals as well as Biotech and Pharma.
As expected, the higher the estimated peak sales, the higher the NPV

<table>
<thead>
<tr>
<th>Estimated Peak Sales</th>
<th>$0-$100</th>
<th>$251-$500</th>
<th>$501-$1,000</th>
<th>$1,001+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$15</td>
<td>$95</td>
<td>$340</td>
<td>$342</td>
</tr>
<tr>
<td>Median</td>
<td>$9</td>
<td>$45</td>
<td>$170</td>
<td>$289</td>
</tr>
<tr>
<td>Min</td>
<td>$0</td>
<td>$12</td>
<td>$50</td>
<td>$50</td>
</tr>
<tr>
<td>Max</td>
<td>$45</td>
<td>$340</td>
<td>$800</td>
<td>$740</td>
</tr>
</tbody>
</table>

Note: Analysis excludes platform deals; biotech and pharma deals only.
Analysis of Therapeutic Areas

Anticancer – Fixed Royalty Rates

Mean and Median of Fixed Royalty Rates for Anticancer Deals by Therapeutic Stage

<table>
<thead>
<tr>
<th>Therapeutic Stage</th>
<th>Mean Rate (%)</th>
<th>Median Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preclinical</td>
<td>6.0%</td>
<td></td>
</tr>
<tr>
<td>IND Filed</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Phase I (patients enrolled)</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Phase 1 (completed)</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Phase 2 (patients enrolled)</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

n = number of deals

Accompanying data on following page.