

VIA EMAIL

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From: Nigel Borshell <Nigel.Borshell@pharmaventures.com>

Subject: Valuation of Intangible assets GN 4

Sent: Apr 21 '09 10:15

I would like to see reference to the following points if possible:-

4.28 - a comment pointing out the unsuitability of the 'relief from royalty method' in valuation of highly differentiated IP where by definition comparables will be impossible to find, and assumptions around hypothetical transactions extremely difficult to model.

5.20 - a bullet point factor included referencing the development stage of the subject asset particularly for highly regulated development and commercialisation markets such as healthcare, pharmaceuticals... where royalty rates reflect one component of both value and risk sharing and need to be interpreted in the light of this relative risk along with any alternative value bearing tangible or intangible asset transfers between parties.

5.20 - 'strategic need' is a major driver in establishing deal terms (eg royalty) and needs to be accounted for in the interpretation of potential comparables.

?5.20 - perhaps a comment/caveat could be added warning against the use of 'rules of thumb' in valuation, particularly where evidence is merely anecdotal, absent altogether, or contradicted by alternative data. (example here would be the '25% rule of thumb' in royalty calculation)

thank you for consideration of these points.

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