

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of) File No. 041-0031
)
SANOFI-SYNTHÉLABO,)
a société-anonyme,)
and)
AVENTIS,)
a société-anonyme.)

**PETITION OF AVENTIS FOR APPROVAL OF THE PROPOSED
DIVESTITURE OF THE ESTORRA ROYALTIES
TO PAUL CAPITAL PARTNERS**

Pursuant to Section 2.41(f) of the Federal Trade Commission (the “Commission”) Rules of Practice and Procedure, 16 C.F.R. § 2.41(f) (2002), and Paragraph IV.A of the Decision and Order contained in the Agreement Containing Consent Orders accepted for public comment in this matter (the “Decision and Order”), Aventis hereby petitions the Commission to approve the divestiture of the Estorra Royalties to Paul Royalty Fund II, L.P. (“Paul Royalty Fund”), a limited partnership under the control of Paul Capital Partners and PRF Sleep Holdings, LLC, an affiliate of Paul Royalty fund (referred to collectively with the Paul Royalty Fund as “Paul Capital”).

Background

On July 8, 2004, Aventis, Sanofi-Synthélabo (“Sanofi”) (individually and collectively, “Respondents”), and the Commission executed an Agreement Containing Consent Orders that included the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the “Consent Agreement”) to settle the Commission’s charges related to the proposed acquisition of Aventis by Sanofi. On July 28, 2004, the Commission accepted the

Consent Agreement for public comment, and Sanofi closed its offer for Aventis thereafter.

Included within the Decision and Order is a provision requiring the Respondents to divest the Estorra Royalties within 90 days of the date on which the Decision and Order becomes final. This petition relates to this requirement of the Decision and Order.

Aventis and Paul Capital would like to complete the proposed divestiture of the Estorra Royalties to Paul Capital as soon as possible following Commission approval. Prompt consummation will further the purposes of the Consent Agreement and is in the interests of the Commission, the public, Respondents and Paul Capital. It also will allow Respondents to fulfill their obligations under the Consent Agreement. Aventis accordingly requests that the Commission promptly commence the period of public comment pursuant to section 2.41(f)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2) (2002), and grant this petition by approving the divestiture of the Estorra Royalties to Paul Capital pursuant to the proposed agreement as soon as practicable after the close of the public comment period. In addition, given the nature of the proposed divestiture as described below, Respondents respectfully submit that this is an appropriate matter for the Commission to shorten the period of public comment pursuant to section 2.41(f)(2) of the Commission's Rules of Practice and Procedure.

Request for Confidential Treatment

Because this petition and its attachments contain confidential and competitively sensitive business information relating to the divestiture of the Estorra Royalties, Respondents have redacted such confidential information from the public version of this petition and its attachments. The disclosure of this information would prejudice Respondents and Paul Capital, cause harm to the ongoing competitiveness of Paul Capital, and impair Respondents' ability to

comply with their obligations under the Consent Agreement. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c) (2002), Respondents request that the confidential version of this petition and its attachments and the information contained herein be accorded confidential treatment. The confidential version of this petition should be accorded such confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.10(a)(2) (2002). The confidential version of this petition is also exempt from disclosure under Exemptions 4, 7(A), 7(B), and 7(C) of the Freedom of Information Act, 5 U.S.C. § 552(b)(4), 552(b)(7)(A), 552(b)(7)(B), & 552(b)(7)(C), and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a(h).

I.

**Description of the Estorra Royalties and
Aventis's Efforts to Divest the Estorra Royalties**

The Estorra Royalties relate to certain rights granted to Aventis's corporate predecessor by Sepracor Inc. ("Sepracor") in a License and Assignment Agreement by and between Sepracor and Rhône-Poulenc Rorer SA, dated September 30, 1999, and all amendments, exhibits, attachments, agreements, and schedules thereto (the "Estorra License Agreement"). The Decision and Order defines the Estorra License Agreement to specifically include the Amendment and Patent Assignment Agreement dated July 2, 2004, by and between Sepracor Inc. and Aventis Pharma SA (the successor in interest to Rhône-Poulenc Rorer SA) (the "Amendment and Patent Assignment"). The Amendment and Patent License Agreement amended the Estorra License Agreement by, among other things,

. The Estorra License Agreement was

attached to the Decision and Order as non-public Appendix IV, and also is attached to this Petition as non-public Annex A.

The Decision and Order defines the “Estorra Royalties” as:

[A]ny financial payment or other consideration from Sepracor related to the Estorra License Agreement that is either of the following:

1. based on the actual amount of sales or profits of Estorra realized at any time after the [date on which Sanofi acquires more than 50 percent of the shares and voting rights of Aventis (the “Effective Date”)]; or
2. a payment that is due upon the realization of any aggregate amount of sales or profits on Estorra.

(Decision and Order, ¶ I.OO.) The Decision and Order defines the term “Estorra” as “any Product (defined below) that contains (+) zopiclone as an active pharmaceutical ingredient. ‘Estorra’ includes any Product that contains (+) zopiclone and one or more other active ingredients.” (*Id.*, ¶ I.LL.) Estorra is a product currently under development by the pharmaceutical company Sepracor. Estorra has not yet been approved by the United States Food and Drug Administration for sale in the United States, but Respondents expect that it will be so approved

It should be noted that the required divestiture of the Estorra Royalties does not involve the divestiture of Estorra or any other “Product,” which the Decision and Order defines as “any pharmaceutical, biological, or genetic composition containing any formulation or dosage of a compound referenced as its pharmaceutically, biologically, or genetically active ingredient.” (*Id.*, ¶ I.YY.) Nor does it involve the divestiture of assets that require the divestiture buyer to participate or become involved in the research, Development,¹ manufacturing, distribution, sale or

¹ The Decision and Order defines “Development” as meaning:

[A]ll preclinical and clinical drug development activities (including formulation), including test method development and stability testing, toxicology, formulation, process development, manufacturing scale-up, development-stage manufacturing, quality

marketing of Estorra or another Product. Sepracor will continue to control Estorra. Likewise, it does not involve the divestiture of Respondents' *obligations* under the Estorra License Agreement. Instead, the required divestiture involves the divestiture of the right to receive the Estorra Royalties – that is, the contractual right to receive certain payments relating to the sales or profits on Estorra once it is marketed in the United States by Sepracor.

As part of its efforts to obtain a divestiture buyer for the Estorra Royalties, Aventis contacted (i) Sepracor (the entity that owns the rights to Estorra) and (ii) four firms in the business of purchasing royalty streams that were not otherwise involved in the research, Development, manufacturing, distribution, sale or marketing of Products (the “Prospective Royalty Monetization Firms”). The purchase and sale of royalty streams is common in the pharmaceutical industry generally, and the firms contacted by Aventis were recognized participants in that line of business.

Paul Capital was one of the Prospective Royalty Monetization Firms contacted by Aventis. Paul Capital and two additional Prospective Royalty Monetization Firms submitted bids to Aventis.

assurance/quality control development, statistical analysis and report writing, conducting clinical trials for the purpose of obtaining any and all approvals, licenses, registrations or authorizations from [the United States Food and Drug Administration or similar agency located elsewhere in the United States or elsewhere] necessary for the manufacture, use storage, import, export, transport, promotion, marketing, and sale of a Product (including any governmental price or reimbursement approvals), Product approval and registration, and regulatory affairs related to the foregoing.

(Decision and Order, ¶ I.DD.)

On August 5, 2004, Aventis and Paul Capital entered into a Royalty Assignment Agreement (the "Agreement") that will accomplish, if approved by the Commission, the remedial goals of the requirement in the Decision and Order that Respondents divest the Estorra Royalties. (A copy of the Agreement is attached hereto as non-public Annex B.)

II.

Paul Capital Is an Appropriate Buyer of the Estorra Royalties

Section IV.A of the Decision and Order requires the Respondents to divest the Estorra Royalties to a "Royalty Monetization Firm." The Decision and Order defines the phrase "Royalty Monetization Firm" as the entity that acquires the Estorra Royalties, but the Decision and Order excludes from that definition "any entity that engages in scientific research, Development, manufacture, distribution, marketing, or selling of a Product." As Respondents demonstrate in greater detail below, Paul Capital satisfies the Decision and Order's definition of a "Royalty Monetization Firm." (Decision and Order, ¶ I.SSS.) It will be an excellent buyer of the Estorra Royalties, well suited for approval by the Commission.

Paul Capital, a non-public entity organized as a partnership, is in the forefront of structuring innovative alternative investment strategies in the healthcare field. It manages a total of more than \$3 billion across 12 investment funds, including nearly \$1 billion in two funds devoted to the acquisition of healthcare royalty interests. (See Paul Capital's 2004 Annual Report, pp. 5, 14, attached as Annex C.)

Paul Capital is active internationally. It has five offices worldwide (San Francisco, Paris, Basel, New York, and London), with its main office in New York at Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, New York 10017.

As is described in greater detail in its 2004 Annual Report, Paul Capital is engaged in three related lines of investment businesses:

The Purchase of Royalty and Revenue Interests. Through its two investment vehicles the Paul Capital Royalty Acquisition Fund (formed in April 2000 with \$300 million in assets) and the Paul Royalty Fund (formed in July 2003 with more than \$656 million in assets), Paul Capital purchases royalty and revenue interests. (Annual Report, pp. 6-7, attached as Annex C.) (These two funds will be referred to collectively hereinafter as the “Paul Royalty Funds.”) The royalty and revenue interests that are part of the Paul Royalty Funds relate to the sale of products by various types of healthcare product companies, including pharmaceutical, drug delivery, biotechnology, medical device, and diagnostic companies, universities, and research institutes. Attached as non-public Annex D is Paul Royalty Fund’s Quarterly Financial Report (March 31, 2004), which provides additional detail regarding Paul Royalty Fund’s current royalty and revenue interests.²

A “royalty” is an ownership interest in some portion of a revenue stream related to sales of a product or a group of products. Thus, for example, the Estorra Royalties relate to a percentage interest in the revenue stream that might be derived from the sale of Estorra if Estorra is approved for sale and sold in the United States. A “revenue” interest is equivalent to a royalty interest, except that it has been established solely for the purpose of a financial transaction with an investor, who receives some percentage of revenues derived from the sale of a product in return for making an investment in that product. (Annual Report, p. 9, attached as Annex C.)

² The Paul Royalty Fund’s Quarterly Financial Report is an unaudited and non-public document. It thus has not been included in the public version of this petition and annexes.

In making these purchases, the Paul Royalty Funds and Paul Capital do not acquire management rights – as the Paul Capital Annual Report notes, Paul Capital “leav[es] management of the companies and the products to those in whom we invest.” (*Id.*, p. 9.) Instead, Paul Capital and Paul Royalty Fund are “typically almost passive as investors, relying on management to accomplish their goals.” (*Id.*, p. 14.)

Since launching its first royalty interest fund, Paul Capital has completed 18 transactions, investing in 31 different products across 16 therapeutic areas. (*Id.*, p. 15.) Approximately 80% of its investments are in biopharmaceuticals, while 15% are in medical devices and 5% are in diagnostic products. Several of these completed transactions have been with public companies, including SkyePharma plc; Guilford Pharmaceuticals, Inc.; ML Laboratories plc; Orthovita Inc.; Gliatech Inc.; and Ortec International, Inc. (*Id.*) Approximately half of the Paul Capital investments made to date have been made in the United States; the other half have been made in Europe, particularly in the United Kingdom.

The Agreement provides for a purchase price for the Estorra Royalties that

(*See* Agreement, §§ 2.2, 2.3, attached as non-public Annex B.) Because Paul Capital is making the purchase through the Paul Royalty Fund, a fund that already has been raised, Paul Capital has the ability to make from currently available funds any payments due to Respondents. It thus has the financial ability to buy the Estorra Royalties.

The Paul Royalty Funds are led by two individuals, each of whom has extensive experience in the identification, evaluation and pursuit of new business opportunities. Walter Flamenbaum, M.D. (B.A., Washington & Jefferson College; M.D., Columbia

University), joined Paul Capital in 1999 and is the Managing Partner of the Paul Royalty Funds. His background includes the leadership of several business organizations, including the contract research organization SigA Pharmaceuticals. Prior to that, he enjoyed a distinguished career in academic medicine spanning more than fifteen years at Tufts University and Mount Sinai Medical Center. (*See Annual Report, p. 29, attached as Annex C.*)

The second individual, Gregory Brown, M.D. (A.B., Yale College; M.D., SUNY Upstate Medical Center; M.B.A. Harvard Business School), joined Paul Capital in 2003. He has extensive experience in healthcare finance at Adams, Harkness & Hill and Vector Securities International, following a medical career that included the practice of thoracic and vascular surgery. (*Id.*) The Paul Royalty Funds also are comprised of one additional partner, and four additional principals, all of whom have extensive experience in evaluating and analyzing potential royalty monetization opportunities. (*Id.*, p. 15.)

Both Dr. Flamenbaum and Dr. Brown are based in Paul Capital's New York office.

The Purchase of "Private Equity Secondary Interests." Through a number of different funds, Paul Capital also is active in the market for "private equity secondary" interests. Indeed, Paul Capital was one of the innovators of private equity secondary interests, and remains one of the most prominent participants in this market niche. Paul Capital's discretionary capital dedicated to secondary acquisitions exceeds \$1 billion, and includes the ability to syndicate larger transactions with other institutional investors. (*Id.*, p. 18.)

As Paul Capital's 2004 Annual Report explains, "A private equity secondary is the acquisition of one or more limited partnership or direct investments from the original

market. Such transactions are called ‘secondaries’ because the purchase and sale of the asset is occurring a second time following its original issuance.” (*Id.*, p. 17.) The assets bought by Paul Capital as part of this business generally are comprised of limited partnership interests in venture capital, leveraged buyout, mezzanine, and high yield funds, as well as portfolios of direct minority equity interests in private companies.

The Purchase of Interests in Other Venture Funds. Through a number of different funds, Paul Capital serves as a “fund of funds,” aggregating separate interests in other venture funds. The most recent Paul Capital “fund of funds” has \$500 million under management. (*Id.*, p. 25.)

In sum, Paul Capital is a financially strong, experienced, viable and sophisticated investor. It has demonstrated through the Paul Royalty Funds that it has the capability to engage in transactions involving the sale of a royalty interest – indeed, that is a major part of Paul Capital’s business, with almost \$1 billion under management in this business line alone. Paul Capital has the financial resources to purchase the Estorra Royalties from funds that already have been raised. Moreover, Paul Capital is not engaged in the research, Development, manufacture, distribution, marketing or sale of any Product. It is an excellent candidate to be the buyer of the Estorra Royalties.

III.

The Agreement Satisfies the Requirements of the Decision and Order to Divest the Estorra Royalties

Paragraph 24 of the Complaint brought by the Commission in connection with the acquisition of Aventis by Sanofi describes the Commission’s concerns with respect to the acquisition’s potential effect on the “market for the research, development, manufacture and sale of prescription drugs for the treatment of insomnia:”

Sanofi dominates the market for the research, development, manufacture and sale of prescription drugs for the treatment of insomnia with its Ambien product that has an 87 percent share. Sepracor plans to enter this market within the next nine months with its product Estorra, which is licensed to Sepracor from Aventis. Under the licence agreement, Aventis is entitled to royalty payments based on Estorra sales. After the acquisition, Sanofi would control the leading product in this market and have a financial stake in what is likely to be its main competitor. (Complaint, ¶ 24.)

In order to remedy the potential competitive harm described in the Complaint, the Decision and Order requires the Respondents to divest the Estorra Royalties. (Decision and Order, ¶ IV.A.) In addition, the Decision and Order requires that “Respondents shall cease and desist from receiving, accepting, or being entitled to receive or accept any Estorra Royalties *except* for the purposes of transferring such Estorra Royalties to a Royalty Monetization Firm.” (Decision and Order, ¶ IV.B.) Pursuant to these requirements, Aventis has diligently sought a buyer and negotiated an Agreement that it believes satisfies both the express provisions of and the remedial purposes underlying the Decision and Order.

A. Divestiture of the Estorra Royalties. Paragraph IV.A of the Decision and Order requires the Respondents to divest the Estorra Royalties within 90 days of the Decision and Order becoming final. The Decision and Order requires the Estorra Royalties to be divested to “a Royalty Monetization Firm that receives the prior approval of the Commission and only in a manner that receives the prior approval of the Commission.” (Decision and Order, ¶ IV.A.)

The Agreement satisfies this requirement. As is noted above, Paul Capital is a Royalty Monetization Firm that Respondents believe is an excellent buyer of the Estorra Royalties. In addition, pursuant to the terms of the Agreement and subject to the Commission’s approval, Aventis has agreed to “sell[], assign[], transfer[] and convey[]” to Paul Capital “all of Aventis’ right, title and interest” in the Estorra Royalties. (Agreement, § 2.1(a), attached as non-public Annex B.)

Pursuant to the Agreement, Paul Capital

the Estorra License Agreement. Moreover, as is described above, the consideration payable by Paul Capital to Aventis is based on events unrelated to the “sales or profits” earned on Estorra.

There are no circumstances in which Aventis can, pursuant to the terms of the Agreement, re-acquire the Estorra Royalties.

C. **Respondents' Continuing Obligations to Sepracor.** Paragraph IV.C of the Decision and Order requires that "Respondents shall abide in good faith by all rights, representations, warranties and covenants as granted in favor of Sepracor under the Estorra License Agreement." Paragraph IV.C expressly provides that such rights include, but are not limited to (i) the exclusive U.S. rights to Products containing (+) zopiclone under the terms of the Estorra License Agreement; (ii) the right to the assistance of Respondents with respect to litigation involving intellectual property rights to the extent provided in the Estorra License Agreement; and (iii) the right to restrict Respondents' use or disclosure of all information owned by, or in the possession or control of, Respondents that is not in the public domain related to the research, Development, manufacture, marketing, commercialization, distribution, importation, exportation, cost, pricing, supply, sales, sales support or use of Estorra to the extent provided in the Estorra License Agreement ("Confidential Business Information").

The Agreement relates only to the divestiture of the Estorra Royalties to Paul Capital, and does not affect in any way Respondents' continuing obligations to Sepracor pursuant to the terms of the Estorra License Agreement.

D. Respondents' Obligations to Sepracor Relating to Confidential Business Information. Paragraph IV.D of the Decision and Order requires Respondents to provide Sepracor (and in some circumstances the Interim Monitor) access to and/or copies of Confidential Business Information to the extent they have not already done so, and to the extent required under the Estorra License Agreement.

As was noted above, the Agreement relates only to the divestiture of the Estorra Royalties to Paul Capital and does not affect in any way Respondents' continuing obligations to Sepracor relating to Confidential Business Information pursuant to the terms of the Estorra License Agreement.

E. Limitations on Certain Patent Litigation. Paragraph IV.E. of the Decision and Order prevents Respondents from filing, prosecuting, maintaining, or joining any litigation against Sepracor under particular patents relating to the research, Development, manufacture, use, import, export, distribution or sale of Estorra in the United States.

The Agreement relates only to the divestiture of the Estorra Royalties to Paul Capital, and does not affect in any way Respondents' obligations under this paragraph of the Decision and Order.

Conclusion

For the foregoing reasons, Aventis respectfully requests that the Commission expeditiously approve the proposed divestiture of the Estorra Royalties to Paul Capital, in the manner provided in the annexed agreement, as soon as practicable after expiration of the public comment period. In addition, given the nature of the proposed divestiture, which involves the divestiture of a contractual right to receive a royalty rather than the divestiture of a Product, Respondents respectfully submit that this is an appropriate matter for the Commission to shorten the period of public comment pursuant to section 2.41(f)(2) of the Commission's Rules of Practice and Procedure.

Respectfully submitted,


Richard J. Urowsky
Michael B. Miller
Sullivan & Cromwell
125 Broad Street
New York, New York 10004
(212) 558 4417

Counsel for Aventis
Dated: August 30, 2004

ANNEX A

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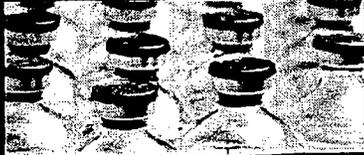
ANNEX B

THIS NON-PUBLIC ANNEX HAS BEEN OMITTED INTENTIONALLY

ANNEX C



PAUL
CAPITAL
PARTNERS



HEALTHCARE ROYALTY
AND REVENUE INTEREST



PRIVATE EQUITY
SECONDARIES



TOP TIER
VENTURE FUNDS

THE REWARDS OF
ALTERNATIVE EXPERIENCE

START WITH A GROUP OF SMART, SEASONED PEOPLE WHO KNOW
HOW TO HELP YOU REALIZE NEW OPPORTUNITIES. COMBINE WITH
SUBSTANTIAL CAPITAL. PAUL CAPITAL PARTNERS.



TABLE OF CONTENTS

OVERVIEW	4
Firm History	5
Fund History	6
HEALTHCARE ROYALTY AND REVENUE INTEREST	8
Royalty and Revenue Interest Investments	9
Our Focus	9
What is a Royalty?	9
What is a Revenue Interest?	9
Who Provides the Royalties?	10
Why Sell or Create a Royalty Revenue Interest?	11
Typical Process	13
Long-term Relationships: Paul Royalty Funds as a Long-term Partner	13
Paul Capital Advantage	14
Program Characteristics	14
Team Differentiators	15
Royalty Team	15
PRIVATE EQUITY SECONDARIES	16
Secondary Investments	17
What is a Secondary?	17
Why Sell?	17
Why Sell to Paul Capital?	18
What Kind of Assets Do We Buy?	19
Unfunded Capital	19
Structural Alternatives (Creative Solutions)	19
Typical Process	20
GP Perspective	21
Paul Capital Advantage	22
Negotiated vs. Auction	22
Who are Our Investors?	23
Secondary Team	23
TOP TIER VENTURE FUNDS	24
Fund of Funds	25
What is a Fund of Funds?	25
Paul Strategy	25
Diversification	26
Paul Capital Advantage	27



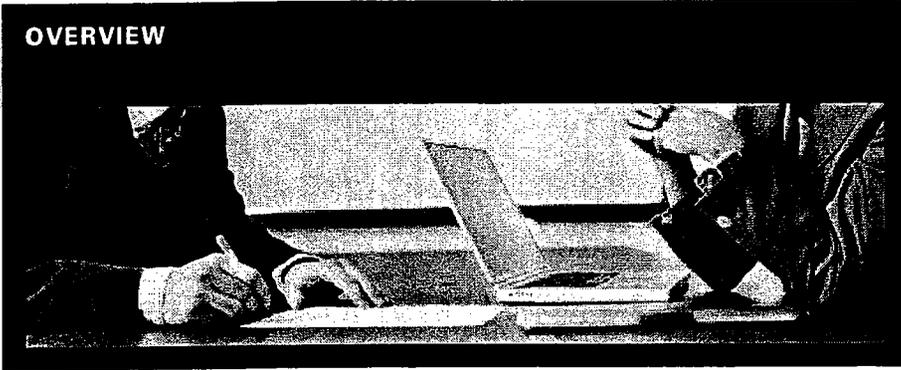
TABLE OF CONTENTS

Secondary Acquisitions of Low-funded Partnership Interests	27
Fund of Funds Team	27
TEAM	28
PARTNERS	29
Gregory Brown, M.D.	29
David H. de Weese	29
Walter Flamenbaum, M.D.	29
Lionel Leventhal	30
David E. Park	30
Philip S. Paul	31
Guy Rico	31
Bryon T. Sheets	32
David A. York	32
PRINCIPALS	33
Martin Austin	33
Lisa Edgar	33
Clarke B. Futch	34
Simon Guenzl	34
David B. Lippman	34
Ken Macleod	35
Jean-Pierre Naegeli	35
Michel F. Raoult	36
Brian W. Sullivan	36
SUPPORT SERVICES	37
Carroll Archibald	37
Leo P. Chenette	37
Philip J. Jensen	38
Cecilia Minalga	38
Randall Schwed	38
Cheryl Wilson	39
INVESTOR RELATIONS	40
Contacts and Responsibilities	41
CONTACT US	42
Company Directory	43
Local Representatives	45
Additional Information	46



PAUL
CAPITAL
PARTNERS

OVERVIEW



INNOVATORS

FOUNDED IN 1991, PAUL CAPITAL PARTNERS IS NOT ONLY AN ESTABLISHED MEMBER OF THE GLOBAL PRIVATE EQUITY COMMUNITY, BUT IS RECOGNIZED AS AN INDUSTRY INNOVATOR. WE ARE A PARTNER OF CHOICE, OFFERING FAIR VALUE, PREDICTABLE LIQUIDITY, AND WELL-TAILORED TRANSACTIONS, THROUGH OUR THREE DISTINCT AREAS OF INVESTMENT: HEALTHCARE ROYALTY AND REVENUE INTERESTS, PRIVATE EQUITY SECONDARIES AND TOP TIER VENTURE FUNDS.



OVERVIEW

FIRM HISTORY—INDUSTRY INSPIRATION

Where there is innovation in the field of alternative investments, you will find Paul Capital Partners. As one of the earliest developers of the secondary market, Paul Capital launched a business of providing creative liquidity solutions to investors in private equity limited partnership interests and portfolios of direct shareholdings.

Founder Philip Paul likes to say that he was “in the right place at the right time” when he was given the opportunity to acquire 42 venture capital and leveraged buyout fund positions from The Hillman Company in 1991. According to *Venture* magazine, the Hillmans, like the Rockefeller and Whitney families, were amongst the earliest investors in private equity and sponsors of many of today’s most successful private equity firms. At one point, the Hillmans were the largest source of private equity in the U.S.

During the 1980’s, Mr. Paul served as Chairman and CEO of Hillman Ventures, Inc., and was responsible for continuing a tradition of providing equity funds to the best general partners.

In 1990, as a part of an estate planning process, the Hillman family decided to implement an orderly liquidation of various illiquid assets, including real estate, private equity holdings and wholly owned operating businesses. Mr. Paul formed Paul Capital Partners in 1991 to participate in this—obtaining funding for his large transaction from the pension trusts of DuPont, AT&T and Hughes Aircraft Corp., as well as BancBoston and Howard Hughes Medical Institute. Prior to 1990, there really was no “secondary market” as the term has now come to be known. There were only occasional sales of single LP interests, usually between LPs in the same fund.

From this transaction, Paul Capital helped to institutionalize the nascent secondary market—conducting several successive transactions in a similar vein to the original Hillman transaction, and then forming our first blind pool of \$202M in late 1995, to search out secondary purchase opportunities on a worldwide basis.

Paul Capital evolved further with the formation of new dedicated funds in 1999 and 2000: Top Tier I, a fund of funds, based on the firm’s long-standing relationships with the best performing venture capital funds, primarily in Silicon Valley—and Paul Capital Royalty Acquisition Fund, providing liquidity to the owners of healthcare royalty interests.

We have also expanded beyond the traditional secondary market by acquiring GP interests in private equity firms, individual private equity interests and unfunded private equity commitments.

The team has grown from an initial two, to over fifty employees, with offices in San Francisco, New York, London, Paris and Basel, Switzerland.

Today we manage a total of more than \$3 billion dollars across 12 investment funds—and Paul Capital remains at the forefront of innovation as we respond to the needs of the private equity community with unique and flexible means based on our considerable alternative investment experience.



OVERVIEW

FUND HISTORY

Founded in 1991, Paul Capital Partners combines extensive private equity investment experience with substantial capital to offer creative and timely solutions for investors seeking fair value and predictable liquidity

PAUL ROYALTY FUND II

\$656,500,000

July 2003

The leading global fund for the acquisition of healthcare royalty interests

TOP TIER II

\$500,000,000

2002

Paul Capital Top Tier Investments II formed to invest in top tier U.S. venture capital funds through primary fund commitments and secondary acquisitions of unfunded/mostly unfunded limited partner interests

PAUL CAPITAL PARTNERS VII

\$800,000,000

August 2001

A global fund focused on the acquisition of private equity interests in the secondary market, primarily including buyout, venture capital, and growth equity investments

PAUL CAPITAL ROYALTY ACQUISITION FUND

\$300,000,000

April 2000

A global fund focused on the acquisition of healthcare royalty interests

TOP TIER I

\$280,000,000

1999

Top Tier Investments formed to make primary commitments to top tier U.S. venture capital funds



OVERVIEW

PAUL CAPITAL PARTNERS VI

\$270,000,000

February 1998

A global fund focused on the acquisition of private equity interest in the secondary market, primarily including venture capital, buyout, and mezzanine investments

PAUL CAPITAL PARTNERS CAYMAN LIMITED

\$48,000,000

March 1997

Formed for the purpose of acquiring an Interest in Merrill Lynch Capital Appreciation Limited Partnership II

PAUL CAPITAL PARTNERS.V

\$200,000,000

1995

A fund focused on the acquisition of private equity interest, primarily including venture capital, buyout, and mezzanine investments, in the secondary market

PAUL CAPITAL PARTNERS I-IV, L.P

\$139,600,000

1991-1995

The acquisition of various portfolio interests by Paul Capital Partners

PAUL CAPITAL PARTNERS, L.P.

\$63,000,000

June 1991

The acquisition by Paul Capital Partners, L.P. of a portfolio of venture capital limited partnership interests from The Hillman Company



PAUL
CAPITAL
PARTNERS

HEALTHCARE ROYALTY
AND REVENUE INTEREST



RESPONSIVENESS

PAUL CAPITAL UNDERSTANDS THAT EVERY PRODUCT AND EVERY SELLER IS DIFFERENT, WITH UNIQUE CHARACTERISTICS—SO WE'VE BUILT TREMENDOUS FLEXIBILITY INTO THE DESIGN OF OUR TRANSACTIONS. OUR FIRST ACTION IS TO LISTEN TO AND UNDERSTAND YOUR NEEDS, BECAUSE A SUCCESSFUL TRANSACTION IS ONE THAT IS TAILORED TO MEET THE SPECIFIC REQUIREMENTS AND GOALS OF THE SELLER.



HEALTHCARE ROYALTY AND REVENUE INTEREST

ROYALTY AND REVENUE INTEREST INVESTMENTS—THE BIG PICTURE

Paul Royalty team becomes a valued partner—providing insight and expertise that support management teams in their efforts, while leaving management of the companies and the products to those in whom we invest.

OUR FOCUS

The Paul Royalty Fund has used investment in both royalty and revenue interests to finance various types of healthcare product companies, including pharmaceutical, drug delivery, biotechnology, medical device and diagnostic companies, universities and research institutes.

Most investments made by the Paul Royalty Funds have several features in common. They focus on approved products in the life sciences, including pharmaceuticals, medical devices and diagnostics. Because our transactions are fairly long in duration, we prefer to invest in products with long-term remaining patent protection. While we often invest in smaller or younger companies, we appreciate products that are marketed and sold by a strong marketing partner. When we make investments in companies, we view management expertise as indispensable, and insist on investment in outstanding management teams. Finally, we prefer to invest in products that address compelling medical needs, in which pricing and demand are readily defined.

WHAT IS A ROYALTY?

A royalty is an ownership interest in some portion of a revenue stream related to sales of a product or group of products. Royalties are granted to inventors or other innovators in return for rights to use the intellectual property developed by the inventor in developing and marketing a given product. Inventors at universities have helped to develop a large number of pharmaceutical products, and the economic rights to these products are typically shared by the university and the inventor. Universities will often out-license commercial rights including patents to pharmaceutical companies in return for a percentage of sales, which is known as a royalty interest.

WHAT IS A REVENUE INTEREST?

A revenue interest is equivalent to a royalty interest that has been established solely for the purpose of a financial transaction with the Paul Royalty Fund. In this circumstance, the sale of a revenue interest would be an alternative to financing via equity or debt instruments, and involves an investment by the Paul Royalty Fund. In return, the Royalty Fund receives some percentage of revenues pertaining to a product or a group of products for a defined period of time.



HEALTHCARE ROYALTY AND REVENUE INTEREST

WHO PROVIDES THE ROYALTIES?

CORPORATE SELLERS

PHARMACEUTICAL COMPANIES Pharmaceutical companies include those ranging from smaller specialty pharmaceutical concerns, which often market a limited number of products in a narrow geographic region, to the largest multinational pharmaceutical leaders.

BIOTECHNOLOGY COMPANIES Biotechnology companies, focusing on innovative science and early product development, often confront maturation issues with the impending launch of their first products. Many of these companies seek to acquire or in-license marketed products to "jump-start" their sales and marketing efforts. Others may have successfully launched or partnered their first product, only to find the need to acquire or in-license additional products and product candidates to fill a "pipeline gap."

MEDICAL DEVICE COMPANIES Medical device companies typically develop and market innovative devices, many of which are permanently implanted into patients for the treatment of serious medical conditions. Product development cycles are shorter than in pharmaceuticals, so the need for aggressive business development activities often prompts a commensurate requirement for capital to enable strategic transactions.

DIAGNOSTIC COMPANIES The clinical diagnostic industry has historically been dominated by a few very large competitors. The continuous pace of progress in medical science has created numerous opportunities for new diagnostic technologies. Many companies developing and marketing these technologies seek capital to accelerate development of products and enhancements and to enable acquisitions and licensing transactions.

INSTITUTIONAL SELLERS

INVENTORS University faculty members or independent inventors who have invented products that are being marketed by pharmaceutical and other healthcare product companies may receive royalties that they seek to sell.

UNIVERSITIES AND RESEARCH INSTITUTES Sellers of healthcare royalties are often universities and research institutes that have invented or supported development of intellectual property used in products that are being marketed by pharmaceutical and other healthcare product companies. Their goals for raising capital may include funding capital campaigns or offsetting occasional operating deficits. They may also seek to create a funding approach for continued internal development of more royalty-generating research programs.



HEALTHCARE ROYALTY AND REVENUE INTEREST

GEOGRAPHY

The Paul Royalty Funds make investments internationally, including all of North America and Europe.

NORTH AMERICA Approximately 50% of the Paul Royalty Fund investments to date have been made in the United States. We are active throughout North America, and evaluate opportunities in Canada as well as in the U.S.

EUROPE Approximately 50% of the Paul Royalty Fund investments to date have been made in Europe, primarily in the United Kingdom. We have an active presence in Europe, leveraging our Basel and Paris offices, and are familiar with local tax and accounting treatment of royalty and revenue interests in the UK, in Continental Europe and in Scandinavia.

WHY SELL OR CREATE A ROYALTY REVENUE INTEREST?

CAPITAL SOURCE

Royalty and revenue interest transactions are excellent sources of capital, and are sought by companies because they offer a flexible source of capital at an attractive cost, and in a manner that is complementary to equity financing. Universities and research institutes often sell royalty interests in order to fund additional research, to enable capital campaigns and building programs, and to offset operating deficits.

FLEXIBLE SOURCE OF CAPITAL The sale of a royalty or revenue interest can provide financing to the life science company for a broad range of projects and uses, ranging from the funding of research and development activities to the launch of new products. These transactions are extremely flexible in structure, allowing them to be tailored to the specific needs of the company.

ATTRACTIVE COST OF CAPITAL Royalty and revenue transactions offer capital at an attractive cost for the life science company. The Paul Royalty Fund team works with the client to define the level of risk that we will assume, and to keep the cost of capital to a minimum. While we price our transactions within a well-defined range of returns, our cost is well below that of equity capital, and is not correlated with the volatility of stock prices that can make the cost or availability of equity capital challenging during a fund-raising cycle.

COMPLEMENTARY TO EQUITY FINANCING Royalty and revenue transactions provide capital in a manner that is complementary to, rather than a replacement for, equity capital. Royalty and revenue interest transactions are usually long-term transactions (7–10 years is typical), and are not dilutive to shareholder equity holdings. Royalty and revenue interest transactions can often enhance the impact of an equity investor's investment.



HEALTHCARE ROYALTY AND REVENUE INTEREST

STRATEGIC REASONS

In addition to being an important source of capital, royalty and revenue interest transactions can assist companies in meeting certain important strategic objectives.

RISK-SHARING By purchasing a royalty or revenue interest, Paul Royalty Fund assumes some of the commercialization risk inherent in a product. For the corporate seller, this can facilitate diversification by enabling investment in additional products. For the institutional or individual seller, this can provide a valuable financial diversification of assets and diminish exposure to long-term market risk.

LIQUIDITY Royalty and revenue investments can provide immediate liquidity for a revenue stream that would otherwise take many years to be realized.

UNLOCK UNRECOGNIZED VALUE Many institutional investors attribute little or no value to passive royalty streams received by companies. Because of this, stock prices often reflect only direct product revenues and earnings and the company's product pipeline. By selling a royalty or revenue interest, the company can immediately "unlock" that value, and invest the proceeds in additional assets.

ENABLE TRANSACTIONS

Royalty and revenue transactions are uniquely suited to enabling acquisitions, divestitures, and in- and out-licensing activities, as they can resolve the frequent differences between seller desires and buyer needs.

ACQUISITIONS/DIVESTITURES Royalty and revenue transactions can act as an attractively-priced "mezzanine" layer of financing, limiting the need for the acquirer to deplete cash on its balance sheet, or minimizing the need to issue equity.

IN-LICENSING/OUT-LICENSING The classic dilemma in structuring licensing transactions is that the out-licensor wants to dispose of the asset and receive payment in full at the closing, while the in-licensor seeks to defer payment through a stream of future royalties. Paul Royalty Fund can enable these transactions, acting as a third party by providing the immediate capital desired by the out-licensor, while permitting the in-licensor to pay its consideration in the form of a stream of royalties.

FUND CLINICAL DEVELOPMENT

Valuable projects that merit clinical development are often delayed or discontinued as a result of pipeline prioritization. A royalty or revenue interest transaction can often provide the incremental funding needed for such clinical development programs.



HEALTHCARE ROYALTY AND REVENUE INTEREST

TYPICAL PROCESS

Although every transaction is unique and the Royalty Fund builds each transaction on a customized basis depending on the needs of the sellers, a typical transaction process includes the following elements:

- The Royalty Fund team meets with a company or university that requires capital in order to understand its capital needs (total amount, timing of needs, options for follow-on capital, and so forth).
- The company's existing royalties and revenues from marketed products are evaluated in order to assess the amount of capital that the Royalty Fund can provide and the risk associated with the future royalty and revenue streams.
- A follow-up call is scheduled with company management to address any major due diligence questions that arise from an initial review of the materials provided and the publicly available information.
- The Royalty team develops several alternative indicative proposals, which address a range of risk-reward tradeoffs for review and discussion.
- The time to develop these initial proposals is typically less than three weeks.
- Once closure is reached on a term sheet and we have negotiated a letter of intent, it typically takes 8–10 weeks for the Royalty Fund to complete its due diligence and, working in parallel, to document and close the transaction.

LONG-TERM RELATIONSHIPS: PAUL ROYALTY FUNDS AS A LONG-TERM PARTNER

Paul Royalty Funds have completed several follow-on transactions, in which a seller of one royalty or revenue interest returns in order to finance a further strategic or capital need through a second transaction. This reflects our commitment to developing long-term relationships. We take pride in being valued partners, and believe that the fact that companies seek us out for additional transactions demonstrates the value they believe that we bring to the process of raising capital.

To review our press releases regarding transactions with publicly traded companies, please visit us on the Web at <http://www.paulcap.com/health/press.html>



HEALTHCARE ROYALTY AND REVENUE INTEREST

PAUL CAPITAL ADVANTAGE

With a larger capital base, a more expansive team of professionals, and deeper experience than any other group engaged in revenue-based financing—Paul Royalty stands apart as the clear leader in executing healthcare royalty and revenue interest transactions.

PROGRAM CHARACTERISTICS

The Paul Royalty Fund is the leader in healthcare royalty and revenue-based financing. We offer many advantages to those seeking capital using this form of financing.

LARGEST CAPITAL BASE; GREATEST EXPERIENCE; DEEPEST TEAM The Paul Royalty Funds have a larger base of available capital than any of our competitors, with close to \$1 billion under management in the two funds. Since the closing of Paul Royalty Fund I in April, 2000, we have completed more than 18 transactions, developing greater experience than any other firm engaged in revenue-based financing, and our team of eleven professionals is the largest team devoted to executing healthcare royalty and revenue interest transactions.

DUE DILIGENCE: IN-HOUSE EXPERTISE The Paul Royalty Fund has a deep base of knowledge and experience that enables very robust and detailed due diligence on product investment opportunities. Our expertise enhances both the quality of the due diligence and the ability to accomplish that due diligence quickly.

ORIENTED TO LONG-TERM RELATIONSHIPS The Paul Royalty Funds have completed several “paired” transactions, in which a seller of one royalty or revenue interest returns in order to finance a further strategic or capital need. This reflects our commitment to developing long-term relationships. We take pride in being valued partners for those in whom we invest.

“PASSIVE” INVESTORS—WE DO NOT SEEK CONTROL While we enter into a valued long-term relationship with the seller, we are unlike equity investors in that we seek no operating control. We are typically almost passive as investors, relying on management to accomplish their goals.

ESTABLISHED FIRM WITH OUTSTANDING REPUTATION Paul Royalty Fund operates within Paul Capital Partners, a fourteen year-old firm with an excellent reputation for integrity, quality, creativity and responsiveness.

TRACK RECORD OF CROSSING THE FINISH LINE Paul Royalty Fund has established a track record of crossing the finish line. In fact, once we have executed a Letter of Intent, we have closed in excess of 90% of our transactions.

GLOBAL FOCUS The Paul Royalty Fund operates on a global basis, and is open to investment opportunities without regard to geography. We have completed approximately 50% of our investments in Europe, and evaluate regularly opportunities in North America, Europe and Asia.



HEALTHCARE ROYALTY AND REVENUE INTEREST

TEAM DIFFERENTIATORS

BACKGROUND While the Paul Royalty Fund team has well-demonstrated expertise in structured finance, investment banking and investment management, the team brings a highly-developed sensitivity to the nature of the life sciences industry. The strong pharmaceutical, biotechnology and medical devices backgrounds of the members of our team enable us to better understand and address the needs of life sciences companies seeking capital.

TRACK RECORD The Paul Royalty Fund team has completed transactions with several public companies:

- SkyePharma plc
- Guilford Pharmaceuticals Inc.
- ML Laboratories plc
- Orthovita Inc.
- Gliatech Inc.
- Ortec International, Inc.

Since launching Paul Royalty Fund I, L.P., in April 2000, the team has completed 18 transactions, investing in 31 products across 16 therapeutic areas. Approximately 80% of our investments are in biopharmaceuticals, while 15% are in medical devices and 5% in diagnostic products.

ROYALTY TEAM

- Martin Austin, Principal*
- Gregory Brown, M.D., Partner*
- Walter Flamenbaum, M.D., Partner*
- Clarke B. Futch, Principal*
- Lionel Leventhal, Partner*
- David B. Lippman, Principal*
- Ken Macleod, Principal*
- Jean-Pierre Naegeli, Principal*
- Camen Hinkle, Office Manager
- Michele Horowitz, Associate
- Bradford Mak, Analyst
- Karen Meister, Executive Assistant

*For detailed biographies for some of our Royalty team members, please see pages 29-39.



PAUL
CAPITAL
PARTNERS

PRIVATE EQUITY SECONDARIES



EXECUTION

EVEN THE MOST WELL CONCEIVED TRANSACTION CAN GO AWRY WITHOUT THE RIGHT EXPERTISE. PAUL CAPITAL PARTNERS IS THE PREFERRED SECONDARY PURCHASER FOR PROMINENT PRIVATE EQUITY FUND MANAGERS BECAUSE WE'VE GOT WHAT IT TAKES TO GET THE JOB DONE. THE CAPITAL, RESOURCES, ENERGY, FOCUS, AND YEARS OF SUCCESSFULLY COMPLETED SECONDARY PRIVATE EQUITY TRANSACTIONS. WE'VE SEEN IT ALL—AND YOU'LL PROFIT FROM OUR EXPERIENCE.



PRIVATE EQUITY SECONDARIES

SECONDARY INVESTMENTS

The value of secondary market acquisitions has grown dramatically over the past decade, more than matching the rise in primary commitments to private equity. What started out as a niche market has grown into a substantial asset class of its own, with global secondary transactions now amounting to over \$4 billion per year. Working with Paul Capital Partners ensures a unique solution developed by a dedicated team of secondary investment professionals. We provide our services to institutions, family offices and individuals seeking to adjust asset class and portfolio allocations, and to achieve early liquidity.

WHAT IS A SECONDARY?

A private equity secondary is the acquisition of one or more limited partnership interests or direct investments from the original investor. Such transactions are called "secondaries" because the purchase and sale of the asset is occurring a second time following its original issuance.

When compared to traditional primary investments, private equity secondaries provide a number of inherent investment advantages:

- Secondary investments exhibit a muted "J-Curve" due to the early return of capital and time advantage of buying into a fund later in its investment cycle. Purchasing a fund that is several years old allows the acquirer to avoid the fund's early write-offs and expenses, including management fees, which tend to produce negative returns during the fund's initial years.
- Purchasers can make their own assessment of the existing assets and avoid some or all of the "blind pool" investment risk associated with traditional fund commitments.
- A Secondary fund provides enhanced diversification compared to a primary fund. It is not uncommon for secondary funds to have direct and indirect ownership positions in thousands of underlying portfolio companies, across a wide variety of industries, vintage years, geographies, and fund sponsors.

This multi-dimensional diversification smoothes the volatility associated with primary private equity fund investments that are typically more concentrated.

WHY SELL?

TO REDUCE OR REDEPLOY TO EXERCISE OR EXECUTE TO CORRECT OR COMPLY

Private equity investors often seek out Paul Capital's advice and counsel regarding portfolio reallocations and sales. As a result, we are familiar with nearly all of the issues surrounding an institution's desire to divest of its private equity holdings. Some of the most common reasons include:

- Reducing the volatility of their reported earnings
- Meeting new, more stringent capital reserve requirements—not only in the U.S. but in Europe, where the new Basel II Accords will go into effect over the next few years



PRIVATE EQUITY SECONDARIES

- Redeploying capital into more strategic fund relationships, or into the core operating business
- Meeting urgent needs for cash or liquidity
- Reducing the administrative burden of managing too many fund relationships and partnership interests
- Exercising a 'veto' over continued fund life extensions, believing that a fund's returns are largely locked in and that potential returns on the remaining assets do not justify the cost of continued administration
- Correcting an overallocation or overcommitment to the private equity asset class, due to a decline in the public markets or a lack of expected distributions (or both)
- Divesting a "strategic" portfolio of buyout funds, commitments originally intended to bring structured lending business which may not have materialized or met expectations
- Selling non-strategic or overlapping private equity holdings obtained as part of a merger with or acquisition of another institution
- Executing against a new investment strategy based upon a refocusing of the core business or a senior management change
- Exiting from unfunded obligations that have yet to be called by the fund managers

Our experience working with investors who have been challenged by these issues gives us unique insight into how best to structure a portfolio sale.

WHY SELL TO PAUL CAPITAL?

MORE THAN CAPITAL—SOLUTIONS Paul Capital's discretionary capital dedicated to secondary acquisitions exceeds \$1 billion, and we have the ability to syndicate larger transactions amongst our group of over 50 institutional investors.

Beyond this, however, we pride ourselves in our ability to think creatively—always aiming to develop multiple solutions for a seller that may address issues they had originally thought were insurmountable, or that they had not even considered.

For example, we were one of the first secondary firms to successfully execute a management-led buyout of a private equity portfolio back in 1991, and now are considered a leader in this space. In addition, we were the pioneer in the use of joint ventures and other unique structures that allow an investor to divest at book value while retaining an upside interest in the portfolio. We are constantly staying abreast of the latest regulatory and tax trends as they pertain to private equity portfolios, and are regularly developing innovative ways for investors to achieve liquidity other than through a straight cash sale.

MORE THAN CREATIVITY—ETHICS At Paul Capital, you will be treated fairly, with realistic pricing that reflects our deep experience in valuing private equity assets. Our in-house databases, fund manager relationships, and substantial existing private equity partnership holdings allow us to provide indicative pricing quickly, often within a few days of our initial contact with you. We tell you early in the review process what information is required



PRIVATE EQUITY SECONDARIES

beyond our internal databases, if any, and we strive to keep you well informed of our progress in meeting all mutually agreed deadlines. We operate with the highest level of integrity, and avoid even the perception of potential conflicts of interest. Our reputation means everything to us, and we will work hard to earn your trust and to keep it.

MORE THAN DILIGENCE—DISCRETION We treat all transactions confidentially, and do not publish tombstones or ads in the print media. Nor do we list our secondary transactions on our website. When it comes to confidentiality, we take our responsibility seriously, and seek to avoid public coverage of our investment activities. Any disclosure is the seller's decision.

WHAT KIND OF ASSETS DO WE BUY?

Paul Capital has a broad investment mandate. We acquire limited partnership interests in venture capital, leveraged buyout, mezzanine, and high yield funds, as well as portfolios of direct minority equity interests in private companies. We have no industry or geographic constraints. We have a global portfolio largely domiciled in North America and Western Europe, which also includes some emerging market assets.

UNFUNDED CAPITAL

Paul Capital has the flexibility to acquire funds with significant unfunded commitments, both through our Secondary program as well as through our fund of funds program.

Historically, our acquisitions in this area have included fund interests that are one to three years old, managed by top-tier general partners, and where the existing portfolios are carried at or near original cost. In addition to our traditional secondary due diligence, our assessment of such opportunities also focuses on the quality of the underlying fund managers and our expectations of their future performance.

STRUCTURAL ALTERNATIVES (CREATIVE SOLUTIONS)

Private equity investors often have multiple objectives and constraints when seeking liquidity for their holdings:

- Some investors cannot bear a significant discount to their carrying value.
- Some need to preserve their fund manager relationships while still achieving early liquidity.
- Some are concerned about forgoing the future upside in their funds or portfolio.

In certain cases, constraints such as these can be better met through a transaction other than a straight cash sale. Paul Capital pioneered a number of unique transaction structures that uniquely address these and other seller concerns. We have built a market-leading reputation and franchise around our capabilities in this area. We have successfully employed numerous joint ventures, earn-outs, management buyouts, and other "value added" solutions on behalf of our clients to help them meet unique needs. We invite you to talk to us about how our proprietary solutions can provide you and your organization with valuable options for managing your portfolio rationalization.



PRIVATE EQUITY SECONDARIES

TYPICAL PROCESS

Paul Capital's due diligence process is flexible and tailored to meet the specific needs and constraints of each seller.

Our typical process involves three steps:

- 1) **QUALIFICATION** We review each opportunity to ensure that it meets our investment criteria. This is a rapid review that typically takes less than 48 hours to complete and to provide feedback.
- 2) **REVIEW** We review the relevant fund documents and current financial reports of the portfolio, along with information in our own databases, to provide initial pricing. This process takes a few days to a few weeks depending on the size and complexity of the portfolio. Our goal is to be responsive and timely with our initial response to an opportunity, to facilitate a decision by the prospective seller. There is no cost for this service.
- 3) **DILIGENCE & COMMITMENT** Should our initial pricing be satisfactory to you, we will complete our due diligence and provide a firm purchase commitment. This final due diligence takes between one and four weeks, and generally includes conversations with the general partners of the largest funds in the portfolio.

Once an agreement has been reached, we prepare transfer documents and prepare to wire funds for closing. During this time, we obtain the general partners' consents to transfer.

Paul Capital has one of the highest success rates in the business in this regard, having successfully transferred over 375 different funds managed by more than 250 different general partners.

The entire process depends upon many factors, such as Paul Capital's familiarity with the assets, and the overall transaction complexity—from start to finish this can take anywhere from one to eight weeks.

TRANSFER RESTRICTIONS Paul Capital has successfully negotiated very complex fund transfer restrictions, and is experienced in managing such logistics in a manner fair to all parties—one that will maximize the probability of a successful transfer. We have considerable knowledge of the Investment Company Act of 1940, ERISA Rules, taxation, and rules regarding publicly traded partnerships.

DUE DILIGENCE We approach this process with a high degree of efficiency. Paul Capital's due diligence is bottoms-up and thorough, with the goal of delivering the fairest and best possible pricing. We have cultivated and aggregated experience with over 500 different fund managers—allowing us to price portfolios promptly and with maximum value to sellers.

WHAT FACTORS IMPACT PRICING? Pricing is most sensitive to the quality of a fund's underlying assets. Paul Capital's strategy is to purchase the best GPs and their best funds. We understand that such portfolios can and should command excellent value in a secondary transaction. Pricing is further effected by the fee structure of underlying funds, as well as the quality of the GP—particularly as that relates to the relatively less funded commitments.



PRIVATE EQUITY SECONDARIES

GP PERSPECTIVE

General partners of private equity funds are important stakeholders in secondary sales. They want a credible, experienced buyer with a demonstrated ability to manage complex fund transfers without overly burdening their organizations. Because of this, general partners typically prefer to work with a single buyer rather than having to communicate and administer a diligence process with multiple parties, some of whom may be competitors or have other conflicting interests.

Today, general partners are looking for even more. Many are interested in forming new relationships in the course of a secondary sale that can provide new capital to a future fundraising effort. Paul Capital's fund of funds program represents a potential source of capital for these general partners, allowing us the opportunity to become more than just a substitute limited partner.

General partners like working with Paul Capital, for four primary reasons:

- 1) **WE ARE EXPERIENCED**—and that means we work efficiently with GPs to consummate a transfer. We don't waste time asking irrelevant questions during our due diligence, and we manage all transfer logistics in a way that minimizes administrative burden.
- 2) We are a **SOURCE OF FUTURE CAPITAL** to many of our GPs, either directly through Paul Capital's fund of funds investment program or indirectly through introductions to our largest institutional relationships.
- 3) We have a reputation for working closely with general partners to **SOLVE DIFFICULT PROBLEMS**. In some cases this has involved purchasing the interests of dissatisfied limited partners. In others, it has entailed working with a group of defaulting investors in the same fund. In each case, Paul Capital has sought to be a constructive intermediary, working through the unique challenges of each set of circumstances to benefit all of the parties involved.
- 4) We maintain **CONFIDENTIALITY OF FUND INFORMATION**. Paul Capital is sensitive to valid concerns of fund managers regarding disclosure of performance data and confidential information on portfolio companies.



PRIVATE EQUITY SECONDARIES

PAUL CAPITAL ADVANTAGE

Finance, Operating and International experience come together in Paul Capital's secondary investment team. Our reputation is based on the relationships established and developed by our professionals over many years. Careful consideration is given to the unique needs of each seller—and Paul Capital invests the time and effort to understand your financial goals, in order to appropriately craft each transaction. Simple or complex, it will be handled efficiently, discreetly, and in a timely manner. We consider our secondary success evidenced by the substantial number of repeat transactions we have completed.

NEGOTIATED VS. AUCTION

The decision to avoid an auction scenario is one that benefits all stakeholders in a secondary transaction—sellers, investors, GPs and portfolio companies.

The pitfalls of an auction center around three primary risks:

- 1) **GP FATIGUE**—generated by administrative burden, transfer hurdles, rights of first refusal, numerous due diligence calls and attorney interactions caused by many bidders. Simply stated, GPs view secondary transactions as a distraction, and don't like the extra burden of catering to multiple parties.
- 2) **LESS THAN CERTAIN PRICING**—caused by adverse buyer behavior in a multi-step bidding process. Initial non-binding bids are frequently high, because it is effortless for the bidders who simply want to be included in the next round of negotiation. Such bids are then ratcheted back during due diligence, to the dismay of the seller. Expectations are set high and not met in the end. Paul Capital Partners does not subscribe to this behavior—or to haggling or any dramatic expectation adjustments during the sale process.
- 3) **VISIBILITY FROM THE PUBLIC AUCTION PROCESS**—when business becomes public, the market understands what you own. GPs may feel the pressure of other partners knowing about potential sales, and wish to avoid the need to explain the transaction to their other investors.

Negotiated deals provide a better context in which to address unique seller needs. Time and effort are spent once. The benefits of one-on-one negotiated transactions include:

- 1) Managing the P&L or earnings impact of a sale
 - Customizing and deferring payments over time
 - Consensually selecting funds across a portfolio—to maximize pricing and minimize the discount
- 2) Joint venturing—a sale close to or at net asset value
- 3) Divesting of largely unfunded commitments to free capital for other more strategic uses



PRIVATE EQUITY SECONDARIES

4) Maintaining an upside interest in a portfolio, where future outcomes are difficult to predict

Overall—a negotiated transaction allows an appropriate investment of time and effort by all parties to ensure a successful and timely outcome, thereby mitigating transaction risk and optimizing the outcome for both buyer and seller. It allows more thorough buyer due diligence and maintains better relationships with the underlying GPs and portfolio companies, due to greater “investment” by the buyer.

WHO ARE OUR INVESTORS?

Our secondary program’s investors include many of the world’s largest corporate and public pension funds, endowments, foundations, government investment arms, and family offices. We provide regular co-investment opportunities to our investors, and invite them to get to know the fund managers with whom we work. In the last several years, Paul Capital has provided over \$1 billion of such co-investment opportunities.

Most of our investors are actively committing to private equity funds, and use Paul Capital’s secondary program as a window into the investment activities of the fund managers in which we acquire positions. In many cases, this has led to direct relationships between our limited partners and the general partners of funds we have acquired.

SECONDARY TEAM

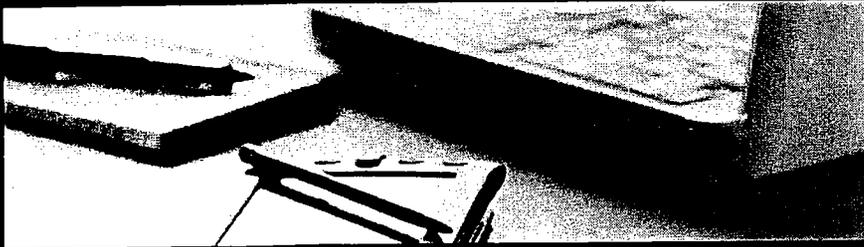
- David H. de Weese, Partner*
- Simon Guenzl, Principal*
- David E. Park, Partner*
- Michel F. Raoult, Principal*
- Zoia Adam, Office Manager
- Susan Beyer, Marketing Manager
- Helene Collado, Administrative Assistant
- Charlotte de Maleissye, Associate
- Laura Greco, Executive Assistant
- Carrie Hultberg, Executive Assistant
- Jenny Martel, Executive Assistant
- Guy Rico, Partner*
- Bryon T. Sheets, Partner*
- Brian W. Sullivan, Principal*
- Josh Miller, Analyst
- Daniel P. Mulderry, Associate
- Elizabeth Orzano, Associate
- Guillaume Partiot, Analyst
- Connie Pon-Koplan, Associate
- Audrey Scoupe, Administrative Assistant
- Melanie Taylor, Business Development Manager

*For detailed biographies of some of our Secondary team members, please see pages 29–39.



PAUL
CAPITAL
PARTNERS

TOP TIER VENTURE FUNDS



ACCESS

TOP DRAWER FUNDS. TOP-OF-THE-LINE MANAGERS. "TOP TEN" PERFORMANCE. PAUL CAPITAL TOP TIER INVESTMENTS SEEK OUT THE HIGHEST QUALITY, BEST PERFORMING VENTURE CAPITAL FUNDS WORLDWIDE—THEN PROVIDE INVESTORS THE UNIQUE OPPORTUNITY TO TAKE ADVANTAGE OF OUR LONG-STANDING RELATIONSHIPS WITH TOP TIER MANAGERS THAT MAY BE OTHERWISE INACCESSIBLE. WE SEE OUR FUND OF FUNDS PROGRAM AS YOUR ENTRÉE TO AN EXTREMELY APPEALING OPPORTUNITY—ONE THAT WE WILL CONTINUE TO DEVELOP AND MAINTAIN.



TOP TIER VENTURE FUNDS

FUND OF FUNDS

An investor entering the venture capital arena may find the qualification process overwhelming, if not impossible. Minimum commitment levels, smaller fund sizes, and other gating issues could easily prohibit access to top tier funds. Paul Capital Top Tier Investments bridges the gap between investors and the best performing funds in the world. Our fund of funds acts as a liaison to those prize funds that have retained their premium status by consistently outperforming industry benchmarks. When you're aiming for the top, we extend your reach.

WHAT IS A FUND OF FUNDS?

A fund of funds holds limited partnership interests in many different private equity funds and is designed to extend beyond the context of traditional private equity investing. Paul Capital Partners provides investors with a unique strategy of fund diversification that they may not be capable of achieving on their own—due in part to venture capital's complexity and partially to the issue of access to top performing managers.

Paul Capital's Top Tier Investment program includes not only primary investments in top tier managers, but also includes a meaningful number of thinly funded secondary positions in these same funds. This approach to venture and the diversification of a fund of funds, provides a lower risk alternative to single fund investing. Accessing funds via Paul Capital Partners' fund of funds ensures investors well-diversified product managed by an experienced team of fund investors.

PAUL STRATEGY

Paul Capital Top Tier Investments II, a \$500 million fund, is the most recent fund of funds being deployed by Paul Capital Partners. Top Tier II intends to invest solely in top tier venture capital funds that have consistently executed a successful investment strategy. Paul Capital Partners plans to actively manage the Fund's investments by positioning itself to be invited onto the advisory committees of its portfolio interests.

The Fund's portfolio interests will be diversified across industry, investment stage, vintage year and geography (with an emphasis on U.S. venture capital managers). Based on the success of Top Tier Investments and related activities, which together have committed \$380 million to Silicon Valley funds, this Fund was formed to capitalize on Paul Capital Partners' unique access to these particularly restrictive venture funds.

Top tier funds equate to only 8% of all venture capital funds. This group has outperformed its peers by more than 17% annually over the last decade. Based upon its experience with the most successful managers, the General Partner plans to invest the Fund only in funds that it currently forecasts will remain in the top tier and whose managers have exhibited the discipline to consistently execute their investment strategies over the long term. If a manager has deviated from its strategy, the General Partner will evaluate the manager's reasoning and may choose not to invest.



TOP TIER VENTURE FUNDS

DIVERSIFICATION

Top Tier II should provide diversification along several investment parameters:

Industry	Technology, Healthcare, Communications, and General Industrial
Geography	U.S. venture capital
Stage	Diversified across stage; early and seed-stage emphasis
Vintage Year	2000 through 2005
Size	Small/medium (\$100-\$500+ million)
Sources of Secondaries	Banks, insurance companies, private equity groups, institutional investors, high net worth, retail investors
Unique Value Added	Access to top tier funds, extensive secondary acquisition skills and a value orientation
Timing of Investments	2001 through 2005



OVERVIEW

PAUL CAPITAL ADVANTAGE

In architecting our fund of funds program, Paul Capital Partners gives consideration to both primary and secondary investments throughout the entire investment period. Our team has over three decades of valued relationships with top tier venture capital groups as well as exposure to deal flow through our secondary and royalty investment businesses. Paul Capital Partners—a new approach to primary investing.

SECONDARY ACQUISITIONS OF LOW-FUNDED PARTNERSHIP INTERESTS

Top Tier II may invest more than half of the Fund's capital in relatively unfunded (i.e., less than 25%) limited partnership interests in top tier venture capital funds that will be acquired from primary investors. These acquisitions offer several potential benefits:

First, Top Tier II investors will gain immediate access to top performing venture funds that are currently not expected to come to market until 2004 or early 2005. It should be noted that some of these funds have not necessarily been open to new investors in recent years.

Second, the timing of these secondary acquisitions should enable the Fund to truncate the J-curve effect associated with private equity fund investing. This is possible because the Fund will have missed the management fee payments and/or asset write-downs that are typically characteristic of the first and second years of the underlying fund's life. Additionally, the fund can acquire assets at more rational valuations.

Third, secondary acquisitions allow investors to put capital to work immediately.

Finally, the negotiated discounts on these secondary acquisitions have the potential to bring important enhancements to the IRR performance of Top Tier II. The potential IRR benefits to secondary acquisitions, as modeled by Paul Capital, are 3% at the low end and 10% at the high end, depending on the discount that is negotiated at the time of acquisition. However, the Fund will consider both primary and secondary investments throughout the entire investment period. The Fund's average commitment will be \$15 to \$20 million or greater spread across 25 to 30 commitments over its lifetime.

FUND OF FUNDS TEAM

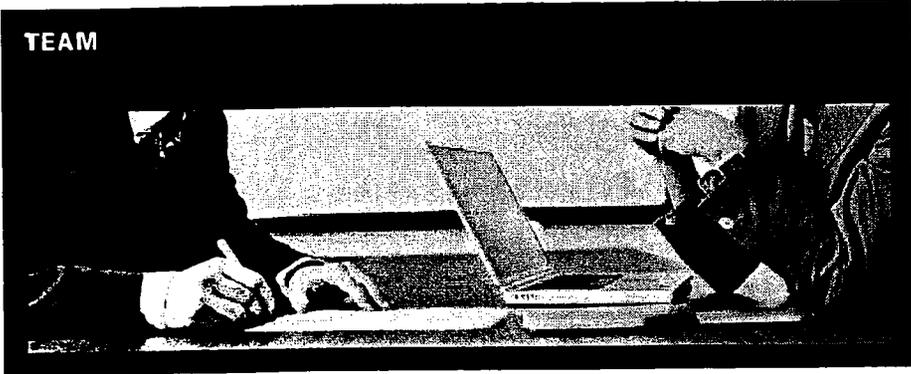
- Lisa Edgar, Principal*
- Philip S. Paul, Partner*
- David A. York, Partner*
- Susan Hopkinson, Associate
- Karen Lee, Executive Assistant

*For detailed biographies of some of our Fund of Funds team members, please see pages 31-33.



PAUL
CAPITAL
PARTNERS

TEAM



EXPERIENCE

PARTNERS

GREGORY BROWN, M.D.

DAVID H. DE WEESE

WALTER FLAMENBAUM, M.D.

LIONEL LEVENTHAL

DAVID E. PARK

PHILIP S. PAUL

GUY RICO

BRYON T. SHEETS

DAVID A. YORK

PRINCIPALS

MARTIN AUSTIN

LISA EDGAR

CLARKE B. FUTCH

SIMON GUENZL

DAVID B. LIPPMAN

KEN MACLEOD

JEAN-PIERRE NAEGELI

MICHEL F. RAOULT

BRIAN W. SULLIVAN

SUPPORT SERVICES

CARROLL ARCHIBALD

LEO P. CHENETTE

PHILIP J. JENSEN

CECILIA MINALGA

RANDALL SCHWED

CHERYL WILSON



TEAM

PARTNERS



GREGORY BROWN, M.D., PARTNER

Tel: (646) 264-1133
Fax: (646) 264-1101
E-mail: gbrown@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Dr. Brown joined Paul Capital Partners in 2003. He shares leadership of the Royalty Fund team with Dr. Flamenbaum, and also focuses on the identification, evaluation and pursuit of new business opportunities. Dr. Brown's background includes extensive experience in healthcare finance at Adams, Harkness & Hill and Vector Securities International, and a medical career that includes the practice of thoracic and vascular surgery. He earned his MBA from Harvard Business School, his MD from SUNY Upstate Medical Center, and his AB from Yale College.



DAVID H. DE WEESE, PARTNER

Tel: (646) 264-1102
Fax: (646) 264-1101
E-mail: ddeweese@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

David de Weese joined Paul Capital Partners in 1995, and leads global secondary transaction sourcing activities for the firm. Following fourteen years of management experience in Europe, Mr. de Weese served as President and CEO of biotechnology company SigA Pharmaceuticals; California-based pharmaceutical company Cygnus Therapeutic Systems; and a Silicon Valley software company. Mr. de Weese received a BA from Stanford University, an MBA from the Harvard Business School, and attended law school at Stanford University.



WALTER FLAMENBAUM, M.D., PARTNER

Tel: (646) 264-1116
Fax: (646) 264-1101
E-mail: wflamenbaum@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Dr. Flamenbaum joined Paul Capital Partners in 1999, and is the Managing Partner of the Paul Royalty Funds. His core responsibility is the overall leadership of the Royalty Fund team, with a particular focus on the identification, evaluation and pursuit of new business opportunities. Dr. Flamenbaum's background includes the leadership of several business organizations, including a contract research organization, SigA Pharmaceuticals, and Therics, Inc. Prior to his business career, he enjoyed a distinguished career in academic medicine spanning more than fifteen years at Tufts University and Mount Sinai Medical Center. He earned his MD from Columbia University and his BA from Washington & Jefferson College.



TEAM



LIONEL LEVENTHAL, PARTNER

Tel: (646) 264-1106
Fax: (646) 264-1101
E-mail: llevanthal@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Mr. Leventhal joined Paul Capital Partners in 1999, and was instrumental in developing the Royalty Fund's business plan and product offerings with Dr. Flamenbaum. At the Paul Royalty Funds, Mr. Leventhal is primarily responsible for negotiation of transaction structures and transaction execution. Mr. Leventhal has an extensive and diverse background that includes structured finance at CS First Boston and Golub Associates, consulting at Bain & Company, Inc., and extensive operating experience. He earned his MBA from Harvard Business School and his AB from Harvard College.



DAVID E. PARK, PARTNER

Tel: (415) 283-4302
Fax: (415) 283-4301
E-mail: dpark@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Mr. Park joined Paul Capital Partners in 1993. His global responsibilities cover sourcing, analysis and closing of secondary transactions. Previously, Mr. Park was an investment manager for Rockefeller & Company, Inc., with responsibility for private equity investments in Asia and North America. Mr. Park began his career on Wall Street as an analyst in the investment banking group of CS First Boston. Mr. Park, a Chartered Financial Analyst, graduated from Rice University and attended graduate school at the London School of Economics and Chinese University of Hong Kong.



TEAM



PHILIP S. PAUL, PARTNER

Tel: (415) 283-4305
Fax: (415) 283-4301
E-mail ppaul@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Phil Paul founded Paul Capital Partners in 1991 and remains an active member of the firm as a senior partner, with specific responsibilities for the Top Tier fund of funds program. Mr. Paul is responsible for recruiting most of the core management team, as well as establishing the culture/strategy for Paul Capital in the secondary market-place. He was previously ('83-'90) Chairman and CEO of Hillman Ventures, Inc., one of the nation's most active private equity investors in the 70's and 80's. Mr. Paul brings more than 20 years of private equity experience to the firm, having served on more than 30 VC-based boards of directors. He is a graduate of Stanford University, and has a Law degree from Southwestern University, as well as a certificate in International Law from the Parker School at Columbia University.



GUY RICO, PARTNER

Tel: +33 (1) 5353 0606
Fax: +33 (1) 5353 0607
E-mail grico@paulcap.com
Address: 28, avenue de Messine, 2nd Floor, 75008 Paris, France

Guy R. Rico, a Partner at Paul Capital Partners since 2001, brings nearly twenty years of private equity experience to his position in the firm's Paris office, where he is responsible for European secondary investments. Mr. Rico is former managing director of Financière Tuileries, a private equity management company based in Paris, which he founded in 1996 and merged with Paul Capital Partners in 2003. Prior to this merger, Financière Tuileries had sourced, invested and managed over \$100 million in 11 private equity acquisitions. Mr. Rico began his career as an officer in the French Navy. From 1990-1995, he was the Chairman of the French Analysts' Society and sat on the Scientific Advisory Board of the Paris Stock Exchange. Mr. Rico, a Chartered Financial Analyst, holds an MA from the University of Economics in France, and an engineering degree from Ecole Centrale.



TEAM



BRYON T. SHEETS, PARTNER

Tel: (415) 283-4303
Fax: (415) 283-4301
E-mail: bsheets@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Mr. Sheets, who joined Paul Capital Partners in 1994, is a Partner in the San Francisco office and a member of the firm's Investment Committee. He leads the analysis, negotiation and closing of secondary private equity transactions, and has primary oversight for managing and coordinating the due diligence activities of Paul Capital's secondary investment professionals. From 1988 until 1994, Mr. Sheets worked at Apple Computer; most recently spearheading financial analyses at the company's Claris Corporation software subsidiary, and earlier at Apple's Corporate Treasury group, directing a variety of financial analyses including investments in the company's peripherals and notebook divisions. Mr. Sheets, a Chartered Financial Analyst, holds an MBA from the Haas School of Business at the University of California, Berkeley, and a BS from the University of California, Davis.



DAVID A. YORK, PARTNER

Tel: (415) 283-4330
Fax: (415) 283-4301
E-mail: dyork@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Mr. York, who joined Paul Capital Partners in 2000, brings extensive capital markets, distribution management, and private equity relations to the firm. He leads the Top Tier II family of funds, a venture capital fund of funds. Mr. York's career spans two decades, and has included serving as Managing Director of Equity Capital Markets Trading Services at Chase H&Q; running Volpe Welty & Company's Corporate and Venture Services Group; and founding the Specialty Equity Transaction group at Drexel Burnham Lambert. Mr. York began his career at Paine Webber. He holds Series 8, Series 7, and Series 63 licenses from the National Association of Securities Dealers, and received his BSE in Industrial & Systems Engineering from the University of Southern California.



TEAM

PRINCIPALS



MARTIN AUSTIN, PRINCIPAL

Tel: +41 (61) 283-4460
Fax: +41 (61) 283-4461
E-mail: maustin@paulcap.com
Address: Picassoplatz 8, 4052 Basel, Switzerland

Mr. Austin joined Paul Capital Partners in 2000, and leads the Paul Royalty Funds' efforts in identifying and qualifying European investment opportunities. Based in Basel Switzerland, he brings an impressive background that includes over 20 years of experience in pharmaceutical and associated healthcare industries, in roles ranging from sales and marketing to leadership of global business development at Roche Pharmaceuticals. He earned his BA at Open University.



LISA EDGAR, PRINCIPAL

Tel: (415) 283-4385
Fax: (415) 283-4301
E-mail: ledgar@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Lisa Edgar has been working with the Top Tier fund of funds group at Paul Capital Partners since the middle of 2003, and has joined as Principal in early 2004. She leads the groups' due diligence efforts, and contributes to deal sourcing and portfolio strategy. From 1999 to 2002, Ms. Edgar was part of the fund of funds investment team at WR Hambrecht + Co. that was focusing on new and emerging private equity funds. Prior to WR Hambrecht, Ms. Edgar spent 10 years at Horsley Bridge Partners. While at Horsley Bridge, she was responsible for providing technology research assistance for the fund of funds investment decision making process, managing the public portfolio of venture-backed distributions and buying and selling private equity partnership interests in the secondary market. Before Horsley Bridge, Ms. Edgar was an analyst at the Federal Reserve Bank of San Francisco. She holds a BS in Applied Economics from the University of San Francisco and an MBA from the University of California at Berkeley.



TEAM



CLARKE B. FUTCH, PRINCIPAL

Tel: (646) 264-1114
Fax: (646) 264-1101
E-mail: cfutch@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Mr. Futch joined Paul Capital Partners in 2001, and focuses on the negotiation, structuring and execution of investments for the Paul Royalty Funds. He has significant experience in healthcare investment banking gained at firms including Thomas Weisel Partners and Raymond James. He earned his JD from University of Virginia and his BA from Vanderbilt University.



SIMON GUENZL, PRINCIPAL

Tel: (646) 264-1105
Fax: (646) 264-1101
E-mail: sguenzl@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Simon Guenzl joined Paul Capital Partners' New York office in 2004. He focuses on sourcing, evaluating, negotiating and closing secondary private equity transactions. Mr. Guenzl's 14 years of transactional experience prior to joining Paul Capital include five years in direct private equity investing with the Sprout Group, five years on Wall Street, primarily in mergers & acquisitions, with Lehman Brothers and Donaldson, Lufkin & Jenrette, and four years as an attorney in Australia and the United Kingdom. He received an MBA (Palmer Scholar) from The Wharton School at the University of Pennsylvania, and a Bachelor of Jurisprudence and a Bachelor of Laws (First Class Honours) from the University of Western Australia.



DAVID B. LIPPMAN, PRINCIPAL

Tel: (646) 264-1112
Fax: (646) 264-1101
E-mail: dlippman@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Mr. Lippman joined Paul Capital Partners in 2000. He is responsible for leading the development of internal sales projections for products under consideration for investment by the Paul Royalty Funds, and for monitoring the performance of pharmaceutical products in which the Funds have an investment. He contributes actively to transaction due diligence. He has had a distinguished career spanning more than three decades as a highly rated sell-side analyst, covering major pharmaceutical companies in the U.S. at firms such as Prudential Securities, Dean Witter and S.G. Warburg. He earned an MBA from Columbia University School of Business and his BA from University of Michigan.



TEAM

KEN MACLEOD, Ph.D., PRINCIPAL

Tel: +44 (20) 7851-6144

Fax: +44 (20) 7734-8167

E-mail kmacleod@paulcap.com

Address: Brown Rudnick Berlack Israels, 8 Clifford Street, 3rd Floor, London W1S 2LQ

Dr. Macleod joined Paul Capital Partners in 2004 and is responsible for sourcing and evaluating European investment opportunities. Based in London, U.K., Dr. Macleod brings a strong operational background and was most recently a Venture Partner at Schroder Ventures Life Sciences where he was responsible for deal sourcing, evaluation and negotiation of pharmaceutical investment opportunities. Previously, Dr. Macleod held senior management positions over an impressive 15-year career at Serono Pharmaceuticals, Abbott Laboratories and Beecham Pharmaceuticals. Dr. Macleod earned his Ph.D. from the University of York, U.K. and his B.Sc. with honors in Biology from the University of Manchester, U.K.



JEAN-PIERRE NAEGELI, PRINCIPAL

Tel: (646) 264-1115

Fax: (646) 264-1101

E-mail jpnaegeli@paulcap.com

Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Mr. Naegeli joined Paul Capital Partners in 2000. He focuses on sourcing and structuring royalty transactions and leading the Paul Royalty Fund's overall due diligence efforts. Prior to Paul Capital Partners, Mr. Naegeli spent ten years at Johnson & Johnson, initially assessing technologies across all divisions, and more recently at Johnson & Johnson Development Corporation, the strategic investment and venture capital subsidiary of Johnson & Johnson. His background also includes extensive engineering experience. He earned his B.Sc. and M.Sc. from the Swiss Federal Institute of Technology, and his MBA from the Yale School of Management.



OVERVIEW



MICHEL F. RAOULT, PRINCIPAL

Tel: +33 (1) 5353 0602
Fax: +33 (1) 5353 0607
E-mail: mraoult@paulcap.com
Address: 28, avenue de Messine, 2nd Floor, 75008 Paris, France

Michel Raoult joined Paul Capital Partners in 2003. His primary responsibilities as a senior member of Paul Capital's Paris office include sourcing, evaluating and closing secondary transactions. Mr. Raoult's previous experience includes fifteen years with Crédit Lyonnais, where he most recently served as Senior Vice President in the investment banking division, leading technology and biotechnology IPO's and secondary offerings. He had previously established and managed healthcare and biotechnology at Innolion, the venture capital subsidiary of Crédit Lyonnais. Mr. Raoult started his industrial career at L'Air Liquide, as Chief Scientist in corporate research. He received his Doctorate in physics from Paris University and his MBA from Insead, and is a graduate of Ecole Normale Supérieure.



BRIAN W. SULLIVAN, PRINCIPAL

Tel: (646) 264-1108
Fax: (646) 264-1101
E-mail: bsullivan@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Mr. Sullivan joined Paul Capital Partners in 1998. He is responsible for identifying, diligencing and negotiating secondary private equity transactions. His background includes work as a business strategy consultant for the Boston Consulting Group and as an engineer and surface warfare officer in the US Navy's nuclear power program. He received an MBA (with a focus in finance) from The Wharton Business School at the University of Pennsylvania and his BS in Mechanical Engineering from the United States Naval Academy.



TEAM

SUPPORT SERVICES



CARROLL ARCHIBALD, VICE PRESIDENT OF FINANCE AND TAXATION

Tel: (415) 283-4306
Fax: (415) 283-4301
E-mail: carchibald@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Ms. Archibald joined Paul Capital Partners in 1997. She provides expertise in tax and accounting matters, as they relate to transaction structures for the Paul Royalty Funds and for the firm's other funds, and as they impact the needs of the firm's limited partners. She brings extensive experience in public accounting from PriceWaterhouseCoopers, where she was a partner, and from Arthur Anderson, with a particular focus on taxation. From 1984 to 1995, Ms. Archibald was Vice President of Taxation and Portfolio Accounting with Metric Realty, a real estate investment firm affiliated with Met Life, with a broad base of institutional investors. She earned her MBA from University of California at Berkeley and her BA from Connecticut College.



LEO P. CHENETTE, VICE PRESIDENT OF INVESTOR RELATIONS

Tel: (646) 264-1147
Fax: (646) 264-1101
E-mail: lchenette@paulcap.com
Address: Two Grand Central Tower, 140 East 45th Street, 44th Floor, New York, NY 10017

Leo Chenette joined Paul Capital Partners in 2003 as Vice President of Investor Relations. He is responsible for managing fundraising processes and coordinating relations and communications with new and existing investors. Prior to joining Paul Capital Partners, Leo worked for Donaldson Lufkin and Jenrette (later acquired by Credit Suisse First Boston) as Vice President of Investor Relations for the firm's global private equity fund of funds and separate account business. Previously, Leo was a Director in CIBC Oppenheimer's Merchant Banking Division, where he initiated the firm's private equity fund of funds business. Leo received a BS from Siena College and is currently completing an MBA at New York University's Stern School of Business.



TEAM



PHILIP J. JENSEN, CHIEF FINANCIAL OFFICER

Tel: (415) 283-4322
Fax: (415) 283-4301
E-mail: pjensen@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Mr. Jensen joined Paul Capital Partners in 2001 as Chief Financial Officer. He is responsible for overseeing all accounting and tax activities, investor relations and services, information technology, and the management of the firm's administration. Mr. Jensen brings over 20 years of experience as a senior financial executive and certified public accountant. His background includes the financial leadership of several organizations, such as Kaiser Foundation Health Plan and Hospitals, McKesson Corporation, and Deloitte & Touche. Mr. Jensen received his BS from San Francisco State University.



CECILIA MINALGA, CONTROLLER, MANAGEMENT COMPANY

Tel: (415) 283-4323
Fax: (415) 283-4301
E-mail: cminalga@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Ms. Minalga joined Paul Capital Partners in 2002. She is responsible for the financial and accounting activities of the management company and all general partner entities. She was Assistant Controller for the California Division of Kaiser Foundation Health Plans and Hospitals, and was previously with McKesson Corporation and Deloitte & Touche. Ms. Minalga is a Certified Public Accountant and received a BS from University of San Francisco.



RANDALL SCHWED, CONTROLLER, SECONDARY FUNDS

Tel: (415) 283-4340
Fax: (415) 283-4301
E-mail: rschwed@paulcap.com
Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Randall Schwed joined Paul Capital Partners in 2004 as Controller, Secondary Funds. He is responsible for managing the accounting and reporting activities of the firm's private equity secondary funds. Mr. Schwed brings to Paul Capital Partners his 18 years of financial experience, including controllership and other financial management roles at Epoch Partners, NationsBanc Montgomery Securities, The Charles Schwab Corporation and Bank of America Securities. He earned his BBA in Accounting from Boise State University. Mr. Schwed is a Certified Public Accountant and holds several principal securities licenses.



OVERVIEW



CHERYL WILSON, IT MANAGER

Tel: (415) 283-4395

Fax: (415) 283-4301

E-mail: cwilson@paulcap.com

Address: 50 California Street, Suite 3000, San Francisco, CA 94111

Cheryl Wilson joined Paul Capital Partners in 2001 as Information Technology Manager and has responsibility for strategic planning and management of the firm's global technology infrastructure and assets. Prior to joining Paul Capital Partners, Cheryl was a senior technology manager in the telecommunications, banking and legal industries, and worked for six years as Vice President of Technology Support at Bank of America. Prior to Bank of America, she spent several years as a Technical Director with Pacific Bell. She received her BA in Human Services and Masters in Clinical Psychology from Holy Names College.



PAUL
CAPITAL
PARTNERS

INVESTOR RELATIONS



COMMUNICATION

INVESTORS NEED TIMELY, ACCURATE, PERTINENT INFORMATION. ALONG WITH OUR GLOBAL TEAM OF PROFESSIONALS, WE ACTIVELY PURSUE THE BEST REPORTING SYSTEMS AVAILABLE TO THE PRIVATE EQUITY COMMUNITY.



INVESTOR RELATIONS

CONTACTS AND RESPONSIBILITIES

Paul Capital has a dedicated staff of professionals available to serve our investors' needs.

INVESTOR SERVICES: Our Investor Services team can assist you with any information you may need to manage your Paul Capital fund investments, including:

- distribution and capital call histories
- quarterly capital account balances and estimates
- duplicate copies of fund quarterly reports and Schedule K-1s
- account confirmations required for auditors
- any other information requests concerning your investment or the fund in which you have invested
- updates to investor contact information (addresses, phone/fax numbers, e-mail addresses and new investor contacts)

The Investor Services team, based in San Francisco, can be reached between the hours of 7:30 AM and 5:00 PM Pacific time, in any of the following ways:

- by phone: (415) 283-4311
- by fax: (415) 283-4301
- by e-mail: investorservices@paulcap.com

Investors can also contact Janet Turner, the Investor Services Manager who heads the team, as follows:

- by phone: (415) 283-4354
- by fax: (415) 283-4301
- by e-mail: jturner@paulcap.com

IMPORTANT UPDATE

Paul Capital has recently launched a new, secure web portal from which investors can access their historical capital call and distribution notices as well as copies of recent quarterly reports and annual meeting presentations. Please contact our Investor Services team for further details on this convenient, easy-to-use new service.

INVESTOR RELATIONS: Our Investor Relations team can assist you with any of the following:

- information on new offerings within any of the Paul Capital funds: Royalty Funds, Top Tier Funds and Secondary Funds
- requests for one-on-one investor meetings or presentations
- details on upcoming annual meetings or other investor events

The Investor Relations team, based in New York, is headed by Leo Chenette, Vice President of Investor Relations, who can be reached between the hours of 8:00 AM and 5:00 PM Eastern time, in any of the following ways:

- by phone: (646) 264-1147
- by fax: (646) 264-1101
- by e-mail: lchenette@paulcap.com



**PAUL
CAPITAL
PARTNERS**

CONTACT US



WORLDWIDE

PAUL CAPITAL PARTNERS HAS OFFICES IN NEW YORK, SAN FRANCISCO, LONDON, PARIS AND BASEL, SWITZERLAND, AND LOCAL ADVISORS ACROSS THE GLOBE TO MAKE OUR SERVICES READILY AVAILABLE TO YOU. WE WELCOME YOUR INQUIRIES, AND WILL TREAT THEM WITH COMPLETE DISCRETION.

SAN FRANCISCO

50 California Street
Suite 3000
San Francisco, CA 94111
Tel: (415) 283-4300
Fax: (415) 283-4301

PARIS

28, avenue de Messine, 2nd Floor
75008 Paris
France
Tel: +33 (1) 5353 0606
Fax: +33 (1) 5353 0607

BASEL

Picassoplatz 8
4052 Basel
Switzerland
Tel: +41 (61) 283-4460
Fax: +41 (61) 283-4461

NEW YORK

Two Grand Central Tower
140 East 45th Street, 44th Floor
New York, NY 10017
Tel: (646) 264-1100
Fax: (646) 264-1101

LONDON

8 Clifford Street, 3rd Floor
London W1S 2LQ
Tel: +44 20 7851 6144
Fax: +44 20 7734 8167

For detailed directions to each of our offices, please visit us on the Web at: <http://www.paulcap.com/contact/index.html>



CONTACT US

COMPANY DIRECTORY

PAR	Adam, Zoia	Accounting & Office Manager	Secondary	+33 (1) 5353 0605	zadam@paulcap.com
SF	Albright, Jason	Sr. Financial Analyst	Support Services	(415) 283-4358	jalbright@paulcap.com
SF	Archibald, Carroll	Vice President of Finance and Taxation	Support Services	(415) 283-4306	carchibald@paulcap.com
BAS	Austin, Martin	Principal	Royalty	+41 (61) 283-4460	maustin@paulcap.com
NY	Beyer, Susan	Marketing Manager	Secondary	(646) 264-1123	sbeyer@paulcap.com
NY	Brown, Gregory	Partner	Royalty	(646) 264-1133	gbrown@paulcap.com
SF	Burton, Heather	HR & Compliance Administrator	Support Services	(415) 283-4324	hburton@paulcap.com
SF	Chen, Lindy	Accounting Manager	Support Services	(415) 283-4360	lchen@paulcap.com
NY	Chenette, Leo P.	Vice President, Investor Relations	Investor Services	(646) 264-1147	lchenette@paulcap.com
PAR	Collado, Helene	Administrative Assistant	Secondary	+33 (1) 5353 0606	hcollado@paulcap.com
PAR	de Maleissye, Charlotte	Associate	Secondary	+33 (1) 5353 0604	cdemaleissye@paulcap.com
NY	de Weese, David H.	Partner	Secondary	(646) 264-1102	ddeweese@paulcap.com
SF	Edgar, Lisa	Principal	Top Tier	(415) 283-4385	ledgar@paulcap.com
NY	Flamenbaum, Walter	Partner	Royalty	(646) 264-1116	wflamenbaum@paulcap.com
NY	Futch, Clarke	Principal	Royalty	(646) 264-1114	cfutch@paulcap.com
SF	Greco, Laura	Executive Assistant	Secondary	(415) 283-4318	lgreco@paulcap.com
NY	Guenzl, Simon	Principal	Secondary	(646) 264-1105	sguenzl@paulcap.com
NY	Haygood, Rachel	Executive Assistant	Secondary	(646) 264-1128	rhaygood@paulcap.com
SF	Hilliard, Sheila	Accounting Manager	Support Services	(415) 283-4355	shilliard@paulcap.com
NY	Hinkle, Camen	Office Manager, Executive Assistant	Royalty	(646) 264-1119	chinkle@paulcap.com
SF	Hopkinson, Susan	Associate	Top Tier	(415) 283-4394	shopkinson@paulcap.com
NY	Horowitz, Michele	Associate	Royalty	(646) 264-1113	mhorowitz@paulcap.com
SF	Hultberg, Carrie	Executive Assistant	Investor Services	(415) 283-4307	chultberg@paulcap.com
SF	Jensen, Philip J.	Chief Financial Officer	Support Services	(415) 283-4322	pjensen@paulcap.com
SF	Kwan, Maria	Accounting Manager	Support Services	(415) 283-4349	mkwan@paulcap.com
SF	Lee, Karen	Executive Assistant	Top Tier	(415) 283-4304	klee@paulcap.com
NY	Leventhal, Lionel	Partner	Royalty	(646) 264-1106	lleventhal@paulcap.com
NY	Lippman, David	Principal	Royalty	(646) 264-1112	dlippman@paulcap.com
LON	Macleod, Ken	Principal	Royalty	44 20 7851 6144	kmacleod@paulcap.com
NY	Mak, Bradford	Analyst	Royalty	(646) 264-1122	bmak@paulcap.com
NY	Meister, Karen	Executive Assistant	Royalty	(646) 264-1117	kmeister@paulcap.com
NY	Miller, Josh	Analyst	Secondary	(646) 264-1137	jmiller@paulcap.com
SF	Minalga, Cecilia	Controller, Management Company	Support Services	(415) 283-4323	cminalga@paulcap.com
SF	Mulderry, Daniel P.	Associate	Secondary	(415) 283-4362	dmulderry@paulcap.com
NY	Naegeli, Jean-Pierre	Principal	Royalty	(646) 264-1115	jpnaegeli@paulcap.com
NY	Orzano, Elizabeth	Associate	Secondary	(646) 264-1124	eorzano@paulcap.com



CONTACT US

SF	Park, David E.	Partner	Secondary	(415) 283-4302	dpark@paulcap.com
PAR	Partiot, Guillaume	Analyst	Secondary	+33 (1) 5353 0609	gpartiot@paulcap.com
SF	Paul, Phil	Partner	Top Tier	(415) 283-4305	ppaul@paulcap.com
SF	Pon-Koplan, Connie	Associate	Secondary	(415) 283-4364	cpkoplan@paulcap.com
LON	Potgieter, Lisa	Executive Assistant	Support Services	44 20 7851 6145	lpotgieter@paulcap.com
PAR	Raoult, Michel	Principal	Secondary	+33 (1) 5353 0602	mraoult@paulcap.com
NY	Reber, Matthew	Summer Associate	Royalty	(646) 264-1135	mreber@paulcap.com
SF	Reynolds, Donald	Receptionist	Support Services	(415) 283-4313	dreynolds@paulcap.com
PAR	Rico, Guy	Partner	Secondary	+33 (1) 5353 0606	grico@paulcap.com
SF	Rombeau, Suzanne	Analyst	Secondary	(415) 283-4300	srombeau@paulcap.com
SF	Schwed, Randall	Controller, Secondary Funds	Support Services	(415) 283-4340	rschwed@paulcap.com
PAR	Scoupe, Audrey	General Administration & Assistant to G.Rico	Secondary	+33 (1) 5353 0606	ascoupe@paulcap.com
SF	Sheets, Bryon	Partner	Secondary	(415) 283-4303	bsheets@paulcap.com
SF	Situ, Rose	Accounts Payable/Cash Mgmt.	Support Services	(415) 283-4329	rsitu@paulcap.com
NY	Sookhoo-Williams, Sandra	Receptionist / Office Assistant	Support Services	(646) 264-1103	sswilliams@paulcap.com
NY	Sullivan, Brian	Principal	Secondary	(646) 264-1108	bsullivan@paulcap.com
SF	Tam, Irene	Accounting Manager	Support Services	(415) 283-4317	itam@paulcap.com
NY	Taylor, Melanie	Business Development Manager	Secondary	(646) 264-1107	mtaylor@paulcap.com
SF	Turner, Janet	Investor Services Manager	Investor Services	(415) 283-4354	jturner@paulcap.com
SF	Wilson, Cheryl	IT Manager	Support Services	(415) 283-4395	cwilson@paulcap.com
SF	York, David	Partner	Top Tier	(415) 283-4330	dyork@paulcap.com
SF	Zirk, Linda	Office Manager	Support Services	(415) 283-4357	lzirk@paulcap.com



CONTACT US

LOCAL REPRESENTATIVES

To find your local representative to discuss a potential **royalty transaction**, please contact:

U.S.	Dr. Walter Flamenbaum	wflamenbaum@paulcap.com	(646) 264-1116
	Dr. Greg Brown	gbrown@paulcap.com	(646) 264-1133
Europe	Martin Austin	maustin@paulcap.com	41 61 283 4460
	Dr. Ken Macleod	kmacleod@paulcap.com	44 20 7851 6144

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To find your local representative to discuss a potential **secondary transaction**, please contact:

U.S. East	David de Weese	ddeweese@paulcap.com	(646) 264-1102
	Brian Sullivan	bsullivan@paulcap.com	(646) 264-1108
U.S. West	Bryon Sheets	bsheets@paulcap.com	(415) 283-4303
	David Park	dpark@paulcap.com	(415) 283-4302
Canada	Ann Watson	awatson@paulcap.com	(416) 924-6718
France	Guy Rico	grico@paulcap.com	33 1 53 53 06 06
Germany, Austria, Switzerland	Peter Doll	Pkdoll1@aol.com	49 8178 955 840
Italy	Vittorio Levi	vlevi@paulcap.com	39 02 771-21811
Japan	Jeff Collett	ojc@ix.netcom.com	(801) 278-3051
Middle East	Peter Thompson	peter@cranecapital.com	44 208 334 8355
Netherlands, Belgium	Peter J. van Donselaar	Peter.J@vanDonselaar.com	31 0 20 4823372
Spain	Raphaël Pinto	rpinto@ecritel.net	33 1 40 61 50 49
All other countries not listed here	Melanie Taylor	mtaylor@paulcap.com	(646) 264-1107



**PAUL
CAPITAL
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CONTACT US

ADDITIONAL INFORMATION

FUND INVESTMENT PORTFOLIO SCHEDULE

If you are interested in selling a portfolio of private equity limited partnership interests, please contact:

Bryon Sheets

Fax: (415) 283-4301

E-mail: bsheets@paulcap.com

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David York

Fax: (415) 283-4301

E-mail: dyork@paulcap.com

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If you are seeking liquidity for a portfolio of direct investments, please contact:

Bryon Sheets

Fax: (415) 283-4301

E-mail: bsheets@paulcap.com

ANNEX D

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