



# LIFE SCIENCES LAW & INDUSTRY

**VOL. 2, NO. 1****REPORT****JANUARY 4, 2008**

## Royalties

### **Northwestern Sells to Royalty Pharma Portion of Lyrica Interest for \$700 Million**

**N**orthwestern University announced Dec. 18, 2007, the sale to Royalty Pharma of a portion of its worldwide royalty interest in the pain relief drug Lyrica for \$700 million in cash.

According to the announcement, the transaction is the largest sale ever of a royalty stream for a pharmaceutical product. Lyrica is used to treat nerve pain associated with diabetes and shingles and to help manage pain caused by fibromyalgia; it is manufactured by Pfizer Inc. Lyrica is based on the chemical compound pregabalin, first synthesized at Northwestern.

Covington Burling LLP advised Northwestern on the transaction. John P. Gourary, a corporate partner in the firm's New York office, together with Andrew Ment, both of the firm's New York office, worked closely with Northwestern to structure, plan, and execute the transaction.

Gourary told BNA Dec. 20, 2007, that "while Northwestern believes very strongly in Lyrica's potential, considerations of diversification and reduction of risk played a key role in Northwestern's decision. At the end of the day, given the size of the asset and the dollars involved, it seemed prudent to monetize a portion of the royalty stream.

"By retaining a significant portion of the royalty stream, Northwestern preserved the ability to share in

the upside of Lyrica's potential, while simultaneously achieving greater diversification (and therefore lower overall risk) in its investment portfolio," Gourary said. "Of course, Northwestern will also be able to apply the proceeds from the monetization to assist in funding current projects, such as supporting financial aid for its undergraduate and graduate students, increased research efforts, construction of new buildings and laboratories, and the upgrading of existing facilities."

In what is regarded as the first monetization of royalty rights by a university, Gourary advised Emory University on its July 2005 sale of the royalty rights associated with Emtriva, a drug used in the treatment of HIV infection.

"Emory got a great deal of attention in the press when it did its \$540 million monetization in 2005," Gourary said, "and some of the trends that we are seeing clearly now first originated back then. Perhaps one of the most significant trends is the increased interest on the part of a much broader spectrum of buyers in this kind of an asset. Many investors find that an investment in a royalty stream provides useful portfolio diversification benefits to them, as this particular asset's value does not correlate with other assets in their portfolios. Accordingly, there was a great deal of interest in the auction."

The portion of Northwestern's royalty interest that was sold to Royalty Pharma, Gourary said, is confidential.