

To: Shafer [REDACTED]
From: Jeffrey Epstein
Sent: Tue 3/5/2013 11:10:13 AM
Subject: Re: Billionaire Doctor Prescribes Small Teva Deals for Israeli Giant

where are you ,, will i see you in parisk 25?

On Tue, Mar 5, 2013 at 4:06 AM, Shafer <[REDACTED]> wrote:

Billionaire Doctor Prescribes Small Teva Deals for Israeli Giant

As American billionaire Phillip Frost prepared to take over as chairman of Teva Pharmaceutical Industries Ltd. (TEVA) in March 2010, some investors fretted about what would become of Israel's crown jewel.

Eli Hurvitz, a national icon who had won the government's Israel Prize for his lifelong contributions to the country, had set a patriotic tone at the world's largest generic-drug maker before stepping down that year to fight his own cancer.

Workers enjoyed a kibbutzlike campus while Teva funded local health-care ventures. Israeli newspapers went as far as suggesting that Frost, a Miami philanthropist and major Teva shareholder, might uproot headquarters to the U.S., Bloomberg Markets magazine will report in its April issue.

More from the April issue of Bloomberg Markets:

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Frost didn't move the head office. He did hire Jeremy Levin, who had overseen a string of small and mid-size deals at New York-based Bristol-Myers Squibb Co. (BMY), to replace former Israeli army major general Shlomo Yanai as chief executive officer.

Levin moved to Israel, where Teva predecessors once delivered drugs on camels and donkeys, to run the company from Petach Tikva, 9 miles (14 kilometers) east of Tel Aviv.

"Teva is and always will be an Israeli company with strong Israeli roots," says Frost, 76, puffing on a Romeo y Julieta cigar in his Miami office overlooking Biscayne Bay.

"Teva also must act like a global pharmaceutical company. There's a lot of nostalgia for the good old days when it was a family company and the board got together for a little lunch. That's not what Teva is nowadays."

'Urgent Situation'

Frost, a dermatologist with snow-white hair and a no-nonsense manner, is now contending with investors who say the company isn't developing enough drugs with blockbuster potential

and won't recoup an expected revenue drop from its marquee product, Copaxone.

The world's top-selling injectable multiple sclerosis treatment is facing competition from oral MS drugs, and its last patent expires in 2015.

Teva's American depository receipts, which hit a record \$64.54 just after Frost arrived, fell to \$37.25 on March 4.

"You have one branded drug that accounts for about half the company's profit," says Ori Hershkovitz, a partner at Sphera Funds Management Ltd. in Tel Aviv. "It has become quite an urgent situation for Teva."

Little Pharma

In tough times, Big Pharma often seeks big acquisitions to spark growth, as Merck & Co. did by paying \$41 billion for Schering-Plough Corp. in 2009.

Teva is no stranger to that strategy, with multibillion-dollar deals including the \$7.4 billion purchase of Frost's Ivax Corp., completed in 2006. Frost owns 1.54 percent of Teva's Israel-traded shares, valued at \$541 million on March 4, making him among the largest individual holders of the common stock, according to data compiled by Bloomberg.

Now that he's in charge, Frost is thinking small. He wants Levin to find partnerships and make targeted purchases in areas where Teva is strong, such as multiple sclerosis and respiratory treatments.

He's also pushing Teva to adapt and combine molecules in new ways to target a range of health concerns. Johnson & Johnson took a similar tack when it reformulated a narcotic used for anesthesia into a patch to treat cancer pain.

Building Companies

Frost has used these approaches to build companies since he parlayed a \$50,000 investment in struggling Key Pharmaceuticals Inc. in 1972 into an \$825 million sale to Schering-Plough 14 years later. Today, he and associates are assembling Opko Health Inc. (OPK), a Miami-based holding company for diagnostic equipment and medical products. Frost, Opko's chairman and CEO, owns 46 percent of the company, with 136 million shares that were valued at \$973 million on March 4. The stock has surged 49 percent this year to \$7.16 a share, the highest in more than 10 years.

Frost predicts Opko's tests, such as the 4KScore that identifies aggressive prostate cancer, will gain popularity as governments reduce health-care spending.

"He's got this ability to see the big picture and to move the pieces to get where he wants to go," says fellow dermatologist Richard Greene, whose son David helped manage South Florida sports-memorabilia-seller Dreams Inc., in which Frost was an investor. After Frost nudged Dreams into Internet sales, a rival bought it for \$183 million last year.

Frost's Fortune

Frost has amassed a \$3 billion fortune, with investments from health care to gold mines to cigarette seller Vector Group Ltd. He and his wife, Patricia, a former school principal, have donated more than \$70 million in their backyard to help create the University of Miami Frost School of Music, the Patricia & Phillip Frost Art Museum at Florida International University and the Patricia and Phillip Frost Museum of Science.

The couple lives in a \$53 million mansion on nearby Star Island, where they collect rare palms and count rapper Sean "Diddy" Combs among their neighbors.

"I've never seen him take time off," says Richard Pfenniger, who has run two Frost enterprises. "He also has a keen understanding that everything doesn't always go as planned. He is a patient investor."

Frost will need that forbearance because Teva is about to get a taste of its own medicine. After benefiting from the so-called patent cliff that gives generics makers the chance to copy such blockbusters as Pfizer Inc.'s Lipitor cholesterol-lowering pills, Teva will soon fight generics rivals of its own.

Teva gained Nuvigil, to treat excessive sleepiness, and Treanda, a cancer treatment, in its \$6.2 billion acquisition of Cephalon Inc. in 2011. They will go off patent this decade.

Meantime, competition in the U.S. and austerity measures in Europe are holding drug prices down.

'Tough Challenges'

"It's hard to get comfortable with how they can grow the business amid some of these tough challenges," says Gary Nachman, an analyst at Susquehanna Financial Group LLLP in New York.

Teva's fourth-quarter profit excluding some costs fell 19 percent to \$1.14 billion from a year earlier as sales dropped 7.5 percent to \$5.25 billion.

Frost, who grew up in a middle-class Jewish household in South Philadelphia, has been a lifelong achiever. He loved reading and the arts, spending a year in Paris en route to a bachelor's degree in French literature from the University of Pennsylvania.

After graduation from Albert Einstein College of Medicine at Yeshiva University in the Bronx in 1961, Frost taught dermatology at the University of Miami. In 1972, he founded a dermatology department at Miami's Mount Sinai Medical Center and started doing deals on the side.

'Smart Guy'

"Phil was a smart guy scientifically and had great instinct and ambition, but he didn't know the business that well," says Michael Jaharis, an early partner. Jaharis, 84, himself became a

billionaire after selling Kos Pharmaceuticals Inc. in 2006 to Abbott Laboratories for \$3.7 billion.

“I knew what it took to get a drug approved. We had a natural, great mix.”

The pair bought Key Pharmaceuticals, boosting Key’s sales via asthma drug Theo-Dur and cardiovascular patch Nitro-Dur. Frost switched gears with Ivax. He founded the company to make branded drugs and turned to generics when the 1984 Hatch-Waxman Act gave advantages to the first drug copiers.

“He recognized, if we could be first, there was a great deal of profit,” says Steven Rubin, Ivax’s former general counsel and a current Opko executive.

Ivax Sale

As generics competition intensified, Frost pounced again. He got together with Israel Makov, then-CEO of Teva, a main Ivax rival.

The two discussed Teva’s buying Ivax as they and their wives basked on a friend’s yacht off Capri, Italy, in the summer of 2004. They met again the next year, punctuating their boat trip with walks on the Mediterranean island of Ibiza, Spain, and sealing the deal at New York’s Sherry-Netherland hotel.

“Coming together made great sense for both our companies,” Frost says.

Some Israeli investors remain skeptical. As Teva’s shares slid last year, they blasted the board for boosting directors’ compensation. Frost got a 74 percent raise to \$900,000 a year and an additional \$700,000 for private airplane expenses. Jaharis, his early partner, recalls how Frost recently boasted about the golden sink on the jet he bought from casinos magnate Steve Wynn.

Modesty Legacy

“The company has a legacy of modesty established by Eli Hurvitz,” says Platinum Investment Portfolio Management Ltd. CEO Gadi Haber, who personally holds Teva stock. “With the shares performing so poorly, we find it unconscionable for the board to reward itself.” Hurvitz died in 2011.

Frost sees it differently: “Remuneration is incidental,” he says. “It’s trivial, considering the size of Teva.”

The almost-octogenarian billionaire isn’t winding down just yet. There are investors to placate, Teva to mend, Opko -- and perhaps new companies -- to build.

Asked why he hasn’t adopted golfing or other hobbies of the superwealthy full time, his face gives way to a faint smile.

“This is what keeps me going,” he says.

To contact the reporter on this story: David Wainer in Tel Aviv at [REDACTED]

To contact the editor responsible for this story: Phil Serafino in Paris at [REDACTED]

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