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IntelGenX Corp.

Second Quarter 2016 Financial Results Conference Call

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CORPORATE PARTICIPANTS

Dr. Horst Zerbe, *President and CEO*

Andre Godin, *Executive Vice President and CFO*

Edward Miller, *Director of Investor Relations*

CONFERENCE CALL PARTICIPANTS

Swayampakula Ramakanth, *H.C. Wainwright*

Greg Eisen, *Singular Research*

Patrick Tully, *Endeavor Asset Management*

PRESENTATION

Operator:

Greetings, and welcome to IntelGenx Second Quarter 2016 Financial Results Management Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Edward Miller, Director of Investor Relations at IntelGenx. Thank you. Please go ahead.

Edward Miller:

Good afternoon and thank you for joining us today for the IntelGenx second quarter 2016 Management call. With me on the call today are Dr. Horst Zerbe, President and CEO; and Mr. Andre Godin, Executive Vice President and CFO.

Before we begin, I'd like to remind you that all amounts are in US dollars and today's remarks contain forward-looking statements that represent our expectations as of today and accordingly are subject to change. We do not undertake any obligation to update any forward looking statements except as may be required by US Securities and Canadian laws. A number of assumptions were made by us in preparing these forward-looking statements, which are subject to risks. Results may differ materially. Details on these risks and assumptions can be found in our filings within the Canadian and Securities and Exchange Commission, the SEC.

I would now like to turn the call over to Dr. Zerbe.

Dr. Horst Zerbe:

Thank you, Edward. Good afternoon and welcome to our second quarter results conference call. On the call today, I will initially comment on the Forfivo royalty monetization deal that we announced last week. I will provide a brief corporate update report on the progress we made on some of our pipeline projects. Finally I will turn over to Andre to review our Q2 financial results.

First, on the Forfivo monetization deal; the reasons behind that deal are in summary the following ones. The product, Forfivo, will become genericized in January of 2018 and we therefore—and that's typically being seen in the generic business, we expect sales to decline soon after the launch of the authorized generic. As a consequence of that, we do not really know for how long Edgemont will continue its promotional efforts at current levels. Since the Company has made a strategic decision to focus solely on pharmaceutical oral films, we decided to monetize the product and use the proceeds to advance our film program.

Now, I'd like to point out that we only sold the US income stream, and we will retain any revenues coming from outside of the US deals, and in addition we will retain 65% of all milestone payments after the $15 million net sales milestone that we are entitled to under the Edgemont agreement.

We did the deal with SWK Holdings. That company specializes in RPAs, which means royalty purchase agreements and structured debt fundings. They are very well-established in that kind of deals. The deal for us will generate non-dilutive cash inflow, which will allow us to advance our film projects which we expect to bring significant long-term revenues to our shareholders. Including the $6 million that we received from this deal, the product has generated approximately US$15 million in revenue. Development costs in total were $2.5 million and so this represents a six-fold return on the capital invested.

I would also like to point out that we—while we are focusing on the advancement of our film programs that we have kept our technology know-how for development tablets, in case a future opportunity from a potential partner will arise. That much on the Forfivo monetization deal.

With respect to other BD activities, we're clearly focusing right now in the business development area on bringing in new deals. For example at the recent BIO Conference, we met with 50 different pharmaceutical companies to discuss partnering opportunities, and we're currently in discussions with eight companies that are interested in RIZAPORT licenses, 17 companies that are interested in our Tadalafil product, three companies are interested in our schizophrenia drug, and five companies have expressed interest in a deal on Forfivo outside of the US.

Above and beyond that, there are ongoing late-stage discussions with a global pharmaceutical company for multiple products with the potential goal of finalizing a definitive agreement in the third quarter of 2016. In addition to that, in October, we will present our services and capabilities at the CPhI Conference in Barcelona, Spain.

As far as our new facility is concerned, the construction work on the new facility is now completed and equipment qualification is ongoing. It is scheduled to be completed by the end of August 2016. We're currently preparing submission batches for our Tadalafil and RIZAPORT products.

With respect to RIZAPORT, as we announced earlier this year, we signed a first definitive agreement with Grupo Juste for the commercialization of RIZAPORT in Spain and potentially additional territories. Under the terms of the agreement, IntelGenx and RedHill Biopharma will receive upfront and milestone payments, a royalty on net sales, and both upfront milestone and royalty on net sales will be split between IntelGenx and RedHill. In addition to that, IntelGenx will receive manufacturing revenue.

The commercial launch in Spain is estimated to occur in the second half of 2017. The reason for that timeline is as follows; Grupo Juste has applied for the so-called national phase in Spain. As we reported

earlier, the product has been approved. Let me specify the technical dossier has been approved on the European level. Now under European regulations, each country has to approve the part and most importantly agree on a price. That phase typically requires one year. After the national phase has been completed, we need to—or our partner Grupo Juste has to apply for a so-called variation. That variation involves the change of the manufacturing site from initially our German contract manufacturer to our facility here in Canada. That process is scheduled to take approximately three months. So, putting those 12 months for the national phase and three months for the site change together, we end up with an anticipated launch in the second half of next year.

Grupo Juste has a right of first refusal for a total of 12 Latin American countries. In addition to that, we are actively talking to companies in the UK and Italy for rights in those respective countries. On top of that, we are in discussions with a major player that has interest in rights for all European countries.

Regarding the US submission, we plan to resubmit the 505(b)(2) NDA with FDA in early Q1 of 2017. We're right now, as I briefly mentioned before, involved with the manufacturing of the submission batches. The resubmission batch will trigger a Level 2 review, meaning FDA will require six months review time and we're therefore also expecting the product to be launched in the US in the second half of 2017.

I would now like to turn to Montelukast. As we announced earlier this year, Montelukast is a drug repurposing opportunity. The molecule is a leukotriene inhibitor, which is approved by FDA and other agencies for the treatment of asthma. The drug, however, has been found to be effective for the treatment of degenerative diseases of the brain, for example, like cognitive impairment or Alzheimer's disease. This is a very large market, several billion dollars, and there is currently no effective treatment available.

We recently commenced a Phase 1 study with our film product. The study is currently ongoing. The objective of that study is to demonstrate that first, the IntelGenx oral film product creates therapeutically effective blood levels of Montelukast. Secondly, we want to demonstrate that Montelukast, when administered via our film crosses the blood brain barrier, which is important for the treatment of Alzheimer's and related diseases.

We expect results of that Phase 1 trial to be available in September. Upon successful completion of that study, we plan to conduct a Phase 2a, a proof-of-concept study. The study will likely involve 24 patients. The duration will be approximately six months. Cost will be less than $500,000. We expect enrollment of this study to commence in or around January of 2017, of course, and so therefore, we expect the study to be completed and results to be available late Q3 of 2017 or probably early Q4 of next year.

Upon successful completion of that study, we will go out and try to attract a major pharmaceutical company to complete the development. We have had initial discussions with a number of major players and we have seen significant interest in the opportunity. However, we purposely want to wait until the completion of the proof-of-concept study, until we commence serious negotiations for a development and commercialization agreement.

With respect to the Par project for the treatment of opioid dependency, we recently announced that the District Court of Delaware issued a ruling in the ANDA litigation of Indivior and Monosol against Par and IntelGenx. The litigation involves three Orange Book patents, and to summarize, we prevailed on two of the patents and the Court ruled against Par and IntelGenx on the third Orange Book patent.

Now, there has been a recent development, which I would like to summarize as follows; Teva is one of the companies that has subsequently filed an ANDA and there has recently been a ruling on their litigation. In that ruling, the same Judge that ruled presides over our case has issued a ruling on this third patent that supports our claim, that we are not infringing on this patent, and we are therefore contemplating a motion to reopen the file in order to submit new evidence and that new evidence would be in regards to the ruling that the judge issued on the Teva case.

In addition to the three Orange Book patents, Monosol is also suing us on a process patent that is—that patent is not listed in the Orange Book. The judge, again, he's recently issued a ruling which clearly states that we are not infringing on this particular patent. So, in summary, Par and IntelGenx believe that we are in a very favorable position with respect to the product for litigation of this product. An appeal has been—or a motion for an appeal has been filed, so an appeal is ongoing. We expect the appeal proceedings to be completed within approximately 12 months, and so we expect a final ruling and product to be launched in early 2018 and that is consistent with timing information that we provided earlier.

With respect to our Tadalafil film product, I can say that we've also made significant progress with that product. Tadalafil is indicated for the treatment of erectile dysfunction, and also pulmonary hypertension. Our product is fully bioequivalent with the brand product, Cialis tablets. We are in the process of manufacturing submission batches. The 505(b)(2) NDA is expected to be filed in the first quarter 2017.

Now, we expect Paragraph IV litigation in the course of this submission. The product is protected with a total of five patents, that are listed in the Orange Book. Two of them are substance—I'm sorry one of them is a substance patent that expires in November of 2017, and three are formulation patents and recently there has been a development that is quite favorable for our case, because there was an IPR, an inter parties review, that has been filed with the PTAB and the PTAB ruled those two patents or the claims of those two patents are unpatentable. In consequence, these patents are—have been invalidated. So, that we're now having to consider only one patent and IntelGenx has filed an inter parties review for that patent with the intent to invalidate. That proceeding is ongoing.

As far as corporate developments are concerned, we very recently announced the appointment of Mark Nawacki as a Member of our Board. Mark is the Founder and CEO of Searchlight Pharma. Prior to that, he served as the Vice President of Business Development at Paladin Labs and we're very happy to have Mark on board. He is very experienced with respect to business development and commercialization aspects and is in that regard a very valuable addition to our Board.

I would now like to turn the call over to Andre, our CFO, who will review our Q2 financial results.

Andre Godin:

Thank you, Dr. Zerbe. Good afternoon everyone. So in Q2, total revenue for the three months ended June 30, 2016 amounted to $672,000, representing an increase of $87,000 or 15% compared to $585,000 for last year corresponding period. The increase for the three-month period compared to last year is mainly attributable to an increase in royalty of $480,000 due the Company's recording both Q1 and Q2 royalty amount in the present quarter.

Edgemont Pharmaceuticals reported the Q2 royalty to the Company shortly after the end of the quarter, which allowed the Company to record the revenue in the second quarter. Since the asset was monetized shortly after the end of Q2, we decided to record Q2 royalty in the quarter it was earned. The increase was also offset by a decrease in deferred revenue recognized of $393,000.

Operating costs and expenses were $1.5 million for the three-month period ended June 30, 2016 compared to $846,000 for the corresponding period of 2015. The increase for the three-month period ended June 2016 is mainly attributable to R&D expenses of $174,000 and SG&A of $315,000. For the second quarter of 2016, the Company generated an operating loss of $794,000 or minus $0.01 on a basic and diluted per share basis for the second quarter compared to an operating loss of $261,000 or $0.01 negative on a basic and diluted per share basis for 2015.

Cash on hand as at June 30, 2016 was $1.1 million. As you know, and as Horst briefly touched earlier, we—subsequently to the quarter end, we monetized the royalty on future sales of Forfivo for $6 million, CAD$8 million. Ten percent of the proceeds will be paid to our former development partner, Cary Pharmaceuticals. Even though we received the entire $6 million at closing, revenue will be recognized over the next six quarters until Q4, 2017, which coincides with the expiry of the exclusivity period.

The Company is maintaining a strong financial discipline in managing our expenses throughout the organization.

I will now turn the call back to Dr. Zerbe to close us out for the day.

Dr. Horst Zerbe:

Thank you, Andre. We're really pleased by the progress made in this quarter. To summarize again, here are the highlights. We signed the royalty purchase agreement with SWK Holdings for $6 million, for the monetization of the Forfivo royalty revenue; we signed a commercialization deal with Grupo Juste; we initiated the first clinical study for our Montelukast film product; we received a favorable ruling in the patent litigation of the opioid dependency product; manufacturing of submission batches for Tadalafil and RIZAPORT is progressing on schedule; and finally negotiations with global partners for up to three major opportunities are progressing well.

I would like to point out that all these results would not have been possible without the hard work that was put in by IntelGenx's employees, and I would like to thank everybody at IntelGenx, and of course, our Shareholders for their ongoing support. Thank you all for your attention and we will now turn the call over for questions.

Operator:

At this time, I would like to remind everyone in order to ask a question press, star, then the number one on your telephone keypad. We will pause for just a moment to compile the Q&A roster. Again, if you would like to ask a question, press star, then the number one on your telephone keypad.

Your first question comes from the line of Swayampakula Ramakanth with H.C. Wainwright. Your line is open.

Swayampakula Ramakanth:

Hello, Horst and Andre, this is RK from H.C. Wainwright. How are you doing this evening?

Dr. Horst Zerbe:

We're doing good. Thank you, RK.

Andre Godin:

We're doing good. Thank you.

Swayampakula Ramakanth:

So, my first question is on the recent sale of the royalties. So, it's obviously great to get a six time turnover on your investment. So, how do you see this $6 million that you recently recorded under your balance sheet in terms of giving you a financial run rate and what is being planned in terms of either your plant expansion, and I'm sure there's quite a bit of work that needs to be done before you can commission your plant prior to your need to start manufacturing of the various submission batches and whatnot?

Dr. Horst Zerbe:

So, regarding the balance sheet question, Andre is going to respond.

Andre Godin:

Yes. I'm not too sure I'm clear on your question. I think that you're basically asking how long this money will last with basically any cap ex that we would have to do or the burn rate—the timeline is probably between 18 and 24 months. It obviously depends on development on Business Development, on existing in future deals that will bring in upfront milestone R&D revenue. We are looking at strategic investment as well.

So, I mean, obviously, for us it's a great achievement because we feel that both parties got a very good deal. But for IntelGenx to monetize this asset was, we had the right timing, especially because of what we want to do and where the focus will be as Horst mentioned.

But, basically at this time, I would say—based on the burn rates and based on what we have in front of us, we'll be okay for the 18 to 24 months with that monetization.

Swayampakula Ramakanth:

Okay. That's great. So Horst, on the operational side, what are the various steps that the Company needs to take before you can commission the plant and start manufacturing the submission batches, with Tadalafil or even to help out on the RIZAPORT support of the Spanish launch?

Dr. Horst Zerbe:

Yes. We're right now commissioning the manufacturing equipment. As you know, we got in a whole series of manufacturing equipment packaging lines, coating equipment, and mixing equipment and so forth. The commissioning is scheduled to be completed by the end of this month, and after that in September, we plan to conduct a mock audit, and then after completion, or let's say upon successful completion of the mock audit, we have invited Health Canada to—for a facility audit and that would be the standoff, well preparations to and steps to get the Company in—and the facility in shape for fully compliant-GMP manufacturing.

As you well know, FDA itself does not come to inspect the manufacturing facilities. They come on a product-to-product basis. So, we expect FDA to show up after submission of the first application to FDA. Then they would come in for a pre-approval inspection. We expect that to be the case following the submission or resubmission of the rizatriptan 505(b)(2) NDA.

Swayampakula Ramakanth:

Okay. Thank you very much for that. So, just going through the products a little bit. For the US RIZAPORT, you stated that you plan to file in early first quarter of 2017 and get a—hopefully get a launch by second half of 2017. Does that mean—and because you say you're going to launch in the second half, does that mean you plan to launch it on your own, or you still would like to entertain a partnership to launch the product in the United States?

Dr. Horst Zerbe:

No, we definitely will not launch ourselves. We don't have any short or mid-term or even long-term plans to commercialize our product ourselves. Our business model remains unchanged. We provide comprehensive pharmaceutical service to pharmaceutical companies. So, our clients are pharmaceutical companies, but we are firmly assuming that we will by then have entered into a partnership deal. We see strong interest. Business development is talking to a number of companies. However, we expect a deal to be inked only after we have resubmitted the 505(b)(2) NDA.

Swayampakula Ramakanth:

Okay. So, the last question on Montelukast, so how big is this Phase 1 study? Then going on to doing the Phase 2 study, what's the timeline for that and since those studies are—take a larger population of patients and also a longer time period, do you plan to do this yourself or you will need to invite a partner to deal up along with for this interesting indication?

Dr. Horst Zerbe:

Very good question, RK. Regard the Phase 1 study, if I'm not mistaken, it's an 12 participants, so 12 subjects are involved in that study. With respect to the Phase 2a study, the proof-of-concept study, we are in discussions, have been for quite some time for the design of that study and we're currently working on—together with the consultants on the design of that study. The study will commence in early 2017, it might very well be January. But a final decision hasn't been made yet.

What I can definitely say is enrollment is going to start in January. The study is supposed to last six to nine months. There will be readout intermittently. So, we expect results to be available, final study results later in 2017, as I mentioned before, late 2017 and probably early Q4 2017.

We plan to fund that study ourselves and that is, for example, one example of where the proceeds from the Forfivo monetization will be used. But, beyond that, we will require partners, as we enter into a full-blown Phase 2 study and eventually a Phase 3, these—the study costs will be in the seven-digit range, and so after successful completion of the Phase 2a study, which we fund ourselves, we will seek a partnership and we expect the partner then to continue funding the remaining clinical development.

Swayampakula Ramakanth:

Okay. Thank you very much and I'll step back into the queue.

Dr. Horst Zerbe:

You're welcome RK.

Andre Godin:

Thank you, RK.

Operator:

Your next question comes from the line of Greg Eisen with Singular Research. Your line is open.

Greg Eisen:

Thanks. Good afternoon Horst, Andre, and Edward. Let me start with Forfivo. You said that—okay $6 million and 10% of that $6 million gets allocated to your royalty partner as you've been doing already. There's a 10% royalty that you pay out, so that's 10% off the top. The way I read the press release is that this $6 million applies to any royalties earned after April 1. So, the royalties earned in Q2, which you recognized in Q2 would be deducted from this essentially? Am I correct? That's an option.

Andre Godin:

Yes, you're right.

Greg Eisen:

Although your partner would endure their 10%, your royalty partner will endure their 10% of that offset. So, can you tell me for this quarter, you recognize two quarters worth of Forfivo royalties, can you tell us how much of those royalties were allocated to Q1 versus how much to Q2?

Andre Godin:

You mean in terms of what portion was—of the total royalty was Q1 and Q2?

Greg Eisen:

Yes, on a gross sense, before your 10% haircut?

Andre Godin:

I would say about 60%, 60% to 65% was Q2.

Greg Eisen:

Okay. So, 60% to 65%, that's close enough. You mentioned the—your—of the uncertainty which is obviously, goes without saying, how will Edgemont behave once generic competition comes into play in 2018? Can you disclose—the obvious question, can you disclose any reaction you have made—may have had from Edgemont about your decision to the selloff the future royalties of this product?

Dr. Horst Zerbe:

It was neutral. I would say—I can tell you that initially, Edgemont—let me put it that way, Edgemont expressed an initial interest in the deal, but then didn't follow through. But today there has been no negative reaction of any kind that we saw from Edgemont throughout the negotiation, which took place over the better part of three months. Edgemont, I have to say, acted very cooperatively.

Andre Godin:

Yes, I was going to say that we needed obviously Edgemont to collaborate in the process. There was due diligence. They were involved in the due diligence. We needed their consent as well and everything went very smoothly.

Greg Eisen:

Good. Okay. That sounds good. Andre you mentioned that when you recognize the $6 million when the deal closes, which is when you're entitled to the funds. Let's assume it's in Q3, am I correct? First of all I'm assuming Q3 is when you'll probably receive it?

Andre Godin:

Yes.

Greg Eisen:

Okay.

Andre Godin:

The funds, you mean?

Greg Eisen

Correct.

Andre Godin:

The funds, we already received them, yes.

Greg Eisen:

You already. So, it's already closed then essentially?

Andre Godin:

Yes, yes, we closed the deal. So, the funds are in the bank.

Greg Eisen:

Okay, that's very good news. You mentioned Andre that the recognition would take place over six quarters. Did I hear that correctly?

Andre Godin:

Yes, you're right.

Greg Eisen:

What rate of recognition will it be? Is this a straight line spread over six quarters?

Andre Godin:

Yes, it will be straight line. I mean, obviously we had discussion with the Auditors to make sure that revenue recognition would be aligned with US GAAP and we agreed on the six months straight line revenue recognition.

Greg Eisen:

Six quarter straight line?

Andre Godin:

Six quarters, sorry, yes, yes.

Greg Eisen:

Okay.

Operator:

Your next question comes from the line of Patrick Tully with Endeavor Asset Management. Your line is open.

Patrick Tully:

Hi guys. Congratulations on the monetization of Forfivo. Just—Horst, if I understood you correctly, getting back to the Suboxone lawsuit, you have prevailed on two of the three patents and then you said something about the third patent that the Judge has made comments that are favorable to you and Par, is that—can you clarify that?

Dr. Horst Zerbe:

Yes. First of all, hi, Pat, and thanks for the question. You're correct, in the ruling on our case that we announced a couple months ago was such that we prevailed on two patents, and the third patent was ruled in such a way that we would be infringing. Now, Teva has been sued on those same three patents and the case has been allocated to the same Judge that presides over our Court; Judge Andrews. Judge Andrew has recently issued a ruling in the Teva case on the same three patents, and with regard to the third patent where we lost, so to speak, he issued a ruling that is exactly opposite to the ruling that he issued on that patent in our case.

While in our case, the ruling was that we are infringing, in the Teva case, he ruled that that they are not infringing. So, we are contemplating to file a motion with the Court to reopen the case because we simply say the Judge cannot rule on the same patent against us and in the second case, on the same patent, in favor of the defendant. There is a very significant inconsistency. So based on that thinking, we decided to file a motion to reopen the case.

Patrick Tully:

So, is that different than an appeal or—so is that a two-pronged approach that you're taking?

Dr. Horst Zerbe:

It's different than appeal. It's not an appeal. It's a motion to reopen the case. We have also, as I indicated, filed an appeal regarding that third patent. So, we're doing, if you will, a two-pronged approach. The appeal is staying as long as the motion to reopen the case is active. So there might be a slight delay on the appeal case, but if we prevail on the motion to reopen we will have a very significant time advantage or time gain.

Patrick Tully:

Interesting. So, you would hope that by the beginning of 2018, that you would be able to begin marketing the product?

Dr. Horst Zerbe:

To the best of our knowledge, yes.

Patrick Tully:

Okay. Thank you.

Dr. Horst Zerbe:

You're welcome.

Andre Godin:

Thank you.

Operator:

Again if you would like to ask a question, press star, then number one on your telephone keypad. Your next question comes from the line of Greg Eisen with Singular Research. Your line is open.

Greg Eisen:

Hi. Just a follow-up on RIZAPORT. In Spain, you've signed with Grupo Juste. Are you at liberty to tell us what kind of money is involved or royalty rates are involved right now on the signing of this definitive?

Dr. Horst Zerbe:

This is Horst. Greg, unfortunately not. Under the terms of the agreement, that's confidential information.

Greg Eisen:

Is that confidential until they start paying it or forever and we'll just have to guess based upon the numbers?

Dr. Horst Zerbe:

I'm not exactly certain. I would have to look that up. So, I can't answer that question entirely. I'm sorry about that.

Greg Eisen:

Okay, and you mentioned negotiating with a large pharma company for the RIZAPORT rights for really all of Europe. But that would be all of Europe excluding Spain, correct?

Dr. Horst Zerbe:

That's correct.

Greg Eisen:

Right, right. Okay. On Tadalafil, can you tell us anything further about your conversations with potential partners on that drug?

Dr. Horst Zerbe:

Not really. Greg, I would have to be a little generic here. What I can tell you generally speaking is that we find significant interest. We're talking to, I believe I mentioned previously 17 companies. There's a lot of interest.

What we noticed is that the negotiations are mostly driven by IP. So, in other words, companies while they have very significant interest in the product want to see how the IP situation evolves. I mentioned before, that the product is protected by a number of Orange Book patents. But, I mentioned also that recently there has been a development in the sense, that two formulation patents have been rendered invalid. That's very significant because that might very well encourage potential partners to progress negotiation and enter into a definitive agreement. That's actually what I'm expecting to be happening over the next couple of months.

Greg Eisen:

Okay. Okay. I see. I understand. I just wanted to follow-up if I could, just briefly again about Forfivo. Specifically, the $6 million includes the understanding that the—that covers the $2 million milestone you would receive upon reaching the $15 million threshold of trailing 12 months sales?

Dr. Horst Zerbe:

That's incorrect.

Greg Eisen:

It does…

Andre Godin:

Greg, just one—it's not for a 12-month trailing, it's actually annual.

Dr. Horst Zerbe:

Yes.

Greg Eisen:

Annual? Okay. The following milestone that comes after that, there was a $3.5 million milestone for 42 months of continued exclusivity, which should be reached by the end of 2016. That $3.5 million milestone, is that milestone predicated on—how do I say it, is that milestone subject to the 65/35 sharing?

Andre Godin:

Yes.

Greg Eisen:

Okay. So, it's only the $2 million for $15 million of sales milestone, which is 100% going to the partner? All the other milestones after that…

Dr. Horst Zerbe:

Any other subsequent milestone would be subject to that 65% provision.

Greg Eisen:

Got it. I understand that. I don't think you—I'm not sure if you mentioned the actual Forfivo sales in Q2. Can you share what Forfivo sales were in the quarter?

Andre Godin:

Yes, it was the $3.1 million net sales.

Greg Eisen:

Three point one million net?

Andre Godin:

Yes.

Greg Eisen:

Could you share the gross number?

Andre Godin:

Which was basically the level of December of last year more or less.

Greg Eisen:

The gross number?

Andre Godin:

I don't have the gross number.

Greg Eisen:

I've been tracking the ratio.

Andre Godin:

It's usually close to 50% gross to net. So, it would be in the $6 million something.

Greg Eisen:

Okay, that's it. I'll let someone else go. Thank you.

Andre Godin:

You're welcome.

Operator:

Your next question comes from the line of Patrick Tully with Endeavor Asset Management. Your line is open.

Patrick Tully:

Yes, I just wanted to clarify one other item. I believe you said in your presentation that a three drug deal with a major pharma should be wrapped up—the negotiations are ongoing and should be wrapped up in the third quarter, is that accurate?

Dr. Horst Zerbe:

That is accurate. I know, Pat—let me be frank and open. I know that there is quite a bit of expectation revolving around that deal. We see and are anxiously awaiting the outcome of the deal. We are anxious to wrap this up also, but we want a good deal, not necessarily a fast deal. For us it's more important to conduct a negotiation in such a way that we get the best possible terms for us. On one project we're—of the three—we are very close to wrapping things up. So, that shouldn't take much longer. But again, we're looking at the best possible outcome with respect to dollars coming to us.

Patrick Tully:

Okay. Very good. I assume the money in the bank now gives you that flexibility to be a tougher negotiator.

Andre Godin:

We've always been a tough—a tough negotiator.

Patrick Tully:

Okay. Thank you.

Dr. Horst Zerbe:

The degree of desperation has been lowered significantly.

Andre Godin:

Yes, exactly.

Dr. Horst Zerbe:

Yes.

Operator:

There are no further questions at this time. I will turn the call back over to Management for closing remarks.

Dr. Horst Zerbe:

Okay. So. if there are no further questions, again, I'd like to thank you all for attending the call and thank you for your continued support. Bye.

Andre Godin:

Thank you.

Operator:

This concludes today's conference call. You may now disconnect.