

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 000-55330

**OPIANT PHARMACEUTICALS, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or  
organization)

46-4744124

(I.R.S. Employer Identification No.)

401 Wilshire Blvd., 12th Floor, Santa Monica, CA

(Address of principal executive offices)

90401

(Zip Code)

(424) 252-4756

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

As of June 6, 2017, the registrant had 2,026,608 shares of common stock outstanding.

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**OPIANT PHARMACEUTICALS, INC.**  
**Quarterly Report on Form 10-Q for the**  
**Period Ended April 30, 2017**

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## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q (this “Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as “anticipate,” “believe,” “estimate,” “intend,” “could,” “should,” “would,” “may,” “seek,” “plan,” “might,” “will,” “expect,” “predict,” “project,” “forecast,” “potential,” “continue”, negatives thereof or similar expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management, any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

From time to time, forward-looking statements also are included in our other periodic reports on Forms 10-K and 8-K, in our press releases, in our presentations, on our website and in other materials released to the public. Any or all of the forward-looking statements included in this Report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

## CERTAIN TERMS USED IN THIS REPORT

When this Report uses the words “we,” “us,” “our,” “Opiant,” and the “Company,” they refer to Opiant Pharmaceuticals, Inc. “SEC” refers to the Securities and Exchange Commission.

**Item 1. Financial Statements (Unaudited).**

**Opiant Pharmaceuticals, Inc.  
Index to Financial Statements  
April 30, 2017 and 2016**

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**Opiant Pharmaceuticals, Inc.**

**Consolidated Balance Sheets  
As of April 30, 2017 (Unaudited) and July 31, 2016**

	<u>April 30, 2017</u>	<u>July 31, 2016</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 9,680,454	\$ 1,481,393
Accounts receivable	-	312,498
Prepaid expenses	98,911	62,404
Total current assets	<u>9,779,365</u>	<u>1,856,295</u>
Other assets		
Computer equipment (net of accumulated amortization of \$3,842 at April 30, 2017 and \$1,016 at July 31, 2016)	3,695	6,521
Patents and patent applications (net of accumulated amortization of \$9,417 at April 30, 2017 and \$8,388 at July 31, 2016)	18,033	19,062
Total assets	<u>\$ 9,801,093</u>	<u>\$ 1,881,878</u>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,390,780	\$ 140,584
Accrued salaries and wages	1,543,142	3,681,250
Note payable	-	165,000
Deferred revenue	194,800	250,000
Total current liabilities	<u>3,128,722</u>	<u>4,236,834</u>
Deferred revenue	2,387,084	2,350,000
Total liabilities	<u>5,515,806</u>	<u>6,586,834</u>
Stockholders' equity (deficit)		
Common stock; par value \$0.001; 1,000,000,000 shares authorized; 2,020,380 shares issued and outstanding at April 30, 2017 and 1,992,433 shares issued and outstanding at July 31, 2016	2,020	1,992
Additional paid-in capital	58,549,055	56,478,394
Accumulated deficit	(54,265,788)	(61,185,342)
Total stockholders' equity (deficit)	<u>4,285,287</u>	<u>(4,704,956)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 9,801,093</u>	<u>\$ 1,881,878</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**Opiant Pharmaceuticals, Inc.**  
**Consolidated Statements of Operations (Unaudited)**  
**For the three and nine months ended April 30, 2017 and 2016**

	For the Three Months Ended April 30,		For the Nine Months Ended April 30,	
	2017	2016	2017	2016
<b>Revenue</b>				
Royalty and licensing revenue	\$ -	\$ 2,605,097	\$ 14,656,142	\$ 4,785,097
Treatment investment revenue	18,116	-	18,116	4,800,000
Total revenue	<u>18,116</u>	<u>2,605,097</u>	<u>14,674,258</u>	<u>9,585,097</u>
<b>Operating expenses</b>				
General and administrative	1,995,892	1,040,608	4,567,898	13,155,931
Research and development	1,103,319	1,059,627	1,889,989	2,814,520
Selling expenses	84,375	93,000	1,322,974	302,251
Total operating expenses	<u>3,183,586</u>	<u>2,193,235</u>	<u>7,780,861</u>	<u>16,272,702</u>
Income (loss) from operations	<u>(3,165,470)</u>	<u>411,862</u>	<u>6,893,397</u>	<u>(6,687,605)</u>
<b>Other income (expense)</b>				
Interest income (expense), net	10,673	-	9,306	(11,319)
Income (loss) on foreign exchange	25,189	4,266	16,851	(24,925)
Total other income (expense)	<u>35,862</u>	<u>4,266</u>	<u>26,157</u>	<u>(36,244)</u>
Income (loss) before provision for income taxes	<u>(3,129,608)</u>	<u>416,128</u>	<u>6,919,554</u>	<u>(6,723,849)</u>
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ (3,129,608)</u>	<u>\$ 416,128</u>	<u>\$ 6,919,554</u>	<u>\$ (6,723,849)</u>
<b>Basic income (loss) per common share</b>				
Basic income (loss) per common share	<u>\$ (1.55)</u>	<u>\$ 0.22</u>	<u>\$ 3.45</u>	<u>\$ (3.57)</u>
<b>Diluted income (loss) per common share</b>				
Diluted income (loss) per common share	<u>\$ (1.55)</u>	<u>\$ 0.15</u>	<u>\$ 3.07</u>	<u>\$ (3.57)</u>
<b>Basic weighted average common shares outstanding</b>				
Basic weighted average common shares outstanding	<u>2,014,141</u>	<u>1,916,554</u>	<u>2,004,143</u>	<u>1,882,088</u>
<b>Diluted weighted average common shares outstanding</b>				
Diluted weighted average common shares outstanding	<u>2,014,141</u>	<u>2,734,760</u>	<u>2,251,127</u>	<u>1,882,088</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

**Opiant Pharmaceuticals, Inc.**  
**Consolidated Statement of Stockholders' Equity (Deficit) (Unaudited)**  
**For the nine months ended April 30, 2017**

	<u>Common Stock</u>		<u>Additional</u>		<u>Accumulated</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid In</u>	<u>Capital</u>	<u>Deficit</u>		
Balance at July 31, 2016	1,992,433	\$ 1,992	\$ 56,478,394	\$ (61,185,342)	\$ (4,704,956)		
Stock issued for services	27,947	28	190,399	-	190,427		
Stock based compensation from issuance of stock options	-	-	889,076	-	889,076		
Stock based compensation from issuance of stock warrants	-	-	229,360	-	229,360		
Forgiveness of related party debt	-	-	761,826	-	761,826		
Net income	-	-	-	6,919,554	6,919,554		
Balance at April 30, 2017	<u>2,020,380</u>	<u>\$ 2,020</u>	<u>\$ 58,549,055</u>	<u>\$ (54,265,788)</u>	<u>\$ 4,285,287</u>		

The accompanying notes are an integral part of these unaudited consolidated financial statements

**Opiant Pharmaceuticals, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**For the nine months ended April 30, 2017 and 2016**

	<b>For the</b>	
	<b>Nine Months Ended</b>	
	<b>April 30,</b>	<b>April 30,</b>
	<b>2017</b>	<b>2016</b>
<b>Cash flows used in operating activities</b>		
Net income (loss)	\$ 6,919,554	\$ (6,723,849)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization	3,855	1,187
Issuance of common stock for services	190,427	1,215,719
Stock based compensation from issuance of options	889,076	10,183,555
Stock based compensation from issuance of warrants	229,360	-
Changes in assets and liabilities:		
Increase in prepaid expenses	(36,507)	(37,233)
Decrease in accounts receivable	312,498	-
Decrease in deferred revenue	(18,116)	(4,300,000)
Increase (decrease) in accounts payable	1,250,196	(108,639)
Increase (decrease) in accrued salaries and wages	(1,376,282)	501,536
Net cash provided by operating activities	<u>8,364,061</u>	<u>732,276</u>
<b>Cash flows used in investing activities</b>		
Purchase of equipment	-	(6,528)
Net cash used in investing activities	<u>-</u>	<u>(6,528)</u>
<b>Cash flows provided by financing activities</b>		
Proceeds from related parties notes payable	-	151,191
Repayment of related parties notes payable	-	(281,191)
Repayment of note payable	(165,000)	-
Investment received in exchange for royalty agreement	-	1,333,500
Net cash provided (used) by financing activities	<u>(165,000)</u>	<u>1,203,500</u>
<b>Net increase in cash and cash equivalents</b>	<b>8,199,061</b>	<b>1,929,248</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>1,481,393</b>	<b>434,217</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 9,680,454</u></b>	<b><u>\$ 2,363,465</u></b>
<b>Supplemental disclosure</b>		
Interest paid during the period	<u>\$ 4,828</u>	<u>\$ 78,865</u>
Taxes paid during the period	<u>\$ -</u>	<u>\$ -</u>
<b>Non-Cash Transactions</b>		
Forgiveness of related party debt	<u>\$ 761,826</u>	<u>\$ -</u>
Cashless exercise of options	<u>\$ -</u>	<u>\$ 15</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.



## **Opiant Pharmaceuticals, Inc.**

### **Notes to Unaudited Consolidated Financial Statements For the periods ended April 30, 2017 and 2016**

#### **1. Organization and Basis of Presentation**

Opiant Pharmaceuticals, Inc. (the “Company”), a Nevada corporation, is a specialty pharmaceutical company which develops pharmacological treatments for substance use, addictive, and eating disorders. The Company was incorporated in the State of Nevada on June 21, 2005 as Madrona Ventures, Inc. and on September 16, 2009, the Company changed its name to Lightlake Therapeutics Inc. On January 28, 2016, the Company again changed its name to Opiant Pharmaceuticals, Inc. The Company is developing opioid antagonist treatments for substance use, addictive, and eating disorders. The Company also has developed a treatment to reverse opioid overdoses, which is now known as NARCAN® (naloxone hydrochloride) Nasal Spray. The Company’s fiscal year end is July 31.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S.”) for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. These consolidated financial statements should be read in conjunction with the financial statements for the year ended July 31, 2016 and notes thereto and other pertinent information contained in the Form 10-K the Company has filed with the Securities and Exchange Commission (the “SEC”).

The results of operations for the three months and nine months ended April 30, 2017 are not necessarily indicative of the results for the full fiscal year ending July 31, 2017.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation and Use of Estimates**

The Company prepares its consolidated financial statements in conformity with accounting principles generally accepted in the U.S. (“GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Opiant Pharmaceuticals UK Limited, a company incorporated on November 4, 2016 under the England and Wales Companies Act of 2006. Intercompany balances and transactions are eliminated upon consolidation.

##### **Basic and Diluted Net Income (Loss) Per Share**

Earnings (loss) per share is calculated by dividing the net income (loss) available to common stockholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. Diluted income per share reflects the potential dilution that would occur if outstanding stock options and warrants were exercised utilizing the treasury stock method. In a loss year, dilutive common equivalent shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

A reconciliation of the components of basic and diluted net income (loss) per common share is presented in the tables below:

	For the Three Months Ended April 30,					
	2017			2016		
	Loss \$	Weighted Average Common Shares Outstanding	Per Share \$	Income \$	Weighted Average Common Shares Outstanding	Per Share \$
<b>Basic:</b>						
Income (loss) attributable to common stock	(3,129,608)	2,014,141	(1.55)	416,128	1,916,554	0.22
<b>Effective of Dilutive Securities:</b>						
Stock options and warrants	—	—	—	—	818,206	—
<b>Diluted:</b>						
Income (loss) attributable to common stock, including assumed conversions	(3,129,608)	2,014,141	(1.55)	416,128	2,734,760	0.15

	For the Nine Months Ended April 30,					
	2017			2016		
	Income \$	Weighted Average Common Shares Outstanding	Per Share \$	Loss \$	Weighted Average Common Shares Outstanding	Per Share \$
<b>Basic:</b>						
Income (loss) attributable to common stock	6,919,554	2,004,143	3.45	(6,723,849)	1,882,088	(3.57)
<b>Effective of Dilutive Securities:</b>						
Stock options and warrants	—	246,984	—	—	—	—
<b>Diluted:</b>						
Income (loss) attributable to common stock, including assumed conversions	6,919,554	2,251,127	3.07	(6,723,849)	1,882,088	(3.57)

#### Reclassification of Financial Statement Accounts

Certain amounts in the April 30, 2016 financial statements have been reclassified to conform to the presentation in the April 30, 2017 consolidated financial statements.

#### Recently Issued Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations.

### 3. Related Party Transactions

The Company uses office space provided by Dr. Michael Sinclair and Kevin Pollack free of charge.

On March 31, 2017, Dr. Michael Sinclair, the Executive Chairman of the Board of Directors of the Company (the “Board”), and Dr. Roger Crystal, the Company’s Chief Executive Officer, each voluntarily entered into separate employment agreement acknowledgements whereby they elected to forfeit, unconditionally and irrevocably, \$175,498 and \$586,328, respectively, of certain owed amounts pursuant to their respective existing employment agreements, representing 35% of the total compensation currently owed to each of Dr. Sinclair and Dr. Crystal on such date. As the debt forgiven was owed to a related party, the Company recognized the amount forgiven as an equity transaction recorded in additional paid-in capital.

Furthermore, on March 31, 2017, pursuant to their respective employment agreement acknowledgements, Dr. Sinclair and Dr. Crystal each voluntarily elected to forfeit, unconditionally and irrevocably, 680,000 and 825,000 shares of common stock, par value \$0.001 per share (“Common Stock”), of the Company underlying stock options and warrants previously issued by the Company, respectively, representing approximately 55% of the total number of options and warrants previously issued by the Company to each of Dr. Sinclair and Dr. Crystal.

#### **4. Note Payable**

On June 21, 2016, the Company entered into a settlement and release agreement with a former advisor pursuant to which, in exchange for prior advisory services rendered to the Company in full pursuant to an advisory services agreement dated on or about September 17, 2012, the Company has agreed to pay the \$165,000 amount owed to the advisor for the past services rendered. As evidence of the Company’s obligation to pay the settlement amount, the Company issued a secured promissory note to the advisor on June 21, 2016, earning interest at the rate of 6% per annum, with the unpaid principal amount and accrued and unpaid interest due and payable in full on the earlier of (i) the closing by the Company of one or more equity or debt financings with aggregate gross proceeds to the Company of at least \$2,200,000, and (ii) December 15, 2016. In addition, as security for the prompt payment of the note, the Company has pledged 22,916 shares of Common Stock as collateral pursuant to a pledge agreement, dated as of June 21, 2016, by and between the Company and the advisor. Such 22,916 shares of Common Stock are being held by an escrow agent pursuant to a securities escrow agreement, dated as of June 21, 2016, by and between the Company and the advisor, and shall be released to the advisor upon an “Event of Default”, as defined in the note agreement. During the nine-month period ended April 30, 2017, the Company repaid the entire \$165,000 balance and all accrued and unpaid interest.

#### **5. Stockholders’ Equity**

##### Common Stock

On November 2, 2016, the Company granted 1,000 restricted shares of Company’s Common Stock to a consultant pursuant to a consulting agreement dated October 12, 2016 for consulting services provided by the consultant. The shares issued in this transaction were valued using the stock price on the issuance date, which was \$7.52 per share, and resulted in a value of \$7,520. Accordingly, the Company recorded a \$7,520 non-cash expense during the nine-month period ended April 30, 2017.

On November 10, 2016, the Company issued 14,327 shares of unregistered Common Stock pursuant to the LOI described in Note 6 – Commitments. Pursuant to the terms of the LOI, the Company was obligated to issue these shares on the one year anniversary of the effective date of the LOI. The shares issued in this transaction were valued using the stock price at issuance date, which was \$5.94 per share, and resulted in a value of \$85,102. The Company recorded the entire \$85,102 as a non-cash expense during the nine-month period ended April 30, 2017.

On March 16, 2017, the Company issued 10,745 shares of unregistered Common Stock pursuant to the LOI described in Note 6 – Commitments. Per the terms of the LOI, the Company was obligated to issue these shares upon the one year anniversary of receipt, by the Company, of a milestone payment from Adapt Pharma Limited for the first commercial sale of the Company’s product, NARCAN® (naloxone hydrochloride) Nasal Spray, in the U.S. The shares issued in this transaction were valued on the date of issuance using the March 16, 2017 closing price of \$7.75 per share, which resulted in an aggregate value of \$83,274. The Company expensed the entire \$83,274 as non-cash expense during the nine-month period ended April 30, 2017.

On March 16, 2017, the Company issued 1,875 shares of unregistered Common Stock to Brad Miles, who serves as an advisor to the Company. The shares issued in this transaction were valued on the date of issuance using the March 16, 2017 closing price of \$7.75 per share, which resulted in an aggregate value of \$14,531. The Company expensed the entire \$14,531 as non-cash expense during the nine-month period ended April 30, 2017.

### Stock Options

As required by the Stock Compensation Topic, ASC 718, the Company measures and recognizes compensation expense for all share based payment awards made to the officers and directors based on estimated fair values at the grant date and over the requisite service period.

On October 6, 2016, the Company granted options to purchase a total of 50,000 shares of Common Stock exercisable on a cashless basis to two employees. These options all have an exercise price of \$10.00 and a term of 10 years. The options vest as follows: 1,388 shares vest upon each of the first through twentieth month anniversaries of the grant date; 1,390 shares vest upon each of the twenty-first through thirty-sixth month anniversaries of the grant date. The Company has valued these options using the Black-Scholes option pricing model which resulted in a fair market value of \$425,000, of which \$213,282 has been recognized as non-cash expense for the nine months ended April 30, 2017.

On November 4, 2016, the Company appointed Thomas T. Thomas to the Board and granted Mr. Thomas an option to purchase 35,000 shares of Common Stock exercisable on a cashless basis. This option has an exercise price of \$10.00, a term of 5 years and vests as follows: (i) 11,667 shares vest upon the uplisting of the Company to the NASDAQ Stock Market; (ii) 11,667 shares vest upon the cumulative funding of the Company of or in excess of \$5,000,000 by institutional investors starting from November 4, 2016; and 11,666 shares vest upon the first submission of a New Drug Application to the U.S. Food and Drug Administration for one of Company's products by Company itself or a Company licensee. The Company has valued this option using the Black-Scholes option pricing model which resulted in an aggregate value of \$220,116, of which \$134,188 has been recognized as expense for the nine months ended April 30, 2017.

On December 24, 2016, the Company granted an option to purchase a total of 35,000 shares of Common Stock exercisable on a cashless basis to an employee. The option has an exercise price of \$10.00 and a term of 10 years. The option vests as follows: 972 shares vest upon each of the first through twenty-eighth month anniversaries of the grant date; 973 shares vest upon each of the twenty-ninth through thirty-sixth month anniversaries of the grant date. The Company has valued this option using the Black-Scholes which resulted in an aggregate value of \$219,450, of which \$75,363 has been recognized as non-cash expense for the nine months ended April 30, 2017.

On February 6, 2017, the Company granted an option to purchase 200,000 shares of the Company's Common Stock to Phil Skolnick, the Company's Chief Scientific Officer. This option was granted pursuant to Dr. Skolnick's employment agreement (the "Skolnick Employment Agreement") described in Note 6 – Commitments. Per the terms of Dr. Skolnick's option agreement, the option shall expire on the day that is the earlier of: (a) 90 calendar days after Dr. Skolnick ceases to provide services to the Company, (b) 90 calendar days after the expiration of the Skolnick Employment Agreement, (c) the date Dr. Skolnick is terminated or there is a Fundamental Transaction (as defined in the Skolnick Employment Agreement), each as contemplated in the Skolnick Employment Agreement, or (d) 10 years from the date of issuance. Each share of Common Stock underlying the Option shall be exercisable on a cashless basis at an exercise price equal to \$9.00. The option shall vest as follows: (i) 100,000 shares of Common Stock shall vest on the eighteen month anniversary of the grant date; (ii) 5,555 shares of Common Stock shall vest on each of the nineteen, twenty, twenty-one, twenty-two, twenty-three, twenty-four, twenty-five and twenty-six month anniversaries of the date of grant; and (iii) 5,556 shares of Common Stock shall vest on each of the twenty-seven, twenty-eight, twenty-nine, thirty, thirty-one, thirty-two, thirty-three, thirty-four, thirty-five and thirty-six month anniversaries of the grant date. The Company valued Dr. Skolnick's option using the Black-Scholes option pricing model, which resulted in an aggregate value of \$1,600,000, which the Company will expense on a non-cash basis over the three-year vesting schedule. During the three-month period ended April 30, 2017, the Company recorded \$223,925 of non-cash expense related to this option. As of April 30, 2017, the Company had an additional \$1,376,075 of non-cash expense to record over the remaining 33 months of vesting.

The Company also recognized stock based compensation expense of \$242,318 in connection with vested options granted in prior periods.

On March 31, 2017, pursuant to their respective employment agreement acknowledgements, Dr. Sinclair and Dr. Crystal each voluntarily elected to forfeit, unconditionally and irrevocably, 395,000 and 785,000 shares of Common Stock of the Company, respectively, underlying stock options previously issued by the Company.

The assumptions used in the valuation for all of the options granted for the nine months ended April 30, 2017 and 2016 were as follows:

	2017	2016
Market value of stock on measurement date	\$5.61 to 8.71	\$ 7.00
Risk-free interest rate	0.88-2.55%	2.05%
Dividend yield	0%	0%
Volatility factor	97-348%	373%
Term	2.53-10.00 years	10 years

Stock option activity for nine months ended April 30, 2017 is presented in the table below:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 31, 2016	4,635,000	\$ 8.79	7.39	\$ 2,731,250
Granted	320,000	\$ 9.38		
Expired	(2,500)	\$ 10.00		
Forfeited	(1,180,000)	\$ 11.03		
Outstanding at April 30, 2017	<u>3,772,500</u>	\$ 8.13	7.12	\$ 975,000
Exercisable at April 30, 2017	<u>3,303,882</u>	\$ 7.75	7.21	\$ 975,000

A summary of the status of the Company's non-vested options as of April 30, 2017 and changes during the nine months ended April 30, 2017 are presented below:

Non-vested options

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at July 31, 2016	90,833	\$ 7.27
Granted	320,000	\$ 7.70
Vested	(59,717)	\$ 6.93
Non-vested at April 30, 2017	<u>351,116</u>	<u>\$ 7.73</u>

At April 30, 2017, there was \$2,001,413 of unrecognized compensation costs related to non-vested stock options.

#### Warrants

On March 13, 2017, the Company granted a warrant to purchase 45,000 shares of the Company's Common Stock to Brad Miles, an advisor to the Company. Pursuant to the terms of the warrant, it is fully vested on the date of grant, has an exercise price of \$10.00, an expiration date of three years from the date of grant, and may be exercised solely by payment of cash. The Company valued Mr. Miles' warrant using the Black-Scholes option pricing model using the following criteria: (i) a per share stock price of \$8.00, which represents the closing price of the Company's Common Stock on March 13, 2017, (ii) a per share exercise price of \$10.00, (iii) a term of three (3) years, (iv) volatility of 111%, (v) a dividend yield of zero, and (vi) a risk-free rate of 1.63%, which represents the yield on a three-year Treasury bond as of March 16, 2017. This resulted in an aggregate value of \$229,360, which the Company expensed during the nine-month period ended April 30, 2017. The Company expensed the entire \$229,360 because the warrant was fully vested as of the date of grant.

On March 31, 2017, Dr. Michael Sinclair, the Executive Chairman of the Board, and Dr. Roger Crystal, the Company's Chief Executive Officer, each voluntarily entered into separate employment agreement acknowledgements whereby they elected to forfeit, unconditionally and irrevocably, 285,000 and 40,000 shares of common stock of the Company, respectively, as related to unexercised warrants previously granted by the Company.

Warrant activity for the nine months ended April 30, 2017 is presented in the table below:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at July 31, 2016	1,215,385	\$ 17.90	2.86	\$ -
Granted	45,000	\$ 10.00		
Expired	(162,300)	\$ 47.23		
Forfeited	(325,000)	\$ 15.00		
Outstanding at April 30, 2017	<u>773,085</u>	\$ 12.51	3.27	\$ -
Exercisable at April 30, 2017	<u>373,085</u>	\$ 9.84	6.06	\$ -

#### **6. Commitments**

- a) On December 18, 2014, the Company entered into a consulting agreement. Pursuant to the agreement, the consultant agreed to provide financial advisory services with regard to a licensing agreement. In exchange for these services, the Company incurred fixed fees of \$225,000 and \$75,000 during the years ended July 31, 2016 and 2015, respectively. The Company is also required to pay an additional fee equivalent to 3.75% of all amounts received by the Company pursuant to the licensing agreement in excess of \$3,000,000, in perpetuity. Total fees incurred to the consultant pursuant to the agreement during the nine months ended April 30, 2017 amounted to \$635,474, as compared to \$209,251 of total fees incurred in 2016.

- b) On April 25, 2016, the Company entered into a consulting agreement. Pursuant to the agreement, the consultant agreed to provide financial advisory services. In exchange for these services, the Company is required to pay a fee on all funding received by the Company as a result of assistance provided by the consultant. Pursuant to the agreement, the consultant's fee will be equal to 5% of gross funding received by the Company up to \$20,000,000 plus 3.5% of any proceeds received in excess of \$20,000,000. Total fees incurred to the consultant pursuant to the agreement during the nine months ended April 30, 2017 amounted to \$687,500, as compared to zero total fees incurred in 2016.
- c) On November 19, 2015, the Company issued 14,327 shares of unregistered Common Stock upon the execution of a binding letter of intent to agree to negotiate and enter into an exclusive license agreement and collaboration agreement ("LOI") with a pharmaceutical company with certain desirable proprietary information. The shares issued in this transaction were valued using the stock price at issuance date and amounted to \$120,347. Pursuant to the LOI, the Company is obligated to issue up to an additional 92,634 shares of unregistered Common Stock upon the occurrence of various milestones. A total of 3,582 shares had been issued as of July 31, 2016 due to achievement of certain milestones. On November 10, 2016, the Company issued an additional 14,327 shares of the unregistered Common Stock pursuant to the LOI. The shares issued in this transaction were valued using the stock price at issuance date and amounted to \$85,102. On March 16, 2017, the Company issued an additional 10,745 shares of unregistered Common Stock pursuant to the LOI. Per the terms of the LOI, the Company was obligated to issue these shares upon the one year anniversary of receipt by the Company of a milestone payment from Adapt Pharma Limited for the first commercial sale of the Company's product, NARCAN® (naloxone hydrochloride) Nasal Spray, in the U.S. The shares issued on March 16, 2017 were valued on the date of issuance using the March 16, 2017 closing price of the Company's Common Stock of \$7.75 per share, which resulted in an aggregate value of \$83,274. The Company expensed the entire \$83,274 as non-cash expense during the nine-month period ended April 30, 2017.
- d) In October 2016, the Company in-licensed a heroin vaccine from Walter Reed Army Institute of Research. In consideration for the license the Company agreed to pay a royalty of 3% of net sales if the Company commercializes the vaccine, or 4% if the vaccine is sublicensed. In addition, the Company agreed to pay a minimum annual royalty of \$10,000, as well as fixed payments of up to \$715,672 if all of the specified milestones are met.
- e) The Company leases office space in four locations. The Company's headquarters are located on the 12th Floor of 401 Wilshire Blvd., Santa Monica, CA 90401, which the Company leases from Premier Office Centers, LLC ("Premier"). Per the terms of the amended lease dated October 1, 2016, the initial lease term is for five months with a monthly rent of \$5,056. On December 15, 2016, the Company entered into a new office license agreement (the "New Lease") with Premier. The New Lease became effective March 1, 2017, the date after which the term of the current lease with Premier expires. Pursuant to the terms of the New Lease, the Company will pay \$5,157 per month to Premier. The New Lease has an initial term of 12 months and shall automatically renew for successive 12-month periods unless terminated by the Company at least 60 days prior to the termination date. Premier may terminate the New Lease for any reason upon 30 days' notice to the Company.

The Company also leases office space in Suite 100 of 1180 North Town Center Drive, Las Vegas, NV 89144 for \$299 per month. The lease with Regus Management Group, LLC expires on July 31, 2017.

Additionally, the Company leases office space in Euston Tower, L32 to L34, 286 Euston Road, London, England, NW1 3DP for a total of €1,932 for the initial five-month term ending March 31, 2017. The Company's lease is with Euston Tower Serviced Offices Ltd. In March 2017, the Company extended the term of the lease through July 2017 with the monthly rent remaining the same. The Company has given the required notice to Euston Tower Serviced Offices Ltd informing them that the Company will not extend the lease beyond July 31, 2017.

On April 20, 2017, the Company entered into an Office Service Agreement (the "Office Service Agreement") with Regus to lease office space at 83 Baker Street, London, England, W1U 6AG. Per the terms of the Office Service Agreement, the first month's rent is £2,473 with monthly rental payments of £7,521 thereafter. The Company was required to pay a security deposit of £15,042, which is the equivalent of two months of rent. The Office Service Agreement commences on May 22, 2017 and terminates on May 31, 2018, with either party being able to terminate this agreement as of May 31, 2018 by providing written notice three months in advance of the termination date of May 31, 2018.

- f) On February 3, 2017, the Company entered into the Skolnick Employment Agreement whereby Dr. Skolnick became the Company's Chief Scientific Officer effective February 6, 2017.

The Skolnick Employment Agreement has an initial term of six (6) months. Following the initial term, the Skolnick Employment Agreement, unless otherwise terminated, shall extend on a month-to-month basis. Under the Skolnick Employment Agreement, Dr. Skolnick (i) received a one-time cash sign-on bonus of \$40,000; (ii) will receive a pro-rated annual base salary of \$410,000; (iii) will be eligible to earn an incentive bonus in an amount and structure as agreed upon by Dr. Skolnick and the Board, with achievement of such bonus to be determined in the sole discretion of the Board; and (iv) was granted an option to purchase 200,000 shares of the Company's Common Stock, which shall expire on the day that is the earlier of: (a) 90 calendar days after Dr. Skolnick ceases to provide services to the Company, (b) 90 calendar days after the expiration of the Skolnick Employment Agreement, (c) the date Dr. Skolnick is terminated or there is a Fundamental Transaction (as defined in the Skolnick Employment Agreement), each as contemplated in the Skolnick Employment Agreement, or (d) 10 years from the date of issuance.

In addition, the Skolnick Employment Agreement provides for benefits if Dr. Skolnick's employment is terminated under certain circumstances. In the event the Company terminates Dr. Skolnick's employment for Cause (as defined in the Skolnick Employment Agreement), Dr. Skolnick will receive accrued but unpaid base salary and vacation through the date of termination of his employment (the "Termination Date"). In the event the Company terminates Dr. Skolnick's employment or if Dr. Skolnick resigns within twelve months of a Constructive Termination (as defined in the Skolnick Employment Agreement) of Dr. Skolnick's employment, and in either case such termination is not for Cause, then the Company shall pay Dr. Skolnick the sum of: (i) accrued but unpaid base salary and vacation through the Termination Date; (ii) one times his annual salary; and (iii) one times his bonus cash compensation, excluding the signing bonus, awarded to Dr. Skolnick in 2017. In the event of such termination, all outstanding stock options, warrants, restricted share awards, performance grants held by Dr. Skolnick shall become fully vested and remain exercisable for the life of such award and shall not be forfeited for any reason whatsoever. In the event of a Fundamental Transaction, Dr. Skolnick shall be entitled to receive the sum of: (i) accrued but unpaid base salary and vacation through the Termination Date; (ii) one times his annual salary; and (iii) one times his bonus cash compensation, excluding the signing bonus, awarded to Dr. Skolnick in 2017. In the event of a Fundamental Transaction, all outstanding stock options, warrants, restricted share awards, performance grants held by Dr. Skolnick shall become fully vested and remain exercisable for the life of such award and shall not be forfeited for any reason whatsoever.

- g) On March 13, 2017, the Company entered into a third amendment (the "Third Miles Amendment") to that certain Senior Advisor Agreement with Brad Miles, dated January 22, 2013 (the "Initial Miles Agreement"), as previously amended on February 24, 2015 (the "First Miles Amendment") and March 19, 2015 (the "Second Miles Amendment" and, together with the Initial Miles Agreement, the First Miles Amendment and the Third Miles Amendment, the "Miles Agreement"). Pursuant to the Third Miles Amendment, and in consideration for Mr. Miles' continued service to the Company as an advisor through December 31, 2017, the Company: (i) paid Mr. Miles \$107,805 in cash and issued Mr. Miles 1,875 shares of Common Stock; (ii) granted to Mr. Miles the right to receive, subject to adjustment per the terms of the Third Miles Amendment, 1.25% of the Net Profit generated from the Product from the Effective Date (which amounts shall be paid quarterly per the terms of the Third Amendment), and, in the event of a Divestiture of the Company, 1.25% of the net proceeds of such sale, subject to adjustment per the terms of the Third Amendment, and, in the event of a sale of the Company, the Fair Market Value of the Product; (iii) shall pay Mr. Miles \$17,000 per calendar quarter during 2017; and (iv) granted to Mr. Miles a warrant to purchase 45,000 shares of Common Stock (the "Miles Warrant"). The Warrant, which is fully vested on the date of grant, has an exercise price of \$10.00, an expiration date of three years from the date of grant and may be exercised solely by payment of cash. Additionally, pursuant to the Third Amendment, from the Effective Date until the fourth anniversary of the Effective Date, the Company shall have the right to buyback the Interest or any portion thereof from Mr. Miles upon written notice at a price of \$187,500 per 1.25% of Interest (the "Miles Buyback Amount"); provided, however, that, in the event that such written notice is provided within 2.5 years after the Effective Date, the Company shall pay Mr. Miles two times the Miles Buyback Amount within ten business days after the provision of such notice; provided, further, that, in the event the Company provides such notice to Mr. Miles after 2.5 years after the Effective Date and prior to the four year anniversary of the Effective Date, the Company shall pay Mr. Miles 3.5 times the Miles Buyback Amount within ten business days after the provision of such notice. Furthermore, pursuant to the Third Amendment, the Company is required to provide to Mr. Miles, following the end of each calendar year, an annual audit of Net Profit once the Product begins generating Net Profit. Capitalized terms not otherwise defined in this paragraph shall have the meanings ascribed to such terms in the Third Amendment.



## 7. Sale of Royalties

On December 13, 2016, the Company entered into a Purchase and Sale Agreement (the “Purchase Agreement”) with SWK Funding LLC (“SWK”) pursuant to which the Company sold, and SWK purchased, the Company’s right to receive, commencing on October 1, 2016, all Royalties arising from the sale by Adapt, pursuant to that certain License Agreement between the Company and Adapt, dated as of December 15, 2014, as amended (the “Adapt Agreement”), of NARCAN® (naloxone hydrochloride) Nasal Spray (“NARCAN®”) or any other Product, up to (i) \$20,625,000 and then the Residual Royalty thereafter or (ii) \$26,250,000, if Adapt has received in excess of \$25,000,000 of cumulative Net Sales for any two consecutive fiscal quarters during the period from October 1, 2016 through September 30, 2017 from the sale of NARCAN® (the “Earn Out Milestone”), and then the Residual Royalty thereafter. The Residual Royalty is defined in the Purchase Agreement as follows: (i) if the Earn Out Milestone is paid, then SWK shall receive 10% of all Royalties; provided, however, if no generic version of NARCAN® is commercialized prior to the sixth anniversary of the Closing, then SWK shall receive 5% of all Royalties after such date, and (ii) if the Earn Out Milestone is not paid, then SWK shall receive 7.86% of all Royalties; provided, however, that if no generic version of NARCAN® is commercialized prior to the sixth anniversary of the Closing, then SWK shall receive 3.93% of all Royalties after such date. Under the Purchase Agreement, the Company received an upfront purchase price of \$13,750,000 less \$40,000 of legal fees at Closing, and will receive an additional \$3,750,000 if the Earn Out Milestone is achieved (the “Purchase Price”). The Purchase Agreement also grants SWK (i) the right to receive the statements produced by Adapt pursuant to Section 5.6 of the Adapt Agreement and (ii) the right, to the extent possible under the Purchase Agreement, to cure any breach of or default under any Product Agreement by the Company. Under the Purchase Agreement, the Company granted SWK a security interest in the Purchased Assets in the event that the transfer contemplated by the Purchase Agreement is held not to be a sale. The Purchase Agreement also contains other representations, warranties, covenants and indemnification obligations that are customary for a transaction of this nature. Absent fraud by the Company, the Company’s indemnification obligations under the Purchase Agreement shall not exceed, individually or in the aggregate, an amount equal to the Purchase Price plus an annual rate of return of 12% (compounded monthly) as of any date of determination, with a total indemnification cap not to exceed 150% of the Purchase Price, less all Royalties received by SWK, without duplication, under the Purchase Agreement prior to and through resolution of the applicable claim. All capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

During the nine months ended April 30, 2017, the Company recognized proceeds of \$13,710,000 as revenue immediately as a result of (i) the executed agreement constituting persuasive evidence of an arrangement, (ii) the Company having no current or future performance obligations, (iii) the total consideration being fixed and known at the time of its execution and there being no rights of return, and (iv) the cash having been received and non-refundable.

On December 13, 2016, the Company and Adapt entered into Amendment No. 1 to the Adapt Agreement (the “Adapt Amendment”) which amends the terms of the Adapt Agreement relating to the grant of a commercial sublicense outside of the United States and diligence efforts for commercialization of the Company’s intranasal naloxone opioid overdose reversal treatment (the “Product”). Under the terms of the Adapt Amendment, Adapt is required to use commercially reasonable efforts to commercialize the Product in the U.S. In the event that Adapt wishes to grant a commercial sublicense to a third party in the European Union or the United Kingdom, the Company and Adapt have agreed to negotiate an additional amendment to the Adapt Agreement to include reduced financial terms with respect to the commercial sublicense in such territory. Under such terms, the Company would receive an escalating double-digit percentage of all net revenue received by Adapt from a commercial sublicensee in the European Union or the United Kingdom. Net revenue received by Adapt from a commercial sublicensee in European Union or the United Kingdom would be included in determining sales-based milestones due to the Company.

On December 15, 2014, in connection with the Purchase Agreement, the Company and Adapt entered into the Adapt Agreement which provides Adapt with a global license to develop and commercialize the Product in exchange for the Company receiving potential development and sales milestone payments that could exceed \$55 million in the aggregate plus certain royalties.

## **8. Potomac Amendment**

On April 12, 2017 (the “Potomac Effective Date”), the Company and Potomac Construction Limited (“Potomac”) entered into an amendment (the “Potomac Amendment”) to the following investment agreements with Potomac to provide for (in the case of Potomac Agreement No. 1 and Potomac Agreement No. 2 (each as defined below)), or modify (in the case of Potomac Agreement No. 3, Potomac Agreement No. 4 and Potomac Agreement No. 5 (each as defined below)), the Company’s right to buyback the Interest (as defined in each Potomac Amendment) in each Potomac Agreement (as defined below) from Potomac: (i) that certain Investment Agreement, dated as of April 16, 2013, as clarified by that certain letter agreement dated October 15, 2014 (“Potomac Agreement No. 1”); (ii) that certain Investment Agreement, dated as of May 30, 2013, as clarified by that certain letter agreement dated October 15, 2014 (“Potomac Agreement No. 2”); (iii) that certain Investment Agreement, dated as of September 9, 2014, as clarified by that certain letter agreement dated October 15, 2014 (“Potomac Agreement No. 3”); (iv) that certain Investment Agreement, dated as of October 31, 2014, as clarified by that certain letter agreement dated October 31, 2014 (“Potomac Agreement No. 4”); and (v) that certain Investment Agreement, dated as of December 8, 2015 (“Potomac Agreement No. 5”) ((i)–(v) collectively, the “Potomac Agreements” and, each, a “Potomac Agreement”).

Pursuant to the Potomac Amendment, from the Potomac Effective Date until April 22, 2018, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 1), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 1) from Potomac upon written notice to Potomac (the “Potomac Interest No. 1 Buyback Notice”), at the price of \$600,000 per 6.0% of Interest (the “Potomac Interest No. 1 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 1 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 1 Buyback Amount within ten business days of providing the Potomac Interest No. 1 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 1 Buyback Notice is provided after 3.25 years of the date of the Investment and no later than 4.25 years from the date of the Investment, the Company shall pay Potomac 3.15 times the Potomac Interest No. 1 Buyback Amount within ten business days of providing the Potomac Interest No. 1 Buyback Notice.

Pursuant to the Potomac Amendment, from the Potomac Effective Date until July 5, 2018, the five year anniversary of the latest date of the Investment (as defined in Potomac Agreement No. 2), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 2) from Potomac upon written notice to Potomac (the “Potomac Interest No. 2 Buyback Notice”), at the price of \$150,000 per 1.5% of Interest (the “Potomac Interest No. 2 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 2 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 2 Buyback Amount within ten business days of providing the Potomac Interest No. 2 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 2 Buyback Notice is provided after 3.25 years of the date of the Investment and no later than 4.25 years from the date of the Investment, the Company shall pay Potomac 3.15 times the Potomac Interest No. 2 Buyback Amount within ten business days of providing the Potomac Interest No. 2 Buyback Notice.

Pursuant to the Potomac Amendment, from the Potomac Effective Date until September 30, 2019, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 3) (the “Potomac Interest No. 3 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 3) from Potomac upon written notice to Potomac (the “Potomac Interest No. 3 Buyback Notice”), at the price of \$500,000 per 0.98% of Interest (the “Potomac Interest No. 3 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 3 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 3 Buyback Amount within ten business days of providing the Potomac Interest No. 3 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 3 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 3 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 3 Buyback Amount within ten business days of providing the Potomac Interest No. 3 Buyback Notice.

Pursuant to the Potomac Amendment, from the Potomac Effective Date until November 28, 2019, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 4) (the “Potomac Interest No. 4 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 4) from Potomac upon written notice to Potomac (the “Potomac Interest No. 4 Buyback Notice”), at the price of \$500,000 per 0.98% of Interest (the “Potomac Interest No. 4 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 4 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 4 Buyback Amount within ten business days of providing the Potomac Interest No. 4 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 4 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 4 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 4 Buyback Amount within ten business days of providing the Potomac Interest No. 4 Buyback Notice.

Pursuant to the Potomac Amendment, from the Potomac Effective Date until December 17, 2020, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 5) (the “Potomac Interest No. 5 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 5) from Potomac upon written notice to Potomac (the “Potomac Interest No. 5 Buyback Notice”), at the price of \$500,000 per 0.75% of Interest (the “Potomac Interest No. 5 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 5 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 5 Buyback Amount within ten business days of providing the Potomac Interest No. 5 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 5 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 5 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 5 Buyback Amount within ten business days of providing the Potomac Interest No. 5 Buyback Notice.

Pursuant to the Potomac Amendment, if the Additional Investment (as defined in Potomac Agreement No. 5) is funded by Potomac, then, from the date of funding of such Additional Investment until the five year anniversary of such funding date (the “Potomac Additional Interest Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Additional Interest (as defined in Potomac Agreement No. 5) upon written notice to Potomac (the “Potomac Additional Interest Buyback Notice”), at the price of \$500,000 per 0.75% of Additional Interest (the “Potomac Additional Interest Buyback Amount”); *provided*, that in the event the Potomac Additional Interest Buyback Notice is provided within 3.25 years of the date of the Additional Investment, the Company shall pay Potomac 1.8 times the Potomac Additional Interest Buyback Amount within ten business days of providing the Potomac Additional Interest Buyback Notice; *provided, further*, that in the event the Potomac Additional Interest Buyback Notice is provided after 3.25 years of the date of the Additional Investment and on or prior to the Potomac Additional Interest Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Additional Interest Buyback Amount within ten business days of providing the Potomac Additional Interest Buyback Notice. However, Potomac opted, at its sole discretion, not to make the \$1,000,000 Additional Investment, and the deadline for Potomac to make the Additional Investment has passed.

In consideration for Potomac entering into the Potomac Amendment, the Company has agreed to pay Potomac, within 15 business days of the Potomac Effective Date, \$159,500. The Company recorded the \$159,500 payment to Potomac as a non-recurring general and administrative expense.

Furthermore, the Company shall grant Potomac the right to receive 2.5525% of the Net Profit (as defined in the Potomac Agreements) generated from DAVINCI (as defined in the Potomac Amendment). In the event that the Company is sold, Potomac shall receive 2.5525% of the net proceeds of such sale, after the deduction of all expenses and costs related to such sale. Additionally, from the Potomac Effective Date until the four year anniversary of the Potomac Effective Date (the “Potomac DAVINCI Interest Buyback Expiration Date”), the Company may buyback all or any portion of the DAVINCI Interest (as defined in the Potomac Amendment) upon written notice to Potomac (the “Potomac DAVINCI Interest Buyback Notice”), at the price of \$382,875 per 2.5525% of DAVINCI Interest (the “Potomac DAVINCI Interest Buyback Amount”); *provided*, that in the event the Potomac DAVINCI Interest Buyback Notice is provided within 2.5 years of the Potomac Effective Date, the Company shall pay Potomac two times the Potomac DAVINCI Interest Buyback Amount within ten business days of providing the Potomac DAVINCI Interest Buyback Notice; *provided, further, that*, in the event the Potomac DAVINCI Interest Buyback Notice is provided after 2.5 years of the Potomac Effective Date and on or prior to the Potomac DAVINCI Interest Buyback Expiration Date, the Company shall pay Potomac 3.5 times the Potomac DAVINCI Interest Buyback Amount within ten business days of providing the Potomac DAVINCI Interest Buyback Notice.

Furthermore, pursuant to the Potomac Amendment, the Company and Potomac agree that, upon the Company’s receipt after the Potomac Effective Date of at least \$3 million from (i) SWK pursuant to the Purchase Agreement with SWK, or (ii) Adapt pursuant to the Adapt Agreement, fifty percent of all actual amounts received by the Company from SWK shall be used in determining the Net Profit.

## 9. Litigation

On September 15, 2016, the Company and Adapt Pharma, Inc. (“Adapt Inc.”) received notice from Teva Pharmaceuticals Industries Ltd. (“Teva Ltd.”) and Teva Pharmaceuticals USA, Inc., a wholly owned subsidiary of Teva Ltd. (“Teva USA” and, together with Teva Ltd., “Teva”), pursuant to 21 U.S.C. § 355(j)(2)(B)(ii) (the “September 2016 Notice Letter”), that Teva USA had filed ANDA No. 209522 (the “Teva ANDA”) with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,211,253 owned by the Company (the “’253 patent”). The ‘253 patent is listed with respect to NARCAN® in the FDA’s Approved Drug Products with Therapeutic Equivalents Evaluations publication (commonly referred to as the “Orange Book”) and expires on March 16, 2035. Teva’s September 2016 Notice Letter asserts that its generic product will not infringe the ‘253 patent and/or that the ‘253 patent is invalid or unenforceable. On October 21, 2016, Adapt Inc., Adapt Pharma Operations Limited (“Adapt”) and the Company (collectively, the “Plaintiffs”) filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA’s filing of the Teva ANDA with the FDA with respect to the ‘253 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the ‘253 ANDA be a date not earlier than the expiration of the ‘253 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the ‘253 patent, and monetary relief as a result of any such infringement.

On January 3, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to 21 U.S.C. § 355(j)(2)(B)(ii) (the “January 2017 Notice Letter”), that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,468,747 (the “’747 patent”). The ‘747 patent is listed with respect to NARCAN® in the FDA’s Orange Book and expires on March 16, 2035. Teva’s January 2017 Notice Letter asserts that its generic product will not infringe the ‘747 patent or that the ‘747 patent is invalid or unenforceable. On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA’s filing of the Teva ANDA with the FDA with respect to the ‘747 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the ‘747 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the ‘747 patent, and monetary relief as a result of any such infringement.

On March 17, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to 21 U.S.C. § 355(j)(2)(B)(ii) (the “March 2017 Notice Letter”), that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,561,177 (the “’177 patent”). The ‘177 patent is listed with respect to NARCAN® in the FDA’s Orange Book and expires on March 16, 2035. Teva’s March 2017 Notice Letter asserts that its generic product will not infringe the ‘177 patent and/or that the ‘177 patent is invalid or unenforceable. On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA’s filing of the Teva ANDA with the FDA with respect to the ‘177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the ‘177 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the ‘177 patent, and monetary relief as a result of any such infringement.

## 10. Subsequent Events

### *Compensation Committee Addition*

On May 26, 2017, the Board voted to expand the Compensation Committee of the Board (the “Compensation Committee”) from two independent members to three independent members and appointed Gabrielle A. Silver, MD to the Compensation Committee. Following Dr. Silver’s appointment, the Compensation Committee is comprised of Ann MacDougall, JD (Chairperson), Dr. Silver, and Thomas T. Thomas.

### *Sublease*

On May 29, 2017, the Company entered into a Sublease (the “Sublease”) with Standish Management, LLC to sublease office space located at 201 Santa Monica Boulevard, Santa Monica, CA 90401. Per the terms of the Sublease, the term will commence on September 1, 2017 and end on August 31, 2018 and the monthly rent will be \$9,000, plus any related operating expenses and taxes.

### *Welmers Investment Agreement Amendment*

On June 1, 2017 (the “Welmers Effective Date”), the Company and Ernst Welmers (“Welmers”) entered into an amendment (the “Welmers Amendment”) to that certain Investment Agreement, dated as of May 15, 2014, as clarified by that certain letter agreement dated October 15, 2014 (the “Welmers Agreement”), to provide for the Company’s right to buyback the Interest (as defined in the Welmers Agreement) from Welmers. Pursuant to the Welmers Amendment, from the Welmers Effective Date until May 27, 2019, the five year anniversary of the date of the Investment (as defined in the Welmers Agreement) (the “Welmers Interest Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest from Welmers upon written notice to Welmers (the “Welmers Interest Buyback Notice”), at the price of \$300,000 per 1.5% of Interest (the “Welmers Interest Buyback Amount”); *provided*, that in the event the Welmers Interest Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Welmers 1.8 times the Welmers Interest Buyback Amount within ten business days of providing the Welmers Interest Buyback Notice; *provided, further*, that in the event the Welmers Interest Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Welmers Interest Buyback Expiration Date, the Company shall pay Welmers 3.15 times the Welmers Interest Buyback Amount within ten business days of providing the Welmers Interest Buyback Notice.

In consideration for Welmers entering into the Welmers Amendment, the Company has agreed to pay Welmers, within 15 business days of the Welmers Effective Date, \$30,000. Furthermore, the Company shall grant Welmers the right to receive 0.375% of the Net Profit (as defined in the Welmers Agreement) generated from DAVINCI (as defined in the Welmers Amendment). In the event that the Company is sold, Welmers shall receive 0.375% of the net proceeds of such sale, after the deduction of all expenses and costs related to such sale. Additionally, from the Welmers Effective Date until the four year anniversary of the Welmers Effective Date (the “Welmers DAVINCI Interest Buyback Expiration Date”), the Company may buyback all or any portion of the DAVINCI Interest (as defined in the Welmers Amendment) upon written notice to Welmers (the “Welmers DAVINCI Interest Buyback Notice), at the price of \$56,250 per 0.375% of DAVINCI Interest (the “Welmers DAVINCI Interest Buyback Amount”); *provided*, that in the event the Welmers DAVINCI Interest Buyback Notice is provided within 2.5 years of the Welmers Effective Date, the Company shall pay Welmers two times the Welmers DAVINCI Interest Buyback Amount within ten business days of providing the Welmers DAVINCI Interest Buyback Notice; *provided, further, that*, in the event the Welmers DAVINCI Interest Buyback Notice is provided after 2.5 years of the Welmers Effective Date and on or prior to the Welmers DAVINCI Interest Buyback Expiration Date, the Company shall pay Welmers 3.5 times the Welmers DAVINCI Interest Buyback Amount within ten business days of providing the Welmers DAVINCI Interest Buyback Notice.

Furthermore, pursuant to the Welmers Amendment, the Company and Welmers agree that, upon the Company’s receipt after the Welmers Effective Date of at least \$3 million from (i) SWK pursuant to the SWK Purchase Agreement, and/or (ii) Adapt pursuant to the Adapt Agreement, fifty percent of all actual amounts received by the Company from SWK shall be used in determining the Net Profit.

*Amendment to LYL Holdings Amended and Restated Consulting Agreement*

On June 1, 2017 (the “LYL Effective Date”), the Company and LYL Holdings Inc. (“LYL”) entered into an amendment (the “LYL Amendment”) to that certain Amended and Restated Consulting Agreement, dated October 25, 2016 and effective as of July 17, 2013 (the “LYL Agreement”), to provide for the Company’s right to buyback the Interest (as defined in the LYL Agreement) from LYL. Pursuant to the LYL Amendment, from the LYL Effective Date until 4.5 years after July 17, 2013 (the “LYL Interest Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest from LYL upon written notice to LYL (the “LYL Interest Buyback Notice”), at the price of \$500,000 per 5.0% of Interest (the “LYL Interest Buyback Amount”); *provided*, that in the event the LYL Interest Buyback Notice is provided within 3.25 years of the LYL Effective Date, the Company shall pay LYL 1.8 times the LYL Interest Buyback Amount within ten business days of providing the LYL Interest Buyback Notice; *provided, further*, that in the event the LYL Interest Buyback Notice is provided after 3.25 years after the Effective Date and on or prior to the LYL Interest Buyback Expiration Date, the Company shall pay LYL 3.15 times the LYL Interest Buyback Amount within ten business days of providing the LYL Interest Buyback Notice.

In consideration for LYL entering into the LYL Amendment, the Company and LYL agree that, upon the Company’s receipt after the LYL Effective Date of at least \$3 million from (i) SWK pursuant to the SWK Purchase Agreement and/or (ii) Adapt pursuant to the Adapt Agreement, fifty percent of all actual amounts received by the Company from SWK shall be used in determining the Net Profit (as defined in the LYL Agreement).

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

*The following discussion and analysis of the results of operations and financial condition for the three and nine months ended April 30, 2017 and 2016 and should be read in conjunction with our financial statements, and the notes to those financial statements that are included elsewhere in this Report.*

### Overview

Opiant Pharmaceuticals, Inc. (“we”, “our” or the “Company”), a Nevada corporation, is a specialty pharmaceutical company which develops pharmacological treatments for substance use, addictive and eating disorders. The Company was incorporated in the State of Nevada on June 21, 2005 as Madrona Ventures, Inc. and, on September 16, 2009, the Company changed its name to Lightlake Therapeutics Inc. On January 28, 2016, the Company again changed its name to Opiant Pharmaceuticals, Inc. The Company’s fiscal year end is July 31.

The Company’s strategy is to develop pharmacological treatments for substance use, addictive, and eating disorders based on the Company’s expertise using opioid antagonists. The Company has worked on developing a treatment for reversing opioid overdoses in collaboration with the National Institute on Drug Abuse (“NIDA”), part of the National Institutes of Health (“NIH”). This treatment, now known as NARCAN® (naloxone hydrochloride) Nasal Spray (“NARCAN®”), was approved by the U.S. Food and Drug Administration (“FDA”) in November 2015, and is marketed by Adapt Pharma Operations Limited (“Adapt”), a wholly owned subsidiary of Adapt Pharma Limited, an Ireland-based pharmaceutical company.

The Company has not consistently attained profitable operations and has historically depended upon obtaining sufficient financing to fund its operations. The Company anticipates that if revenues are not sufficient then additional funding will be required in the form of debt financing and/or equity financing from the sale of the Company’s common stock, par value \$0.001 per share (the “Common Stock”), and/or financings from the sale of interests in the Company’s prospective products and/or royalty transactions. However, the Company may not be able to generate sufficient revenues or raise sufficient funding to fund the Company’s operations.

The Company has not had a bankruptcy, receivership, and/or similar proceeding. The Company has not had material reclassifications, mergers, consolidations, and/or purchase or sale of a significant amount of assets not in the ordinary course of business. The Company is required to comply with all regulations, rules, and directives of governmental authorities and agencies applicable to the clinical testing and manufacturing and sale of pharmaceutical products.

In December 2014, the Company effected a one-for-one hundred reverse stock split of its Common Stock (the “1:100 Reverse Stock Split”) which decreased the number of shares of Common Stock issued and outstanding from approximately 182.0 million shares to approximately 1.82 million shares. Unless otherwise noted, all share amounts listed in this Report have been retroactively adjusted for the 1:100 Reverse Stock Split as if such stock split occurred prior to the issuance of such shares. Impacted amounts include, but are not limited to, shares of Common Stock issued and outstanding, stock options, shares reserved, exercise prices of warrants or options, and loss per share. There was no impact on preferred and/or Common Stock authorized resulting from the 1:100 Reverse Stock Split.

The Company developed NARCAN®, a treatment to reverse opioid overdoses, which was conceived, licensed, developed, approved by the FDA, and commercialized in less than three years. The Company plans to replicate this relatively low cost, successful business strategy primarily through developing nasal opioid antagonists in the field of developing pharmacological treatments for substance use, addictive, and eating disorders. The Company also plans to identify and progress drug development opportunities with potentially larger markets, potentially larger addressable patient populations, and greater revenue potential. In addition, the Company plans to invest in long-term development opportunities by identifying early stage product candidates with novel modes of action.

The Company’s current pipeline of product candidates includes a treatment for Bulimia Nervosa (“BN”), a treatment for Binge Eating Disorder (“BED”), a treatment for Alcohol Use Disorder (“AUD”), and a heroin vaccine. The Company also is focused on other treatment opportunities.

## Principal Products or Services and Markets

### *Opioid Overdose Reversal*

Naloxone is a medicine that can reverse the overdose of prescription and illicit opioids and that historically has been available through injection. The Company's intranasal delivery system of naloxone could widely expand its availability and use in preventing opioid overdose deaths.

On April 16, 2013, the Company entered into an agreement ("Potomac Agreement No. 1") and subsequently received funding from an investor, Potomac Construction Limited ("Potomac"), in the amount of \$600,000 for the research, development, marketing, and commercialization of a product relating to the Company's treatment to reverse opioid overdoses (the "Opioid Overdose Reversal Treatment Product"). In exchange for this funding, Potomac acquired a 6.0% interest (the "6.0% Potomac Interest") in the "OORT Net Profit" generated from the product in perpetuity. "OORT Net Profit" is defined as any pre-tax profits received by the Company that was derived from the sale of the Opioid Overdose Reversal Treatment Product less any and all expenses incurred by and payments made by the Company in connection with the Opioid Overdose Reversal Treatment Product, including but not limited to an allocation of Company overhead based on the proportionate time, expenses, and resources devoted by the Company to product-related activities, which allocation shall be determined in good faith by the Company. Potomac also has rights with respect to the 6.0% Potomac Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. On April 12, 2017, the Company and Potomac entered into an amendment (see Note 8 – Potomac Amendment) whereby, from April 12, 2017 until April 22, 2018, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 1), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 1) from Potomac upon written notice to Potomac (the "Potomac Interest No. 1 Buyback Notice"), at the price of \$600,000 per 6.0% of Interest (the "Potomac Interest No. 1 Buyback Amount"); *provided*, that in the event the Potomac Interest No. 1 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 1 Buyback Amount within ten business days of providing the Potomac Interest No. 1 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 1 Buyback Notice is provided after 3.25 years of the date of the Investment and no later than 4.25 years from the date of the Investment, the Company shall pay Potomac 3.15 times the Potomac Interest No. 1 Buyback Amount within ten business days of providing the Potomac Interest No. 1 Buyback Notice.

On May 30, 2013, the Company entered into an agreement with Potomac ("Potomac Agreement No. 2") and subsequently received additional funding totaling \$150,000 for the research, development, marketing, and commercialization of the Opioid Overdose Reversal Treatment Product. In exchange for this funding, Potomac acquired an additional 1.5% interest (the "1.5% Potomac Interest") in the OORT Net Profit generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Potomac also has rights with respect to the 1.5% Potomac Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. On April 12, 2017, the Company and Potomac entered into an amendment (see Note 8 – Potomac Amendment) whereby, from the April 12, 2017 until July 5, 2018, the five year anniversary of the latest date of the Investment (as defined in Potomac Agreement No. 2), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 2) from Potomac upon written notice to Potomac (the "Potomac Interest No. 2 Buyback Notice"), at the price of \$150,000 per 1.5% of Interest (the "Potomac Interest No. 2 Buyback Amount"); *provided*, that in the event the Potomac Interest No. 2 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 2 Buyback Amount within ten business days of providing the Potomac Interest No. 2 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 2 Buyback Notice is provided after 3.25 years of the date of the Investment and no later than 4.25 years from the date of the Investment, the Company shall pay Potomac 3.15 times the Potomac Interest No. 2 Buyback Amount within ten business days of providing the Potomac Interest No. 2 Buyback Notice.

On March 14, 2014, the Company filed U.S. Provisional Application No. 61/953,379. This application addresses delivery devices and methods of treating opioid overdoses through the administration of intranasal naloxone.



On May 15, 2014, the Company entered into an agreement (the “Welmers Agreement”) and subsequently received funding from an investor, Ernst Welmers (“Welmers”), in the amount of \$300,000 for use by the Company for any purpose. In exchange for this funding, the Welmers acquired a 1.5% interest (the “1.5% Welmers Interest”) in the OORT Net Profit generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Welmers also has rights with respect to the 1.5% Welmers Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. If the Opioid Overdose Reversal Treatment Product was not approved by the FDA by May 15, 2016, Welmers would have had a 60 day option to exchange its 1.5% Welmers Interest for 37,500 shares of Common Stock of the Company. The Opioid Overdose Reversal Treatment Product was approved by the FDA on November 18, 2015, and, as a result, Welmers did not realize the option to exchange its 1.5% Welmers Interest for shares of Common Stock of the Company. During the year ended July 31, 2016, the Company recognized \$300,000 as revenue because Welmers’ option to receive the shares of Common Stock was not realized, and the research and development work related to the Opioid Overdose Reversal Treatment Product was completed as of July 31, 2016. On June 1, 2017, the Company and Welmers entered into an amendment (the “Welmers Amendment”) (see Note 10 - Welmers Investment Agreement Amendment) to the Welmers Agreement to provide for the Company’s right to buyback the Interest (as defined in the Welmers Agreement) from Welmers. Pursuant to the Welmers Amendment, from June 1, 2017 until May 27, 2019, the five year anniversary of the date of the Investment (as defined in the Welmers Agreement) (the “Welmers Interest Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest from Welmers upon written notice to Welmers (the “Welmers Interest Buyback Notice”), at the price of \$300,000 per 1.5% of Interest (the “Welmers Interest Buyback Amount”); *provided*, that in the event the Welmers Interest Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Welmers 1.8 times the Welmers Interest Buyback Amount within ten business days of providing the Welmers Interest Buyback Notice; *provided, further*, that in the event the Welmers Interest Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Welmers Interest Buyback Expiration Date, the Company shall pay Welmers 3.15 times the Welmers Interest Buyback Amount within ten business days of providing the Welmers Interest Buyback Notice. In consideration for Welmers entering into the Welmers Amendment, the Company has agreed to pay Welmers, within 15 business days of June 1, 2017, \$30,000. Furthermore, the Company shall grant Welmers the right to receive 0.375% of the Net Profit (as defined in the Welmers Agreement) generated from DAVINCI (as defined in the Welmers Amendment). In the event that the Company is sold, Welmers shall receive 0.375% of the net proceeds of such sale, after the deduction of all expenses and costs related to such sale. Additionally, from the Welmers Effective Date until the four year anniversary of the Welmers Effective Date (the “Welmers DAVINCI Interest Buyback Expiration Date”), the Company may buyback all or any portion of the DAVINCI Interest (as defined in the Welmers Amendment) upon written notice to Welmers (the “Welmers DAVINCI Interest Buyback Notice”), at the price of \$56,250 per 0.375% of DAVINCI Interest (the “Welmers DAVINCI Interest Buyback Amount”); *provided*, that in the event the Welmers DAVINCI Interest Buyback Notice is provided within 2.5 years of the Welmers Effective Date, the Company shall pay Welmers two times the Welmers DAVINCI Interest Buyback Amount within ten business days of providing the Welmers DAVINCI Interest Buyback Notice; *provided, further, that*, in the event the Welmers DAVINCI Interest Buyback Notice is provided after 2.5 years of the Welmers Effective Date and on or prior to the Welmers DAVINCI Interest Buyback Expiration Date, the Company shall pay Welmers 3.5 times the Welmers DAVINCI Interest Buyback Amount within ten business days of providing the Welmers DAVINCI Interest Buyback Notice. Furthermore, pursuant to the Welmers Amendment, the Company and Welmers agree that, upon the Company’s receipt after the Welmers Effective Date of at least \$3 million from (i) SWK pursuant to the SWK Purchase Agreement, and/or (ii) Adapt pursuant to the Adapt Agreement, fifty percent of all actual amounts received by the Company from SWK shall be used in determining the Net Profit.

On July 9, 2014, the Company filed U.S. Provisional Application No. 62/022,268 with respect to the Company’s treating opioid overdoses through the administration of intranasal naloxone.

On July 22, 2014, the Company received a \$3,000,000 commitment from a foundation (the “Foundation”) which later assigned its interest to Valour Fund, LLC (“Valour”), from which the Company had the right to make capital calls from the Foundation for the research, development, marketing, commercialization, certain operating expenses, and any other purpose consistent with the goals of the Foundation and/or connected to the Opioid Overdose Reversal Treatment Product. In exchange for funds invested by the Foundation, Valour currently owns a 6.0% interest in the OORT Net Profit (the “6.0% Valour Interest”) generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Valour also has rights with respect to the 6.0% Valour Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. Additionally, the Company may buyback, in whole or in part, the 6.0% Valour Interest within 2.5 years or after 2.5 years of the July 22, 2014 initial investment date at a price of two times or 3.5 times, respectively, the relevant investment amount represented by the interests to be bought back. If the Opioid Overdose Reversal Treatment Product was not approved by the FDA or an equivalent body in Europe for marketing and was not actually marketed by July 22, 2016, the Foundation would have had a 60 day option to receive shares of the Company’s Common Stock in lieu of the 6.0% Valour Interest in the Opioid Overdose Reversal Treatment Product at an exchange rate of 10 shares for every dollar of its investment. On July 28, 2014, the Company received an initial investment of \$111,470 from the Foundation in exchange for a 0.22294% interest. On August 13, 2014, September 8, 2014, November 13, 2014, and February 17, 2015, the Company made capital calls of \$422,344, \$444,530, \$1,033,614 and \$988,042, respectively, from the Foundation in exchange for 0.844687%, 0.888906%, 2.067228% and 1.976085% interests, respectively, in the OORT Net Profit. The Opioid Overdose Reversal Treatment Product was approved by the FDA on November 18, 2015, and, as a result, the Foundation did not realize the option to exchange its 6.0% Valour Interest for shares of Common Stock of the Company. During the year ended July 31, 2016, the Company recognized \$3,000,000 as revenue because the option to receive the shares of Common Stock was not realized, and the research and development work related to the Opioid Overdose Reversal Treatment Product was completed as of July 31, 2016.

On September 9, 2014, the Company entered into an agreement with Potomac (“Potomac Agreement No. 3”) and subsequently received additional funding from Potomac in the amount of \$500,000 for use by the Company for any purpose. In exchange for this funding, Potomac acquired an additional 0.98% interest in the OORT Net Profit (the “September 2014 0.98% Potomac Interest”) generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Potomac also has rights with respect to the 0.98% Potomac Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. Additionally, the Company may buyback, in whole or in part, the September 2014 0.98% Potomac Interest (i) within 2.5 years or (ii) after 2.5 years, but no later than four years, of the September 9, 2014 initial investment date, at a price equal to two times or 3.5 times, respectively, the relevant investment amount represented by the interests to be bought back. If the Opioid Overdose Reversal Treatment Product was not introduced to the market and not approved by the FDA or an equivalent body in Europe and not marketed within 24 months of the September 9, 2014 initial investment date, Potomac would have had a 60 day option to exchange the September 2014 0.98% Potomac Interest for 50,000 shares of Common Stock of the Company. The Opioid Overdose Reversal Treatment Product was approved by the FDA on November 18, 2015 and, as a result, Potomac did not realize the option to exchange the September 2014 0.98% Potomac Interest for 50,000 shares of Common Stock of the Company. During the year ended July 31, 2016, the Company recognized \$500,000 as revenue because the option to receive the shares of Common Stock was not realized, and the research and development work related to the Opioid Overdose Reversal Treatment Product was completed as of July 31, 2016. On April 12, 2017, the Company and Potomac entered into an amendment (see Note 8 – Potomac Amendment) whereby, from April 12, 2017 until September 30, 2019, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 3) (the “Potomac Interest No. 3 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 3) from Potomac upon written notice to Potomac (the “Potomac Interest No. 3 Buyback Notice”), at the price of \$500,000 per 0.98% of Interest (the “Potomac Interest No. 3 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 3 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 3 Buyback Amount within ten business days of providing the Potomac Interest No. 3 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 3 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 3 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 3 Buyback Amount within ten business days of providing the Potomac Interest No. 3 Buyback Notice.

On October 31, 2014, the Company entered into an agreement with Potomac (“Potomac Agreement No. 4”) and subsequently received additional funding from Potomac in the amount of \$500,000 for use by the Company for any purpose. In exchange for this funding, Potomac acquired an additional 0.98% interest in the OORT Net Profit (the “October 2014 0.98% Potomac Interest”) generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Potomac also has rights with respect to its October 2014 0.98% Potomac Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. Additionally, the Company may buyback, in whole or in part, the October 2014 0.98% Potomac Interest from Potomac (i) within 2.5 years or (ii) after 2.5 years, but no later than four years, of the October 31, 2014 investment date at a price equal to two times or 3.5 times, respectively, the relevant investment amount represented by the interests to be bought back. If the Opioid Overdose Reversal Treatment Product was not introduced to the market and was not approved by the FDA or an equivalent body in Europe and not marketed by October 31, 2016, Potomac would have had a 60 day option to exchange its October 2014 0.98% Potomac Interest for 50,000 shares of Common Stock of the Company. The Opioid Overdose Reversal Treatment Product was approved by the FDA on November 18, 2015 and, as a result, Potomac did not realize the option to exchange its October 2014 0.98% Potomac Interest for 50,000 shares of Common Stock of the Company. During the year ended July 31, 2016, the Company recognized \$500,000 as revenue because the option to receive the shares of Common Stock was not realized, and the research and development work related to the Opioid Overdose Reversal Treatment Product was completed as of July 31, 2016. On April 12, 2017, the Company and Potomac entered into an amendment (see Note 8 – Potomac Amendment) whereby, from April 12, 2017 until November 28, 2019, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 4) (the “Potomac Interest No. 4 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 4) from Potomac upon written notice to Potomac (the “Potomac Interest No. 4 Buyback Notice”), at the price of \$500,000 per 0.98% of Interest (the “Potomac Interest No. 4 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 4 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 4 Buyback Amount within ten business days of providing the Potomac Interest No. 4 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 4 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 4 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 4 Buyback Amount within ten business days of providing the Potomac Interest No. 4 Buyback Notice.

On December 15, 2014, the Company and Adapt entered into a license agreement (the “Adapt Agreement”). The Adapt Agreement has no set duration but may be terminated, among other ways, by Adapt in its sole discretion, either in its entirety or in respect of one or more countries, at any time by providing 60 days prior notice to the Company. Pursuant to the Adapt Agreement, Adapt received from the Company a global license to develop and commercialize the Company’s intranasal naloxone Opioid Overdose Reversal Treatment Product. In exchange for licensing its treatment to Adapt, the Company could receive total potential regulatory and sales milestone payments of more than \$55 million, plus up to double-digit percentage royalties on net sales. The Adapt Agreement provided for an upfront and nonrefundable payment of \$500,000, and monthly payments for up to one year for participation in joint development committee calls and the production and submission of an initial development plan. The Adapt Agreement also required the Company to contribute \$2,500,000 of development, regulatory, and commercialization costs, some of which was credited for costs incurred by the Company prior to the execution of the Adapt Agreement. The Company fulfilled its requirement to contribute \$2,500,000 during the three months ended October 31, 2015. Upon termination of the Adapt Agreement, (i) all rights granted by the Company thereunder shall immediately terminate; (ii) Adapt shall grant the Company an exclusive license, with the right to grant multiple tiers of sublicenses, under the “Adapt Applied Patents”, “Adapt Applied Know-How”, and Adapt’s rights under the “Joint Patents” and “Joint Know-How to Exploit Products” (as such terms in quotation marks are defined in the Adapt Agreement); (iii) Adapt shall assign to the Company, at Adapt’s expense, all of its right, title, and interest in and to all “Regulatory Approvals” applicable to any “Product”, and all “Regulatory Documentation” specific to such Regulatory Approvals then owned by Adapt or any of its “Affiliates”, and shall use “Commercially Reasonable Efforts” to cause any and all “Sublicensees” (as such terms in quotation marks are defined in the Adapt Agreement) to assign to the Company any such Regulatory Approvals and related Regulatory Documentation then owned by such Sublicensee; (iv) Adapt shall grant the Company an exclusive, license and right of reference, with the right to grant multiple tiers of sublicenses and further rights of reference, under all Regulatory Documentation (including any Regulatory Approvals) then owned or “Controlled” by Adapt or any of its Affiliates that are not assigned to the Company pursuant to (iii) above that are necessary or useful for the Company or any of its Affiliates or sublicensees to “Exploit” any Product and any improvement to any of the foregoing, as such Regulatory Documentation exists as of the effective date of such termination of the Adapt Agreement and Adapt shall use Commercially Reasonable Efforts to cause its “Commercial Sublicensees” (as such terms in quotation marks are defined in the Adapt Agreement) to grant comparable rights under all Regulatory Documentation (including any Regulatory Approvals) then owned or Controlled by such Commercial Sublicensees; (v) at the Company’s request, assign to the Company all right, title, and interest of Adapt in each “Product Trademark” (as defined in the Adapt Agreement) at Adapt’s expense; and (vi) at the Company’s request, assign to the Company all right, title, and interest in and to the “Development Data” (as defined in the Adapt Agreement) that Adapt is not precluded from disclosing or assigning to the Company pursuant to the terms of any applicable agreement with a “Third Party” (as defined in the Adapt Agreement); *provided, however*, that Adapt shall use Commercially Reasonable Efforts (which shall not include any obligation to expend money) to obtain the consent of the applicable Third Party for such disclosure and/or assignment in the event that Adapt is so precluded.

On February 17, 2015, the Company announced that Adapt received “Fast Track” designation by the FDA.

On April 22, 2015, the Company announced that Adapt successfully completed a pharmacokinetic study of intranasal naloxone. This study had been designed and conducted by the Company in collaboration with NIDA. The pharmacokinetic study compared intranasal naloxone with an injectable formulation of naloxone. The study met its objectives and demonstrated the intranasal formulation of naloxone delivered the targeted naloxone dose as expected.

On June 3, 2015, the Company announced that Adapt commenced a rolling submission of a NDA to the FDA for a nasal spray formulation of naloxone. A rolling submission allows completed portions of the NDA to be submitted and reviewed by the FDA on an ongoing basis.

On July 29, 2015, the Company announced that Adapt submitted a NDA to the FDA for NARCAN®, an investigational drug intended to treat opioid overdose.

On November 18, 2015, the FDA approved NARCAN® for the emergency treatment of known or suspected opioid overdose, to be marketed by Adapt.

On December 8, 2015, the Company entered into an agreement with Potomac (“Potomac Agreement No. 5”) to receive \$500,000 for use by the Company for any purpose, which \$500,000 was invested by December 18, 2015. In exchange for this funding, Potomac acquired an additional 0.75% interest in the OORT Net Profit (the “0.75% Potomac Interest”) generated from the Opioid Overdose Reversal Treatment Product in perpetuity. Potomac also has rights with respect to its 0.75% Potomac Interest if the Opioid Overdose Reversal Treatment Product is sold or the Company is sold. Additionally, the Company may buyback, in whole or in part, the 0.75% Potomac Interest, from Potomac (i) within 2.5 years or (ii) after 2.5 years, but no later than four years, of the December 8, 2015 initial investment date, at a price of two times or 3.5 times, respectively, the relevant investment amount represented by the interests to be bought back. Such buyback can be for a portion of the 0.75% Potomac Interest rather than for the entire interest. Potomac also had an option to invest an additional \$1,000,000 by February 29, 2016 for use by the Company for any purpose in exchange for a 1.50% interest in the OORT Net Profit. If such investment were made, then Potomac also would have had rights with respect to its 1.50% interest if the Opioid Overdose Reversal Treatment Product was sold or the Company was sold. This investor option expired unexercised. During the year ended July 31, 2016, the Company recognized \$500,000 as revenue because the investment did not contain any option to exchange the 0.75% Potomac Interest for shares of Common Stock of the Company, and the research and development work related to the Opioid Overdose Reversal Treatment Product was completed as of July 31, 2016. On April 12, 2017, the Company and Potomac entered into an amendment (see Note 8 – Potomac Amendment) whereby, from April 12, 2017 until December 17, 2020, the five year anniversary of the date of the Investment (as defined in Potomac Agreement No. 5) (the “Potomac Interest No. 5 Buyback Expiration Date”), the Company shall have the right to buyback all or any portion of the Interest (as defined in Potomac Agreement No. 5) from Potomac upon written notice to Potomac (the “Potomac Interest No. 5 Buyback Notice”), at the price of \$500,000 per 0.75% of Interest (the “Potomac Interest No. 5 Buyback Amount”); *provided*, that in the event the Potomac Interest No. 5 Buyback Notice is provided within 3.25 years of the date of the Investment, the Company shall pay Potomac 1.8 times the Potomac Interest No. 5 Buyback Amount within ten business days of providing the Potomac Interest No. 5 Buyback Notice; *provided, further*, that in the event the Potomac Interest No. 5 Buyback Notice is provided after 3.25 years of the date of the Investment and on or prior to the Potomac Interest No. 5 Buyback Expiration Date, the Company shall pay Potomac 3.15 times the Potomac Interest No. 5 Buyback Amount within ten business days of providing the Potomac Interest No. 5 Buyback Notice. Pursuant to the Potomac Amendment, if the Additional Investment (as defined in Potomac Agreement No. 5) was funded by Potomac, then, from the date of funding of such Additional Investment until the five year anniversary of such funding date (the “Potomac Additional Interest Buyback Expiration Date”), the Company would have had the right to buyback all or any portion of the Additional Interest (as defined in Potomac Agreement No. 5) upon written notice to Potomac (the “Potomac Additional Interest Buyback Notice”), at the price of \$500,000 per 0.75% of Additional Interest (the “Potomac Additional Interest Buyback Amount”); *provided*, that in the event the Potomac Additional Interest Buyback Notice was provided within 3.25 years of the date of the Additional Investment, the Company would have been obligated to pay Potomac 1.8 times the Potomac Additional Interest Buyback Amount within ten business days of providing the Potomac Additional Interest Buyback Notice; *provided, further*, that in the event the Potomac Additional Interest Buyback Notice was provided after 3.25 years of the date of the Additional Investment and on or prior to the Potomac Additional Interest Buyback Expiration Date, the Company would have been obligated to pay Potomac 3.15 times the Potomac Additional Interest Buyback Amount within ten business days of providing the Potomac Additional Interest Buyback Notice. However, Potomac opted, at its sole discretion, not to make the \$1,000,000 Additional Investment, and the deadline for Potomac to make the Additional Investment has passed.

On December 15, 2015, the Company announced that it received a \$2 million milestone payment from Adapt. This milestone payment was triggered by the FDA approval of NARCAN® (naloxone hydrochloride) Nasal Spray.

On January 19, 2016, the Company announced that Adapt announced that it has reached an agreement to facilitate the purchase of NARCAN® by offering its discounted public interest price to 62,000 agencies in state and local government and the non-profit sector. Adapt, in partnership with the National Association of Counties, National Governors Association, National League of Cities, and United States Conference of Mayors, will offer NARCAN® at a discounted public interest price of \$37.50 per dose (\$75 for a 2 pack carton) through the U.S. Communities Purchasing Alliance and Premier, Inc. Adapt's discounted public interest price has been available to qualifying group purchasers, such as law enforcement, firefighters, first responders, departments of health, local school districts, colleges and universities, and community-based organizations.

On January 27, 2016, the Company announced that Adapt announced two national programs at the Clinton Health Matters Initiative Activation Summit to assist in efforts to address the growing risk of opioid overdose among American high school students. Adapt offered a free carton of NARCAN® to all high schools in the U.S. through the state departments of education. This program will collaborate with the Clinton Health Matters Initiative, an initiative of the Clinton Foundation, as part of its work to scale naloxone access efforts nationally. In addition, Adapt has provided a grant to the National Association of School Nurses (NASN) to support their educational efforts concerning opioid overdose education materials.

On March 7, 2016, the Company announced the receipt of a \$2.5 million milestone payment from Adapt. This milestone payment was triggered by the first commercial sale of NARCAN® in the U.S.

On April 29, 2016, the Company received \$105,097 in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the first quarter of Adapt's fiscal year.

On August 8, 2016, the Company received \$234,498 in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the second quarter of Adapt's fiscal year.

On May 6, 2016, the Company announced that Adapt submitted a new drug submission (NDS) for NARCAN® to Health Canada.

On September 15, 2016, the Company and Adapt Pharma, Inc. ("Adapt Inc.") received notice from Teva Pharmaceuticals Industries Ltd. ("Teva Ltd.") and Teva Pharmaceuticals USA, Inc., a wholly owned subsidiary of Teva Ltd. ("Teva USA" and, together with Teva Ltd., "Teva"), pursuant to 21 U.S.C. § 355(j) (2)(B)(ii) (the "September 2016 Notice Letter"), that Teva USA had filed ANDA No. 209522 (the "Teva ANDA") with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,211,253 owned by the Company (the "'253 patent"). The '253 patent is listed with respect to NARCAN® in the FDA's Approved Drug Products with Therapeutic Equivalents Evaluations publication (commonly referred to as the "Orange Book") and expires on March 16, 2035. Teva's September 2016 Notice Letter asserts that its generic product will not infringe the '253 patent and/or that the '253 patent is invalid or unenforceable. On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '253 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '253 ANDA be a date not earlier than the expiration of the '253 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '253 patent, and monetary relief as a result of any such infringement.

On October 5, 2016, the Company announced that Health Canada approved Adapt's naloxone hydrochloride nasal spray to treat opioid overdose, to be marketed as NARCAN® Nasal Spray.

On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against Teva and Teva Pharmaceuticals Industries Ltd. (collectively, the “Defendants”) in the U.S. District Court for the District of New Jersey arising from Teva USA’s filing of the ‘253 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the ‘253 ANDA be a date later than the expiration of the ‘253 patent, as well as equitable relief enjoining the Defendants from infringing the ‘253 patent and monetary relief as a result of any such infringement. The Company maintains full confidence in its intellectual property portfolio related to NARCAN® and expects that the ‘253 patent will continue to be vigorously defended from any infringement.

On October 27, 2016, the Company announced that its patent for NARCAN® is now listed in the FDA publication, Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book, patent number 9468747.

On November 3, 2016, the Company received \$524,142 in royalty payments in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the third quarter of Adapt’s fiscal year.

On December 13, 2016, the Company entered into a Purchase and Sale Agreement (the “Purchase Agreement”) with SWK Funding LLC (“SWK”) pursuant to which the Company sold, and SWK purchased, the Company’s right to receive, commencing on October 1, 2016, all Royalties arising from the sale by Adapt, pursuant to the Adapt Agreement, of NARCAN® or any other Product, up to (i) \$20,625,000 and then the Residual Royalty thereafter or (ii) \$26,250,000, if Adapt has received in excess of \$25,000,000 of cumulative Net Sales for any two consecutive fiscal quarters during the period from October 1, 2016 through September 30, 2017 from the sale of NARCAN® (the “Earn Out Milestone”), and then the Residual Royalty thereafter. The Residual Royalty is defined in the Purchase Agreement as follows: (i) if the Earn Out Milestone is paid, then SWK shall receive 10% of all Royalties; provided, however, if no generic version of NARCAN® is commercialized prior to the sixth anniversary of the Closing, then SWK shall receive 5% of all Royalties after such date, and (ii) if the Earn Out Milestone is not paid, then SWK shall receive 7.86% of all Royalties; provided, however, that if no generic version of NARCAN® is commercialized prior to the sixth anniversary of the Closing, then SWK shall receive 3.93% of all Royalties after such date. Under the Purchase Agreement, the Company received an upfront purchase price of \$13,750,000 less \$40,000 of legal fees at Closing, and will receive an additional \$3,750,000 if the Earn Out Milestone is achieved (the “Purchase Price”). The Purchase Agreement also grants SWK (i) the right to receive the statements produced by Adapt pursuant to Section 5.6 of the Adapt Agreement and (ii) the right, to the extent possible under the Purchase Agreement, to cure any breach of or default under any Product Agreement by the Company. Under the Purchase Agreement, the Company granted SWK a security interest in the Purchased Assets in the event that the transfer contemplated by the Purchase Agreement is held not to be a sale. The Purchase Agreement also contains other representations, warranties, covenants and indemnification obligations that are customary for a transaction of this nature. Absent fraud by the Company, the Company’s indemnification obligations under the Purchase Agreement shall not exceed, individually or in the aggregate, an amount equal to the Purchase Price plus an annual rate of return of 12% (compounded monthly) as of any date of determination, with a total indemnification cap not to exceed 150% of the Purchase Price, less all Royalties received by SWK, without duplication, under the Purchase Agreement prior to and through resolution of the applicable claim. All capitalized terms not otherwise defined in this paragraph shall have the meanings ascribed to such terms in the Purchase Agreement.

In addition, on December 13, 2016, in connection with the Purchase Agreement, the Company and Adapt entered into Amendment No. 1 to the Adapt Agreement (the “Amendment”) which amends the terms of the Adapt Agreement relating to the grant of a commercial sublicense outside of the U.S and diligence efforts for commercialization of the Company’s intranasal-naloxone opioid overdose reversal treatment (the “Product”). Under the terms of the Amendment, Adapt is required to use commercially reasonable efforts to commercialize the Product in the U.S. In the event that Adapt wishes to grant a commercial sublicense to a third party in the European Union or the United Kingdom, the Company and Adapt have agreed to negotiate an additional amendment to the Adapt Agreement to include reduced financial terms with respect to the commercial sublicense in such territory. Under such terms, the Company would receive an escalating double-digit percentage of all net revenue received by Adapt from a commercial sublicensee in the European Union or the United Kingdom. Net revenue received by Adapt from a commercial sublicensee in European Union or the United Kingdom would be included in determining sales-based milestones due to the Company.

On January 3, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to the January 2017 Notice Letter, that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '747 patent. The '747 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's January 2017 Notice Letter asserts that its generic product will not infringe the '747 patent or that the '747 patent is invalid or unenforceable. On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '747 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '747 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '747 patent, and monetary relief as a result of any such infringement.

On January 26, 2017, the Company announced that the FDA has approved the 2mg formulation of NARCAN® for opioid-dependent patients expected to be at risk for severe opioid withdrawal in situations where there is a low risk for accidental or intentional opioid exposure by household contacts.

On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against the Defendants in the U.S. District Court for the District of New Jersey arising from Teva's USA's filing of the '747 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '747 ANDA be a date later than the expiration of the '747 patent, as well as equitable relief enjoining the Defendants from infringing the '747 patent and monetary relief as a result of any such infringement. The Company has full confidence in its intellectual property portfolio related to NARCAN® (naloxone hydrochloride) Nasal Spray and expects that the '747 patent will continue to be vigorously defended from any infringement.

On March 9, 2017, the Company announced that the U.S. Patent and Trademark Office issued U.S. Patent Numbers 9,480,644 and 9,561,177 covering methods of use for NARCAN®. These patents are listed in the FDA publication, Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book.

On March 17, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to 21 U.S.C. § 355(j)(2)(B)(ii) (the "March 2017 Notice Letter"), that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,561,177 (the "'177 patent"). The '177 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's March 2017 Notice Letter asserts that its generic product will not infringe the '177 patent and/or that the '177 patent is invalid or unenforceable. On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '177 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '177 patent, and monetary relief as a result of any such infringement.

On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the '177 ANDA with the FDA with respect to the '177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '177 ANDA be a date later than the expiration of the '177 patent, as well as equitable relief enjoining Teva from infringing the '177 patent and monetary relief as a result of any such infringement.

On June 1, 2017 (the "LYL Effective Date"), the Company and LYL Holdings Inc. ("LYL") entered into an amendment (the "LYL Amendment") to that certain Amended and Restated Consulting Agreement, dated October 25, 2016 and effective as of July 17, 2013 (the "LYL Agreement"), to provide for the Company's right to buyback the Interest (as defined in the LYL Agreement) from LYL. Pursuant to the LYL Amendment, from the LYL Effective Date until 4.5 years after July 17, 2013 (the "LYL Interest Buyback Expiration Date"), the Company shall have the right to buyback all or any portion of the Interest from LYL upon written notice to LYL (the "LYL Interest Buyback Notice"), at the price of \$500,000 per 5.0% of Interest (the "LYL Interest Buyback Amount"); *provided*, that in the event the LYL Interest Buyback Notice is provided within 3.25 years of the LYL Effective Date, the Company shall pay LYL 1.8 times the LYL Interest Buyback Amount within ten business days of providing the LYL Interest Buyback Notice; *provided, further*, that in the event the LYL Interest Buyback Notice is provided after 3.25 years after the Effective Date and on or prior to the LYL Interest Buyback Expiration Date, the Company shall pay LYL 3.15 times the LYL Interest Buyback Amount within ten business days of providing the LYL Interest Buyback Notice. In consideration for LYL entering into the LYL Amendment, the Company and LYL agree that, upon the Company's receipt after the LYL Effective Date of at least \$3 million from (i) SWK pursuant to the SWK Purchase Agreement and/or (ii) Adapt pursuant to the Adapt Agreement, fifty percent of all actual amounts received by the Company from SWK shall be used in determining the Net Profit (as defined in the LYL Agreement).

### *Bulimia Nervosa*

BN is an eating disorder characterized by bingeing and purging, and is most common in young women. BN is thought to be significantly under-recognized. According to Hudson, JI, Hiripi, E, Pope, HG, et al. (The Prevalence and Correlates of Eating Disorders in National Comorbidity Survey Replication. *Biol Psychiatry*. 2007;61:348-358), in the U.S., the lifetime prevalence of BN is 1% to 2%. Patients with BN have a 94.5% comorbidity with other psychiatric illnesses. For example, approximately 50% have major depressive episodes, and 33.7% engage in substance abuse. In extreme cases patients can develop life-threatening complications such as acute pancreatitis from repeat purging.

The only medication currently approved for BN is Prozac (fluoxetine). Only with a high dose do patients have a reduction in binge eating of 67% and vomiting of 56%. Only 50% of patients respond to this treatment.

On March 20, 2017, the Company announced that it has initiated a Phase 2 clinical trial evaluating its novel nasally-delivered opioid antagonist candidate, OPNT001, as a potential treatment for BN. This Phase 2 randomized, double-blind, placebo-controlled study will enroll up to 80 patients in the UK who have been diagnosed with BN. The study is designed to evaluate OPNT001's safety and tolerability, as well as its impact on clinical outcomes, including changes in eating behavior. The Company expects to report topline data from this study in the first half of 2018.

### *Binge Eating Disorder*

The Company is developing a treatment for BED. BED is defined in the American Psychiatric Association's (APA) fifth edition of the Diagnostic and Statistical Manual of Mental Disorders ("DSM-5") chapter on feeding and eating disorders as a diagnosis for individuals who experience persistent, recurrent episodes of overeating, marked by loss of control and significant clinical distress. DSM-5 is used by clinicians and researchers to diagnose and classify mental disorders in order to improve diagnoses, treatment and research.

BED is the most common eating disorder in the U.S. Approximately eight million Americans are diagnosed with BED and it is correlated with obesity. In addition, according to the APA, BED is associated with significant physical and psychological problems."

On May 23, 2013, the Company presented the results of the Company's Phase 2 clinical trial of its nasal spray treatment for BED at the APA Annual Meeting in San Francisco.

On December 17, 2013, the Company entered into an agreement with Potomac and subsequently received additional funding from Potomac totaling \$250,000 for use by the Company for any purpose. In exchange for this funding, Potomac acquired a 0.5% interest in the Company's BED treatment product (the "BED Treatment Product") and 0.5% of the BED Net Profit in perpetuity (the "2013 0.5% Potomac Interest"). "BED Net Profit" is defined as the pre-tax profit generated from the BED Treatment Product after the deduction of all expenses incurred by and payments made by the Company in connection with the BED Treatment Product, including but not limited to an allocation of Company overhead. Although the BED Treatment Product was not approved by the FDA by December 17, 2016, Potomac's 60 day option to exchange its entire 2013 0.5% Potomac Interest for 31,250 shares of Common Stock of the Company expired on February 17, 2017.

On September 17, 2014, the Company entered into an agreement with Potomac and subsequently received funding totaling \$500,000 for use by the Company for any purpose. In exchange for this funding, Potomac acquired an additional 1.0% interest in the Company's BED Treatment Product and 1.0% of the BED Net Profit generated from the BED Treatment Product in perpetuity (the "1.0% Potomac Interest"). If the BED Treatment Product is not approved by the FDA by September 17, 2017, Potomac will have a 60 day option to exchange its entire 1.0% Potomac Interest for 62,500 shares of Common Stock of the Company.



On July 20, 2015, the Company entered into an agreement with Potomac and subsequently received additional funding from Potomac in the amount of \$250,000 for use by the Company for any purpose. In exchange for this funding, the Potomac acquired an additional 0.50% interest in the BED Net Profit (the “2015 0.5% Potomac Interest”) generated from the BED Treatment Product in perpetuity. Potomac also has rights with respect to the 2015 0.5% Potomac Interest if the BED Treatment Product is sold or the Company is sold. If the product is not introduced to the market and not approved by the FDA or an equivalent body in Europe and not marketed by July 20, 2018, Potomac will have a 60 day option to exchange the 2015 0.5% Potomac Interest for 25,000 shares of Common Stock of the Company.

The Company now aims to collaborate with other parties and progress its drug development program for BED.

#### *Alcohol Use Disorder*

The Company is developing an opioid antagonist-based treatment, OPNT002, for the treatment of AUD. According to The Substance Abuse and Mental Health Services Administration (SAMHSA), there are approximately 17 million people in the U.S. who suffer from some form of AUD. While certain current therapies for AUD have limited efficacy and low levels of adherence, opioid antagonists have an established record of safety and efficacy, especially in AUD.

The Company has generated Phase I clinical data with OPNT002, demonstrating its rapid intranasal absorption. The Company expects that OPNT002 will be highly differentiated from other AUD therapies by being used on an ‘as needed’ basis, which represents a significant potential advancement in the treatment of AUD.

On February 28, 2017, the Company announced that it received supportive feedback from the FDA on a proposed development plan for OPNT002 for the treatment of AUD. The feedback was received pursuant to a recent Type B meeting with the FDA.

The Company plans to further advance OPNT002 during 2017.

#### *Cocaine Use Disorder*

The Company has been conducting pilot studies to explore the potential of a nasal opioid antagonist as a treatment for CocUD. There are approximately 1.5 million current cocaine users in the U.S., as reported by SAMHSA. There are no FDA-approved pharmacological treatments for CocUD.

Cocaine is a strong central nervous system stimulant that increases levels of the neurotransmitter dopamine in brain circuits regulating pleasure and movement, with the opioid system strongly linked to the dopamine reward circuitry.

The extraordinary cost of cocaine addiction, financially, medically, and socially, is directly related to relapse: up to 80% of addicted individuals relapse within six months of treatment.

On December 23, 2015, the Company announced that an opioid antagonist drug will be tested in patients with CocUD at the University of Pennsylvania. The study has been conducted by the Department of Psychiatry at the Perelman School of Medicine at the University of Pennsylvania, and began recruitment in December 2015. Funded by a Medications Development Centers of Excellence Cooperative (U54) Program from NIDA, the study uses functional Magnetic Resonance Imaging (fMRI) to better understand the impact of an opioid antagonist drug in the brain of patients with CocUD. Using an opioid antagonist and blocking the downstream release of dopamine through blocking the release of endorphins may reduce the reward patients receive from cocaine use.

#### *Heroin Vaccine*

Opioid addiction is a major global health issue, particularly in the U.S., where opioid painkiller abuse and subsequent addiction has become widespread and driven the increase in prevalence. As these painkillers have become more expensive, undergone tighter controls for distribution, and abuse deterrent formulations have become available, there has been an increase in heroin use, which is cheaper and often easier to obtain than painkillers.

Current FDA-approved treatments for heroin addiction are based on methadone-based and buprenorphine-based substitution therapies, and the use of naltrexone depot injections. With respect to these substitution therapies, patients still take opioid-based treatments, which for many is undesirable, and there is frequently diversion and misuse of these treatments amongst addicts. With respect to naltrexone depot injections, patients must undergo detoxification before initiating treatment, which for some patients severely limits compliance and willingness to undergo this method of treatment. Therefore, being able to provide a vaccine to patients that potentially provides specific immunity against heroin and its metabolites without the need for prior detoxification while also enabling patients to remain opioid-free is an attractive solution.

In October 2016, the Company in-licensed a heroin vaccine from Walter Reed Army Institute of Research (“Walter Reed”). This is an early stage pre-clinical asset, based on adjuvant technology, and requires further pre-clinical research before human testing. The Company plans to work alongside Walter Reed scientists to advance the program into the clinic and to determine whether the product is viable in a heroin addict population.

#### *Positron Emission Tomography*

On March 27, 2017, the Company announced the completion of a study evaluating two doses of a naloxone nasal spray on the occupation of brain opiate receptors using positron emission tomography (“PET”) imaging. The study was commissioned by the National Institute for Health and Welfare of Finland and was carried out by researchers at Clinical Research Services Turku (CRST) and Turku PET Centre, a leading international PET center. The purpose of the study was to determine the extent and time course of brain mu opioid receptor occupancy following the administration of two doses (four milligrams and two milligrams) in healthy volunteers. Mu opioid receptors mediate the actions of both prescription opioids and illicit drugs such as heroin, and high occupancy of these receptors by opioids is responsible for the clinical symptoms of overdose such as respiratory depression that can often be fatal. This study was the first use of PET imaging to assess nasal naloxone on opioid receptor dynamics. The four milligram dose resulted in a larger degree of receptor occupancy in the brain than the two milligram dose, and receptor occupancy was also achieved more rapidly with the four milligram dose. Nasal naloxone was safe and well tolerated at both dose levels.

#### **Other Activities**

On December 1, 2014, the Company and Aegis Therapeutics, LLC (“Aegis”), entered into a Material Transfer, Option and Research License Agreement (the “Aegis Agreement”) that provides the Company with an exclusive royalty-free research license for a period of time to Aegis’ proprietary delivery enhancement and stabilization agents, including Aegis’ ProTek® and Intravail® technologies (collectively, the “Technology”) to enable the Company to conduct a feasibility study of opioid antagonists when used with the Technology (the “Study”). During this period of time, the Company may also evaluate its interest in having an exclusive license to the Technology for use with opioid antagonists to treat, diagnose, predict, detect or prevent any disease, disorder, state, condition or malady in humans (the “Possible License”). Aegis has granted the Company an exclusive option to obtain the Possible License for a certain period after the study is completed. In consideration of the license granted to the Company pursuant to the Aegis Agreement, the Company is required to pay to Aegis a nonrefundable study fee.

On October 6, 2015, the Company entered into an amendment to the Aegis Agreement. This amendment had an effective date of May 19, 2015 and allowed the Company to evaluate the Technology through August 17, 2015. The amendment also provided an opportunity for the Company to elect to further extend the period of time during which the Company could evaluate the Technology through February 13, 2016. In exchange for electing to further extend this period of time, the Company paid Aegis \$75,000 and issued 13,697 shares of the Company’s Common Stock. The shares issued in this transaction were valued using the stock price at issuance date and amounted to \$106,152. During February 2016, the Company elected to further extend the period of time during which the Company could evaluate Aegis’ Technology through August 11, 2016. During February 2016, the Company paid Aegis \$75,000 and issued 10,746 shares of the Company’s Common Stock. The shares issued in this transaction were valued using the stock price at issuance date and amounted to \$106,385. On April 26, 2016, the Company entered into the Restated Aegis Agreement (as defined below).

On April 26, 2016, the Company and Aegis entered into the Amended and Restated Material Transfer, Option and Research License Agreement (the “Restated Aegis Agreement”) which amended and restated in its entirety the Aegis Agreement. Under the Restated Aegis Agreement, the Company has been granted an exclusive royalty-free research license to Aegis’ Technology for a period of time (the “Compound Research Period”), to enable the Company to conduct a feasibility study of opioid antagonists when used with the Technology and evaluate the Company’s interest in licensing the Technology through use of a “Compound” (as defined in the Restated Aegis Agreement) in additional studies.

The Company agreed to pay Aegis (i) an aggregate of \$300,000, of which the Company may elect to pay up to 50% by issuing shares of the Company's Common Stock to Aegis, with the number of shares to be issued equal to 75% of the average closing price of the Company's Common Stock over the 20 trading days preceding the date of payment as consideration for extending the Compound Research Period pursuant to two separate extension payments of \$150,000 each, and (ii) 50,000 shares of Common Stock as partial consideration for entering into the Restated Aegis Agreement. The Company exercised such extensions through payment of the first and second extension fees prior to October 13, 2015 and prior to February 13, 2016, respectively. The Restated Aegis Agreement shall expire on the earlier of (i) the expiration of the "Opiant Negotiation Periods" (as defined in the Restated Aegis Agreement) and (ii) on 30 days' prior written notice by the Company; *provided, however*, that Aegis shall have the right to terminate the license granted in the event the Company does not pursue commercially reasonable efforts to exploit a "Product", defined as (i) pharmaceutical formulations containing the Compound as an active ingredient and (ii) Aegis's proprietary chemically synthesizable excipient(s), including without limitation the Intravail® excipients pharmaceutical formulations containing certain ingredients of Aegis' proprietary technology.

During the term of the Restated Aegis Agreement, the Company has a right of first refusal and option to add any, or all of the "Additional Compounds" (as defined in the Restated Aegis Agreement), which the Company may exercise at any time upon written notice to Aegis. The Company has granted Aegis a co-exclusive license with the Company to use the data from the Company's Studies under the Restated Aegis Agreement for certain purposes. Pursuant to the Restated Aegis Agreement, Aegis granted the Company an exclusive option (the "Opiant Option") to obtain an exclusive, worldwide, royalty-bearing license (with the right to grant sublicenses through multiple tiers) under Aegis's interests in the Technology and any "Joint Invention" (as such term is defined in the Restated Aegis Agreement) to the Technology to research, develop, make, have made, use, sell, offer for sale, and import products containing the Compound or an Additional Compound. The Company may exercise such Opiant Option with respect to the Compounds by written notice to Aegis within 90 days of the completion of the Study for (i) the Compounds or (ii) the Additional Compounds. In the event the Company exercises the Opiant Option, the parties have 120 days to negotiate and execute a definitive license agreement. The terms of such license agreement have been contemplated and agreed upon by the parties under a letter agreement dated April 26, 2016 (the "Letter Agreement"). In the event the Company exercises the Opiant Option specific to the "Opioid Field" (as defined in Exhibit 1 to the Letter Agreement), the Company shall pay Aegis an additional \$100,000 fee and any such products in the Opioid Field shall be subject to the same milestones, royalties, and other monetary obligations set forth in the Letter Agreement and summarized below.

Under the Letter Agreement containing the terms of such license, the Company will pay Aegis development milestones for the Products ranging from \$250,000 to \$4,000,000. Additionally, commencing on the first anniversary and through the first Product approval, the Company is required to make minimum quarterly nonrefundable payments to Aegis in the amount of \$25,000 (the "Quarterly Payments"), which Quarterly Payments are fully creditable and treated as a prepayment against future milestones or royalties. During the "Royalty Term" (as defined in Exhibit 1 to the Letter Agreement), the Company shall pay Aegis royalties (the "Aegis Royalties") on annual net sales of Products ranging from (A) low single digits for Products with an aggregate annual "Net Sales" (as defined in Exhibit 1 to the Letter Agreement) during a calendar year of \$50 million or less to (B) mid-single digits for Products with Net Sales of greater than \$1 billion. Such Aegis Royalties are subject to reduction as provided in Exhibit 1 to the Restated Agreement but shall not be reduced by more than 50% of the regularly scheduled royalty payment. The Restated Aegis Agreement expired by its terms during the three months ended January 31, 2017 and Aegis and the Company are actively negotiating a new agreement.

On September 22, 2015, the Company received a \$1,600,000 commitment from the Foundation which later assigned its interest to Valour, from which the Company had the right to make capital calls from the Foundation for the research, development, any other activities connected to the Company's opioid antagonist treatments for addictions and related disorders that materially rely on certain studies funded by the Foundation's investment, excluding the Opioid Overdose Reversal Treatment Product (the "Certain Studies Products"), certain operating expenses, and any other purpose consistent with the goals of the Foundation. In exchange for funds invested by the Foundation, Valour currently owns a 2.1333% interest in the Certain Studies Products Net Profit (the "2.1333% Valour Interest"). The "Certain Studies Net Profit" is defined as any pre-tax revenue received by the Company that was derived from the sale of the Certain Studies Products less any and all expenses incurred by and payments made by the Company in connection with the Certain Studies Products, including but not limited to an allocation of Company overhead based on the proportionate time, expenses, and resources devoted by the Company to Certain Studies Product-related activities, which allocation shall be determined in good faith by the Company. Valour also has rights with respect to its 2.1333% Valour Interest if the Certain Studies Product is sold or the Company is sold. Additionally, the Company may buyback, in whole or in part, the 2.1333% Valour Interest from Valour within 2.5 years or after 2.5 years of the initial investment at a price of two times or 3.5 times, respectively, the relevant investment amount represented by the interests to be bought back. If an aforementioned treatment is not introduced to the market by September 22, 2018, Valour will have a 60 day option to exchange its 2.1333% Valour Interest for shares of the Common Stock of the Company at an exchange rate of one-tenth of a share for every dollar of its investment. On October 2, 2015, December 23, 2015, and May 28, 2016, the Company made capital calls of \$618,000, \$715,500 and \$266,500 from the Foundation in exchange for 0.824%, 0.954% and 0.355333% interests in the aforementioned treatments, respectively. The Company will defer recording revenue until such time as Valour's option expires or milestones are achieved that eliminates Valour's right to exercise the option. Upon expiration of the exercise option, the deliverables of the arrangement will be reviewed and evaluated under Accounting Standards Codification (ASC) 605. In the event Valour chooses to exchange its 2.1333% Valour Interest, in whole or in part, for shares of Common Stock of the Company, that transaction will be accounted for similar to a sale of shares of Common Stock for cash.

On February 17, 2016, the Company announced the convening of a medical advisory board meeting to discuss its development programs in substance use, addictive, and eating disorders. The Company has held other medical advisory board meetings, including on April 28, 2015, April 19, 2016, and September 14, 2016.

On November 4, 2016, the Registrar of Companies of England and Wales certified that Opiant Pharmaceuticals UK Limited ("OPUK") was incorporated under the Companies Act of 2006 as a private company. OPUK is a wholly-owned subsidiary of the Company and Kevin Pollack, Chief Financial Officer, Director, Secretary and Treasurer of the Company, serves as Director of the OPUK.

On December 15, 2016, the Company entered into a new office license agreement (the "New Lease") with Premier Office Centers, LLC ("Premier") for its headquarters located on the 12th Floor of 401 Wilshire Blvd., Santa Monica, CA 90401. The New Lease became effective on March 1, 2017, the date after which the term of the prior lease with Premier expired. Pursuant to the terms of the New Lease, the Company will pay \$5,157.40 per month to Premier. The New Lease has an initial term of 12 months and shall automatically renew for successive 12 month periods unless terminated by the Company at least 60 days prior to the termination date. Premier may terminate the New Lease for any reason upon 30 days' notice to the Company.

On January 31, 2017, the Company announced that the Company's Board of Directors (the "Board") has established an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. Copies of the Committee charters, along with the Company's Code of Business Conduct and Ethics, can be found on the Investor Relations section of the Company's website.

On February 6, 2017, the Company announced its entry into an employment agreement with Phil Skolnick (the "Skolnick Employment Agreement") on February 3, 2017 whereby Dr. Skolnick became the Company's Chief Scientific Officer effective February 6, 2017.

The Skolnick Employment Agreement has an initial term of six months. Following the initial term, the Skolnick Employment Agreement, unless otherwise terminated, shall extend on a month-to-month basis. Under the Skolnick Employment Agreement, Dr. Skolnick will (i) receive a one-time cash sign-on bonus of \$40,000; (ii) receive a pro-rated annual base salary of \$410,000; (iii) be eligible to earn an incentive bonus in an amount and structure as agreed upon by Dr. Skolnick and the Board, with achievement of such bonus to be determined in the sole discretion of the Board; and (iv) be granted options to purchase 200,000 shares of the Company's common stock (the "Options"), each of which shall expire on the day that is the earlier of: (a) ninety (90) calendar days after Dr. Skolnick ceases to provide services to the Company, (b) ninety (90) calendar days after the expiration of the Skolnick Employment Agreement, (c) the date Dr. Skolnick is terminated or there is a Fundamental Transaction (as defined in the Skolnick Employment Agreement), each as contemplated in the Skolnick Employment Agreement, or (d) ten (10) years from the date of issuance. Each Option is exercisable on a cashless basis at an exercise price equal to \$9.00. The Options shall vest as follows: (i) One Hundred Thousand (100,000) shares of common stock shall vest on the eighteenth month anniversary of the grant date; (ii) Five Thousand Five Hundred Fifty-Five (5,555) shares of common stock shall vest on each of the nineteen, twenty, twenty-one, twenty-two, twenty-three, twenty-four, twenty-five and twenty-six month anniversaries of the date of grant; and (iii) 5,556 shares of Common Stock shall vest on each of the twenty-seven, twenty-eight, twenty-nine, thirty, thirty-one, thirty-two, thirty-three, thirty-four, thirty-five and thirty-six month anniversaries of the grant date.

In addition, the Skolnick Employment Agreement provides for benefits if Dr. Skolnick's employment is terminated under certain circumstances. In the event the Company terminates Dr. Skolnick's employment for Cause (as defined in the Skolnick Employment Agreement), Dr. Skolnick will receive accrued but unpaid base salary and vacation through the date of termination of his employment (the "Termination Date"). In the event the Company terminates Dr. Skolnick's employment or if Dr. Skolnick resigns within twelve (12) months of a Constructive Termination (as defined in the Skolnick Employment Agreement) of Dr. Skolnick's employment, and in either case such termination is not for Cause, then the Company shall pay Dr. Skolnick the sum of: (i) accrued but unpaid base salary and vacation through the Termination Date; (ii) one (1) times his annual salary; and (iii) one (1) times his bonus cash compensation, excluding the signing bonus, awarded to Dr. Skolnick in 2017. In the event of such termination, all outstanding stock options, warrants, restricted share awards, performance grants held by Dr. Skolnick shall become fully vested and remain exercisable for the life of such award and shall not be forfeited for any reason whatsoever. In the event of a Fundamental Transaction, Dr. Skolnick shall be entitled to receive the sum of: (i) accrued but unpaid base salary and vacation through the Termination Date; (ii) one (1) times his annual salary; and (iii) one (1) times his bonus cash compensation, excluding the signing bonus, awarded to Dr. Skolnick in 2017. In the event of a Fundamental Transaction, all outstanding stock options, warrants, restricted share awards, performance grants held by Dr. Skolnick shall become fully vested and remain exercisable for the life of such award and shall not be forfeited for any reason whatsoever.

The Company valued Dr. Skolnick's options using the Black-Scholes option pricing model, which resulted in an aggregate value of \$1,600,000 (see Note 5 – Stockholders' Equity), which the Company will expense on a non-cash basis over the three-year vesting schedule. During the three-month period ended April 30, 2017, the Company recorded \$223,925 of non-cash expense related to this option. As of April 30, 2017, the Company had an additional \$1,376,075 of non-cash expense to record over the remaining 33 months of vesting.

On March 13, 2017, the Company entered into a third amendment (the "Third Miles Amendment") to that certain Senior Advisor Agreement with Brad Miles, dated January 22, 2013 (the "Initial Miles Agreement"), as previously amended on February 24, 2015 (the "First Miles Amendment") and March 19, 2015 (the "Second Miles Amendment" and, together with the Initial Miles Agreement, the First Miles Amendment and the Third Miles Amendment, the "Miles Agreement"). Pursuant to the Third Miles Amendment, and in consideration for Mr. Miles' continued service to the Company as an advisor through December 31, 2017, the Company: (i) paid Mr. Miles \$107,805 in cash and issued Mr. Miles 1,875 shares of Common Stock; (ii) granted to Mr. Miles the right to receive, subject to adjustment per the terms of the Third Miles Amendment, 1.25% of the Net Profit generated from the Product from the Effective Date (which amounts shall be paid quarterly per the terms of the Third Amendment), and, in the event of a Divestiture of the Company, 1.25% of the net proceeds of such sale, subject to adjustment per the terms of the Third Amendment, and, in the event of a sale of the Company, the Fair Market Value of the Product; (iii) shall pay Mr. Miles \$17,000 per calendar quarter during 2017; and (iv) granted to Mr. Miles a warrant to purchase 45,000 shares of Common Stock (the "Miles Warrant"). The Warrant, which is fully vested on the date of grant, has an exercise price of \$10.00, an expiration date of three years from the date of grant and may be exercised solely by payment of cash. Additionally, pursuant to the Third Amendment, from the Effective Date until the fourth anniversary of the Effective Date, the Company shall have the right to buyback the Interest or any portion thereof from Mr. Miles upon written notice at a price of \$187,500 per 1.25% of Interest (the "Miles Buyback Amount"); provided, however, that, in the event that such written notice is provided within 2.5 years after the Effective Date, the Company shall pay Mr. Miles two times the Miles Buyback Amount within ten business days after the provision of such notice; provided, further, that, in the event the Company provides such notice to Mr. Miles after 2.5 years after the Effective Date and prior to the four year anniversary of the Effective Date, the Company shall pay Mr. Miles 3.5 times the Miles Buyback Amount within ten business days after the provision of such notice. Furthermore, pursuant to the Third Amendment, the Company is required to provide to Mr. Miles, following the end of each calendar year, an annual audit of Net Profit once the Product begins generating Net Profit. Capitalized terms not otherwise defined in this paragraph shall have the meanings ascribed to such terms in the Third Amendment.

The Company valued the Miles Warrant using the Black-Scholes option pricing model, which resulted in a value of \$229,360 (see Note 5 – Stockholders' Equity). The Company recorded the entire \$229,360 as a non-recurring, and non-cash, expense during the three-month period ended April 30, 2017. Furthermore, the Company paid Mr. Miles \$34,000 in cash compensation, which represents payment in full for the first two calendar quarters of 2017.

On March 31, 2017, Dr. Michael Sinclair, the Executive Chairman of the Board, and Dr. Roger Crystal, the Company's Chief Executive Officer, each voluntarily entered into separate employment agreement acknowledgements whereby they elected to forfeit, unconditionally and irrevocably, \$175,498 and \$586,328, respectively, of certain owed amounts pursuant to their respective existing employment agreements, representing 35% of the total compensation currently owed to each of Dr. Sinclair and Dr. Crystal. Furthermore, on March 31, 2017, pursuant to their respective employment agreement acknowledgements, Dr. Sinclair and Dr. Crystal each voluntarily elected to forfeit, unconditionally and irrevocably, 680,000 and 825,000 shares of Common Stock of the Company underlying stock options and warrants previously issued by the Company, respectively, representing approximately 55% of the total number of options and warrants previously issued by the Company to each of Dr. Sinclair and Dr. Crystal.

On April 20, 2017, the Company entered into an Office Service Agreement (the "Office Service Agreement") with Regus to lease office space at 83 Baker Street, London, England, W1U 6AG. Per the terms of the Office Service Agreement, the first month's rent is £2,473 with monthly rental payments of £7,521 thereafter. The Company was required to pay a security deposit of £15,042, which is the equivalent of two months of rent. The Office Service Agreement commences on May 22, 2017 and terminates on May 31, 2018, with either party being able to terminate this agreement as of May 31, 2018 by providing written notice three months in advance of the termination date of May 31, 2018.

### **Competition**

The Company faces competition from other companies focused on pharmacological treatments for substance use, addictive and eating disorders. Some of these companies are larger and better-funded than the Company and there are no assurances that the Company can effectively compete with these competitors. Potential competitors include Indivior PLC, Alkermes PLC, H. Lundbeck A/S, Shire PLC, Camurus AB, Orexo AB, BioDelivery Services International, Inc., Titan Pharmaceuticals Inc., and Cerecor Inc.

With respect to NARCAN®, the Company faces competition from other treatments, including injectable naloxone, auto-injectors and improvised nasal kits. Amphastar Pharmaceuticals, Inc. competes with NARCAN® with their naloxone injection. Kaléo competes with NARCAN® with their auto-injector known as EVZIO™ (naloxone HCl injection) Auto-Injector. In 2015, Indivior PLC received a Complete Response Letter from the FDA with respect to a naloxone nasal spray. In 2016, Teva filed the '253 ANDA with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '253 patent. In 2017, the Company received notice that Teva filed the '747 ANDA with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '747 patent. In 2016, Mundipharma AG announced its European Union regulatory submission for Nyxoid®, an intranasal naloxone spray for the reversal of opioid overdoses. In 2017, Amphastar Pharmaceuticals, Inc. received a Complete Response Letter from the FDA with respect to a naloxone nasal spray. Although NARCAN® was the first FDA-approved naloxone nasal spray for the emergency reversal of opioid overdoses and has advantages over certain other treatments, the Company expects the treatment to face additional competition.

## Results of Operations

*The following compares Opiant's operations during the three months ended April 30, 2017 to the same period at April 30, 2016.*

### *Revenues*

The Company recorded net revenue of \$18,116 during the three-month period ended April 30, 2017, which represents a decrease of \$2,586,981 from net revenue of \$2,605,097 recorded during the same three-month period in fiscal year 2016. The entire \$18,116 of net revenue was related to the Company's Binge Eating Disorder ("BED") treatment program. The Company did not record any revenue related to NARCAN® during the three-month period ended April 30, 2017.

During the three-month period ended April 30, 2016, the Company recognized \$2,605,097 of revenue, all of which was related to the sale of NARCAN® pursuant to the Company's licensing agreement with Adapt. The Company received a \$2,500,000 milestone payment from Adapt that was due to the Company upon the first commercial sale of NARCAN® in the United States ("U.S."). The Company also received \$105,097 in royalty payments from Adapt for commercial sales of NARCAN® in the U.S. during the first quarter of Adapt's fiscal year.

### *General and Administrative Expenses*

The Company's general and administrative expenses totaled \$1,995,892 and \$1,040,608 during the three-month periods ended April 30, 2017 and 2016, respectively. This represents an increase of \$955,284, or approximately 91.8%, and includes expenses such as wages and related taxes, legal fees, accounting fees, and rent expense. The increase in general and administrative expenses also included a \$159,500 non-recurring expense related to the Potomac Amendment (see note 8 – Potomac Amendment). During the current fiscal year the Company has hired several employees. The increased number of employees and related increase in operations during the three-month period ended April 30, 2017 resulted in an increase in general and administration expense, particularly in wages and related taxes.

### *Research and Development Expenses*

The Company's research and development expenses totaled \$1,103,319 and \$1,059,627 during the three-month periods ended April 30, 2017 and 2016, respectively. Research and development expenses increased \$43,692, or approximately 4.1%, on a year-to-year basis. The increase in research and development expenses is related to the on-going development of the Company's product pipeline.

### *Selling Expenses*

The Company's selling expenses for the three-month periods ended April 30, 2017 and 2016 were \$84,375 and \$93,000, respectively, representing a year-over-year decrease of 9.3%. The Company's selling expenses for the three-month periods ended April 30, 2017 and 2016 were related entirely to NARCAN®.

### *Interest Income*

During the three-month period ended April 30, 2017, the Company earned interest income of \$10,673 as compared to zero interest income during the three-month period ended April 30, 2016. During the three months ended April 30, 2017, net interest income consisted entirely of interest earned on the Company's cash deposits.

### *Gain on Foreign Currency Exchange Rates*

During the three-month periods ended April 30, 2017 and 2016, the Company recorded gains on foreign currency exchange rates of \$25,189 and \$4,266, respectively. The Company maintains cash balances in several currencies and also incurs expenses in several currencies, both of which subject the Company to foreign currency exchange rate fluctuations.

### *Net Income (Loss)*

The Company's net loss for the three-month period ended April 30, 2017 was \$3,129,608, which represents a \$3,545,736 decrease from the \$416,128 net income recorded during the same three-month period in fiscal year 2016. This decrease is due primarily to the \$2,586,981 decrease in net revenue and the \$955,284 increase in general and administrative expenses for the three-month period ended April 30, 2017 as compared to the same three-month period ended April 30, 2016.

*The following compares Opiant's operations during the nine months ended April 30, 2017 to the same period at April 30, 2016.*

#### *Revenues*

The Company recorded net revenue of \$14,674,258 and \$9,585,097 during the nine-month periods ended April 30, 2017 and 2016, respectively. This increase of \$5,089,161, which represents an increase of 53.1%, was primarily due to the Company recognizing net revenue of \$13,710,000 from the sale to SWK of the Company's right to receive, commencing on October 1, 2016, Royalties (as defined in the Purchase Agreement) arising from the sale by Adapt, pursuant to that certain Adapt Agreement between the Company and Adapt. The Company also recognized \$946,142 of revenue derived from the Adapt Agreement with Adapt prior to the sale of such Royalties. The revenue received during the nine months ended April 30, 2017 was decreased by revenue accrued for October 2016 which was assigned to SWK.

During the nine-month period ended April 30, 2016, the Company recognized \$4,800,000 of revenue from the sale of net profit interests in the Company's treatment to reverse opioid overdoses. The revenue from these sales was recognized during the nine months ended April 30, 2016, because either the investment did not contain an option to exchange net profit interests for shares or the product was approved by the FDA and marketed, which negated the investor's option to exchange net profit interests for shares, and the research and development work related to the product was completed as of April 30, 2016. The Company also recognized \$4,785,097 of revenue derived from the Adapt License Agreement, which included a \$2,000,000 milestone payment related to the FDA's approval of NARCAN® for the emergency treatment of known or suspected opioid overdose and a \$2,500,000 milestone payment from Adapt that was due to the Company upon the first commercial sale of NARCAN® in the U.S.

#### *General and Administrative Expenses*

General and administrative expenses totaled \$4,567,898 during the nine-month period ended April 30, 2017. This represents a decrease of \$8,588,033 from the \$13,155,931 incurred during the same three-month period ended April 30, 2016. The decrease in general and administrative expenses was due primarily from the \$9,215,411 decrease in non-cash stock based compensation expense. During the nine-month period ended April 30, 2016, the Company recorded non-cash expense totaling \$8,750,000 related to three stock option grants, with these three stock option grants contributing no such expense during the same nine-month period ended April 30, 2017. The \$9,215,411 decrease in non-cash stock based compensation expense was partially offset by an increase in legal fees, an increase in wages and related taxes, the non-recurring expense related to the Potomac Amendment (see note 8 – Potomac Amendment), an increase in accounting fees, an increase in insurance expense, and an increase in rent expense.

#### *Research and Development Expenses*

Research and development expenses totaled \$1,889,989 and \$2,814,520 during the nine-month periods ended April 30, 2017 and 2016, respectively. Research and development costs incurred during the nine months ended April 30, 2017 decreased by \$924,531, or approximately 32.8%, as compared to the same nine-month period ended April 30, 2016. The decrease in research and development expenses was due primarily to \$875,000 of non-cash expense related to the granting of stock options during the nine-month period ended April 30, 2016. These stock options were fully expensed on the date granted in fiscal year 2016 and contributed zero expense during the nine-month period ended April 30, 2017.

#### *Selling Expenses*

The Company's selling expenses totaled \$1,322,974 and \$302,251 during the nine-month periods ended April 30, 2017 and 2016, respectively. The Company's selling expenses for the nine-month periods ended April 30, 2017 and 2016 were related entirely to NARCAN®. The \$1,020,723 increase in selling expenses is due to the \$5,089,161 increase in net revenue during the nine months ended April 30, 2017 as compared to the same nine-month period in fiscal year 2016. The increase in net revenue resulted in additional selling expenses during the period related to the sale of Royalties (as defined in the Purchase Agreement) to SWK (see Note 7 – Sale of Royalties).



#### *Net Interest Income (Expense)*

During the nine-month period ended April 30, 2017, net interest income was \$9,306, which represents an increase of \$20,625 from the net interest expense of \$11,319 recorded during the same nine-month period ended April 30, 2016. Interest income of \$13,022 was partially offset by interest expense of \$3,716 during the nine-month period ended April 30, 2017. During the same period in fiscal year 2016, interest expense was \$11,319 while zero interest income was earned. Interest income increased on a year-to-year basis due to the Company's increase in cash deposits, while interest expense decreased on a year-to-year basis due to the Company having repaid, in full, its outstanding notes payable as of April 30, 2017.

#### *Gain (Loss) on Foreign Currency Exchange Rates*

During the nine-month period ended April 30, 2017, the Company recorded a \$16,851 gain on foreign currency exchange rates, which represents an increase of \$41,776 from the \$24,925 loss on foreign currency exchange rates that the Company recorded during the nine-month period ended April 30, 2016. The Company maintains cash balances in several currencies and also incurs expenses in several currencies, both of which subject the Company to foreign currency exchange rate fluctuations.

#### *Net Income (Loss)*

The Company recorded net income in the amount of \$6,919,554 for the nine-month period ended April 30, 2017. During the same nine-month period in fiscal year 2016, the Company recorded a net loss of \$6,723,849. The increase in net income of \$13,643,403 was due primarily to the \$10,090,411 decrease in non-cash stock based compensation expense during the nine-months ended April 30, 2017 as compared to the same nine-month period in fiscal year 2016. The \$5,089,161 increase in net revenue during the nine-month period ended April 30, 2017 as compared to the same nine months in fiscal year 2016, which was partially offset by the \$1,020,723 increase in selling expenses, further contributed to the increase in net income.

The Company has not consistently attained profitable operations and has historically depended upon obtaining sufficient financing to fund its operations. In their report on the Company's financial statements at July 31, 2016, contained in the Company's Annual Report on Form 10-K for the year ended July 31, 2016, as filed with the SEC on October 28, 2016, the Company's auditors raised substantial doubt about the Company's ability to continue as a going concern.

#### **Liquidity and Capital Resources**

The Company's cash balance at April 30, 2017 was \$9,680,454, which represents an increase of \$8,199,061 from the \$1,481,393 cash balance as of July 31, 2016. The Company had total outstanding liabilities of \$5,515,806 as of April 30, 2017 as compared to total outstanding liabilities of \$6,586,834 as of July 31, 2016.

During the nine-month period ended April 30, 2017, the Company reduced its outstanding liabilities by \$2,176,649 by paying Dr. Michael Sinclair, the Company's Executive Chairman and Chairman of the Board, and Dr. Roger Crystal, the Company's Chief Executive Officer, \$1,414,823, in the aggregate, of accrued and unpaid wages that were owed to them. The remaining \$761,826, in the aggregate, was forfeited by Dr. Sinclair and Dr. Crystal per the terms of their respective employment agreement acknowledgements dated March 31, 2017. The Company further reduced its outstanding liabilities by repaying, in full, a \$165,000 note payable (see Note 4 – Note Payable) that was outstanding as of July 31, 2016. These reductions were partially offset by the \$1,250,196 increase in accounts payable and accrued liabilities as of April 30, 2017 as compared to July 31, 2016.

The Company's management believes that the Company's current cash balance is sufficient to fund the Company's current operations through at least April 2018. The Company will need to generate sufficient revenues and/or seek additional funding in the future. The Company currently does not have a specific plan of how it will obtain such funding; however, the Company anticipates that additional funding will be in the form of debt financing and/or equity financing from the sale of the Company's Common Stock and/or financings from the sale of interests in the Company's prospective products and/or in the royalty transactions. Such funds may also be derived pursuant to the terms of the Adapt Agreement, subject to the terms of the Purchase Agreement with SWK.

During the year ended July 31, 2016, the Company received \$1,600,000 in funding from the Foundation in exchange for Certain Studies Products Net Profit interests as related to the Company's opioid antagonist treatments for addictions and related disorders that materially rely on certain studies funded by the foundation's investment, excluding the Opioid Overdose Reversal Treatment Product. This investment increased the cash position of the Company. The Company expects to continue to issue debt and/or equity and/or sell interests in the Company's prospective products and/or enter into royalty transactions to sustain the implementation of the Company's business plan, unless sufficient revenues are generated. During the nine-month period ended April 30, 2017, the Company received \$13,710,000 of funding pursuant to the terms of the Purchase Agreement with SWK. During the nine-month period ended April 30, 2017, the Company received no other funding in exchange for interests in the Company's Opioid Overdose Reversal Treatment Product, BED treatment, or Certain Studies Products.

At this time, the Company believes it has sufficient cash on hand to meet its obligations over the next twelve months. The Company does not currently have any arrangements in place for additional financing. The Company has no material commitments for capital expenditures as of April 30, 2017.

The financial position of the Company as of April 30, 2017 showed an increase in total assets, as compared to July 31, 2016, of \$7,919,215. This was due primarily to an increase in cash as a result of the sale of royalties to SWK (see Note 7 – Sale of Royalties). This was partially offset by the \$312,498 decrease in royalties receivable as of April 30, 2017, which was the result of the Company no longer receiving royalties from Adapt pursuant to the Adapt Agreement. Total liabilities as of April 30, 2017 were \$5,515,806, which represents a decrease of \$1,071,028, or approximately 16.3%, as compared to total liabilities of \$6,586,834 at July 31, 2016.

#### **Plan of Operation**

During the fiscal year ending July 31, 2017, the Company aims to broaden the Company's product pipeline and anticipates commencing further trials based on the Company's existing as well as potential patents.

After certain obligations with respect to the Purchase Agreement with SWK are satisfied, the Company anticipates receiving revenues pursuant to the Adapt Agreement. Pursuant to the Adapt Agreement, in exchange for licensing its treatment to Adapt, the Company could receive total potential development and sales milestone payments in excess of \$55 million, plus certain royalties. On November 18, 2015, the FDA approved NARCAN® for the emergency treatment of known or suspected opioid overdose, to be marketed by Adapt. On December 15, 2015, the Company announced that it received a \$2 million milestone payment from Adapt. This milestone payment was triggered by the FDA approval of NARCAN®. On March 7, 2016, the Company announced the receipt of a \$2.5 million milestone payment from Adapt. This milestone payment was triggered by the first commercial sale of NARCAN® in the U.S. On October 6, 2016, the Company received \$500,000 from Adapt as a regulatory milestone payment pursuant to the Adapt Agreement. This payment was triggered by the Health Canada approval of NARCAN®. Pursuant to the Adapt Agreement, the Company also has received royalty payments. On April 29, 2016, the Company received \$105,097 in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the first calendar quarter of 2016. On August 8, 2016, the Company received \$234,498 in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the second calendar quarter of 2016. On November 3, 2016, the Company received \$524,142 in royalty payments due from Adapt from commercial sales of NARCAN® in the U.S during the third calendar quarter of 2016.

The Company plans to evaluate the use of a nasal opioid antagonist to treat BN and on March 20, 2017, the Company announced that it has initiated a Phase 2 clinical trial evaluating its novel nasally-delivered opioid antagonist candidate, OPNT001, as a potential treatment for BN. The Company also plans to advance OPNT002, for the treatment of AUD, into additional clinical trials, aims to collaborate with other parties and progress its drug development program for BED, and is developing a treatment for CocUD and a heroin vaccine.

## **Critical Accounting Policies and Estimates**

The Company believes that the following critical policies affect the Company's more significant judgments and estimates used in preparation of the Company's financial statements.

The Company prepares its financial statements in conformity with generally accepted accounting principles in the U.S. These principals require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are reasonable and have been discussed with the Board; however, actual results could differ from those estimates.

The Company issues restricted stock to consultants for various services and employees for compensation. Cost for these transactions are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is measurable more reliably measurable. The value of the Common Stock is measured at the earlier of: (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

The Company issues options and warrants to consultants, directors, and officers as compensation for services. These options and warrants are valued using the Black-Scholes model, which focuses on the current stock price and the volatility of moves to predict the likelihood of future stock moves. This method of valuation is typically used to accurately price stock options and warrants based on the price of the underlying stock.

Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. The Company did not recognize any impairment losses for any periods presented.

Fair value estimates used in preparation of the financial statements are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts payable, note payable and due to related parties. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

## **Revenue Recognition**

The Company recognizes revenues from nonrefundable, up-front license fees related to collaboration agreements, on a straight-line basis over the contracted or estimated period of performance. The period of performance over which the revenues are recognized is typically the period over which the research and/or development is expected to occur or manufacturing services are expected to be provided. When the period of performance is based on the period over which research and/or development is expected to occur, the Company is required to make estimates regarding drug development and commercialization timelines. Because of the many risks and uncertainties associated with the development of drug candidates, these estimates regarding the period of performance may change.

In addition, the Company evaluates each arrangement to determine whether or not it qualifies as a multiple-deliverable revenue arrangement under ASC 605-25. If one or more of the deliverables have a standalone value, then the arrangement would be separated into multiple units of accounting. This normally occurs when the R&D services could contractually and feasibly be provided by other vendors or if the customer could perform the remaining R&D itself, and when the Company has no further obligations and the right has been conveyed. When the deliverables cannot be separated, any initial payment received is treated like an advance payment for the services and recognized over the performance period, as determined based on all of the items in the arrangement. This period is usually the expected research and development period.

The Company recognizes revenue from milestone payments upon achievement of the milestones and when the Company has no further involvement or obligation to perform services, as related to that specific element of the arrangement, provided the milestone is meaningful, and provided that collectability is reasonably assured and other revenue recognition criteria are met.

The Company recognizes revenue from royalty revenue when the Company has fulfilled the terms of the contractual agreement and has no material future obligation, other than inconsequential and perfunctory support, and the amount of the royalty fee is determinable and collection is reasonably assured.

The Company recognizes revenue from the sale of royalties when the executed agreement constitutes persuasive evidence of an arrangement, the Company has no current or future performance obligations, the total consideration is fixed and known, there are no rights of return, collection is reasonably assured and fees are non-refundable.

#### Licensing Agreement

On December 15, 2014, the Company entered into the Adapt Agreement with Adapt. Pursuant to the Adapt Agreement, the Company provided a global license to develop and commercialize the Company's intranasal naloxone opioid overdose reversal treatment, now known as NARCAN®. In exchange for licensing its treatment, the Company received a nonrefundable, upfront license fee of \$500,000 in December 2014. The Company also received a monthly fee for one year for participation in joint development committee calls and the production and submission of an initial development plan. The initial development plan was completed and submitted in May 2015. Management evaluated the deliverables of this arrangement and determined that the licensing deliverable had a standalone value and therefore, the payments were recognized as revenue.

The Company could also receive additional payments upon reaching various sales and regulatory milestones as well as royalty payments for commercial sales of NARCAN® generated by Adapt. During the year ended July 31, 2016, the Company received \$4,500,000 of milestone payments and recognized royalty revenues of approximately \$418,000 pursuant to the Adapt Agreement. During the nine months ended April 30, 2017, the Company recognized royalty payments of approximately \$946,000 pursuant to the Adapt Agreement.

In addition, pursuant to the Adapt Agreement, the Company is required to contribute \$2,500,000 of development, regulatory and commercialization costs, some of which was credited for costs incurred by the Company prior to the execution of the Adapt Agreement. At July 31, 2016 and April 30, 2017, the Company had contributed the full \$2,500,000.

The Company recognizes revenue for fees related to participation in the initial development plan and joint development calls as revenue once the fee is received and the Company has performed the required services for the period.

#### Treatment Investments

With respect to investments in interests in treatments, if an agreement provides an option that allows the investor in the treatment to convert an interest in a treatment into shares of Common Stock of the Company, then revenue is deferred until such time that the option expires or milestones are achieved that eliminate the investor's right to exercise the option. Upon expiration of the exercise option, the deliverables of the arrangement are reviewed and evaluated under ASC 605. In the event the investor chooses to convert interests into shares of Common Stock, that transaction will be accounted for similar to a sale of shares of Common Stock for cash.

#### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## Recent Accounting Pronouncements

The Company has reviewed accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. The Company has carefully considered the new pronouncements that alter previous generally accepted accounting principles and does not believe that any new or modified principles will have a material impact on the Company's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company's financial management and certain standards are under consideration. Those standards have been addressed in the notes to the audited financial statement and in this, the Company's Quarterly Report, filed on Form 10-Q for the period ended April 30, 2017.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is not required to provide the information required by this Item because the Company is a smaller reporting company.

## Item 4. Controls and Procedures.

### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and the principal financial officer, the Company has conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, as of April 30, 2017. Based on this evaluation, the Company's principal executive officer and principal financial officer concluded as of April 30, 2017 that the Company's disclosure controls and procedures were not effective due to the following material weaknesses:

- a) Lack of proper segregation of duties due to limited personnel.
- b) Lack of a formal review process related to financial reporting that includes multiple levels of review.

The Company's management is committed to improving the Company's internal controls and will: (1) continue to use third party specialists to address shortfalls in staffing and to assist the Company with accounting and finance responsibilities; and (2) increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, have discussed the material weakness noted above with the Company's independent registered public accounting firm. Due to the nature of this material weakness, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

On January 29, 2017, the Board established an Audit Committee to oversee the engagement of the Company's independent registered public accounting firm, review its audited financial statements, meet with its independent registered public accounting firm to review internal controls and review its financial plans. The Audit Committee currently consists of Thomas T. Thomas, who is the Chairperson, Ann MacDougall and Geoffrey Wolf, each of whom has been determined by the Board to be independent as that term is defined under the applicable independence listing standards of the Nasdaq Stock Market. Mr. Thomas is an "audit committee financial expert" as the term is defined under SEC regulations. The Audit Committee operates under a written charter. Both the Company's independent registered public accounting firm and internal financial personnel will regularly meet with the Audit Committee and have unrestricted access to the Audit Committee.

### *Changes in Internal Control over Financial Reporting*

There were no changes in the Company's internal control over financial reporting that occurred during the three months ended April 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

On September 15, 2016, the Company and Adapt Inc. received notice from Teva Ltd. and Teva USA, pursuant to the September 2016 Notice Letter, that Teva USA had filed the Teva ANDA with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '253 patent. The '253 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's September 2016 Notice Letter asserts that its generic product will not infringe the '253 patent and/or that the '253 patent is invalid or unenforceable. On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '253 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '253 ANDA be a date not earlier than the expiration of the '253 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '253 patent, and monetary relief as a result of any such infringement.

On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against the Defendants in the U.S. District Court for the District of New Jersey arising from Teva's USA's filing of the '253 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '253 ANDA be a date later than the expiration of the '253 patent, as well as equitable relief enjoining the Defendants from infringing the '253 patent and monetary relief as a result of any such infringement. The Company maintains full confidence in its intellectual property portfolio related to NARCAN® and expects that the '253 patent will continue to be vigorously defended from any infringement. There can be no assurances that the Company will be successful with respect to this litigation matter. Such a failure may have a material impact on the Company and its business operations in the future.

On January 3, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to 21 U.S.C. § 355(j)(2)(B)(ii) (the "January 2017 Notice Letter"), that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of U.S. Patent No. 9,468,747 (the "'747 patent"). The '747 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's January 2017 Notice Letter asserts that its generic product will not infringe the '747 patent or that the '747 patent is invalid or unenforceable. On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '747 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '747 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '747 patent, and monetary relief as a result of any such infringement.

On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against the Defendants in the U.S. District Court for the District of New Jersey arising from Teva's USA's filing of the '747 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '747 ANDA be a date later than the expiration of the '747 patent, as well as equitable relief enjoining the Defendants from infringing the '747 patent and monetary relief as a result of any such infringement. The Company has full confidence in its intellectual property portfolio related to NARCAN® and expects that the '747 patent will continue to be vigorously defended from any infringement.

On March 17, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to the March 2017 Notice Letter, that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '177 patent. The '177 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's March 2017 Notice Letter asserts that its generic product will not infringe the '177 patent and/or that the '177 patent is invalid or unenforceable. On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '177 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '177 patent, and monetary relief as a result of any such infringement.

On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the '177 ANDA with the FDA with respect to the '177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '177 ANDA be a date later than the expiration of the '177 patent, as well as equitable relief enjoining Teva from infringing the '177 patent and monetary relief as a result of any such infringement.

Except as described above, the Company is currently not involved in any litigation that the Company believes could have a materially adverse effect on the Company's financial condition or results of operations. Except as described above, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or other body pending or, to the knowledge of the executive officers of the Company or any of the Company's subsidiaries, threatened against or affecting the Company, the Company's Common Stock, any of the Company's subsidiaries or the Company's or the Company's subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

**Item 1A. Risk Factors.**

**Risks Related to the Company**

*The Company has generated limited revenue to date and expects to incur significant operating losses for the foreseeable future.*

The Company was incorporated on June 21, 2005. The Company operates as a specialty pharmaceutical company which develops pharmacological treatments for substance use, addictive and eating disorders. The Company has generated limited revenues from inception through the date of this Report. The likelihood of the Company's future success must be considered in light of the problems, expenses, difficulties, complications and delays often encountered in connection with the clinical trials that will be conducted and on the development of new solutions to common addictions and related disorders. These potential problems include, but are not limited to, unanticipated clinical trial delays, poor data, changes in the regulatory and competitive landscape and additional costs and expenses that may exceed current budget estimates. In order to complete certain clinical trials and otherwise operate pursuant to the Company's current business strategy, the Company anticipates that it will incur increased operating expenses. In addition, the Company expects to incur significant losses for the foreseeable future and the Company also expects to experience negative cash flow for the foreseeable future as the Company funds the Company's operating losses and capital expenditures. The Company recognizes that if the Company is unable to generate sufficient revenues or source funding, the Company will not be able to continue operations as currently contemplated, complete planned clinical trials and/or achieve profitability. The Company's failure to achieve or maintain profitability will also negatively impact the value of the Company's securities. There is no history upon which to base any assumption as to the likelihood that the Company will prove successful. If the Company is unsuccessful in addressing these risks, then the Company will most likely fail.

*The Company's independent auditor has issued an audit opinion for the Company in connection with the Company's audited financial statements as of July 31, 2016 which includes a statement describing the company's going concern status. The Company's financial status creates a doubt whether the Company will continue as a going concern.*

Based on the Company's financial history since inception, the Company's independent registered public accounting firm expressed substantial doubt as to the Company's ability to continue as a going concern in connection with the Company's audited financial statements as of July 31, 2016. The Company has generated limited revenue to date. The Company has not consistently attained profitable operations and has historically depended upon obtaining sufficient financing to fund its operations. The Company anticipates that its revenues will not be sufficient to support its current operations and additional funding will be required in the form of debt financing and/or equity financing and/or financings from the sale of interests in the Company's prospective products and/or royalty transactions. Despite its best efforts, the Company may not be able to generate sufficient revenues or raise sufficient funding to fund the Company's operations. If the Company is unable to achieve the foregoing, then the Company may be unable to continue operating as currently planned or to continue as a going concern.

***The Company may not succeed in completing the development of the Company's product candidates, commercializing the Company's products, and generating significant revenues.***

The Company's pipeline includes a treatment for BED, a treatment for BN, a treatment for AUD, a heroin vaccine and additional treatment applications. The Company's products have generated limited revenues. The Company's ability to generate significant revenues and achieve profitability depends on the Company's ability to successfully complete the development of its product candidates, obtain market approval, successfully launch its products and generate significant revenues. On December 15, 2014, the Company and Adapt entered into the Adapt Agreement that provides Adapt with a global license to develop and commercialize the Company's intranasal naloxone Opioid Overdose Reversal Treatment Product, now known as NARCAN®. The loss for any reason of Adapt as a key partner could have a significant and adverse impact on the Company's business. If the Company is unable to retain Adapt as a partner on commercially acceptable terms, the Company may not be able to commercialize the Company's treatment as planned and the Company may experience delays in, or suspension of, the marketing of the treatment.

The future success of the Company's business cannot be determined at this time, and the Company does not anticipate generating significant revenues from product sales for the foreseeable future. Notwithstanding the foregoing, the Company expects to generate revenues from NARCAN®, for which the Company is dependent on many factors, including the performance of the Company's licensing partner Adapt and competition in the market. In addition, the Company has no experience in commercializing its treatments on its own and faces a number of challenges with respect to its commercialization efforts, including, among other challenges, that:

- the Company may not have adequate financial or other resources to complete the development of its product candidates;
- the Company may not be able to manufacture its products in commercial quantities, at an adequate quality, at an acceptable cost or in collaboration with third parties;
- The Company may experience delays or unplanned expenditures in product development, clinical testing or manufacturing;
- the Company may not be able to establish adequate sales, marketing and distribution channels;
- healthcare professionals and patients may not accept the Company's treatments;
- the Company may not be aware of possible complications from the continued use of its products since the Company has limited clinical experience with respect to the actual use of its products;
- technological breakthroughs in reversing opioid overdoses and treating patients with BED, BN, AUD, and heroin addiction may reduce the demand for the Company's products;
- changes in the market for reversing opioid overdoses and treating patients with BED, BN, AUD, and heroin addiction, new alliances between existing market participants and the entrance of new market participants may interfere with the Company's market penetration efforts;
- third-party payors may not agree to reimburse patients for any or all of the purchase price of the Company's products, which may adversely affect patients' willingness to purchase the Company's products;
- uncertainty as to market demand may result in inefficient pricing of the Company's products;
- the Company may face third party claims of intellectual property infringement;
- the Company may fail to obtain or maintain regulatory approvals for its products in the Company's target markets or may face adverse regulatory or legal actions relating to its products even if regulatory approval is obtained; and
- the Company is dependent upon the results of clinical studies relating to its products and the products of its competitors. If data from a clinical trial is unfavorable, the Company would be reluctant to advance the specific product for the indication for which it was being developed.



If the Company is unable to meet any one or more of these challenges successfully, the Company's ability to effectively commercialize its products could be limited, which in turn could have a material adverse effect on its business, financial condition and/or results of operations.

***Given the Company's lack of significant revenue and cash flow, the Company will need to raise additional capital, which may be unavailable to the Company or, even if consummated, may cause dilution or place significant restrictions on the Company's ability to operate.***

Since the Company may be unable to generate sufficient revenue or cash flow to fund its operations for the foreseeable future, the Company will need to seek additional equity or debt financing to provide the capital required to maintain or expand its operations. The Company may also need additional funding to continue the development of its product candidates, build its sales and marketing capabilities, promote brand identity or develop or acquire complementary technologies, assets and companies, as well as for working capital requirements and other operating and general corporate purposes.

The Company does not currently have any arrangements or credit facilities in place as a source of funds, and there can be no assurance that the Company will be able to raise sufficient additional capital if needed on acceptable terms, or at all. If such financing is not available on satisfactory terms, or is not available at all, the Company may be required to delay, scale back and/or eliminate the development of its product candidates and other business opportunities. Furthermore, a lack of adequate financing will have a material adverse effect on the Company's ability to achieve its business objectives, its competitiveness and/or its operations and financial condition. The Company's inability to fund its business could thus lead to the loss of your investment.

If the Company raises additional capital by issuing equity securities and/or equity-linked securities, the percentage ownership of the Company's existing stockholders may be reduced, and accordingly these stockholders may experience substantial dilution. The Company may also issue equity securities and/or equity-linked securities that provide for rights, preferences and privileges senior to those of its Common Stock. Given the Company's need for cash and that equity and equity-linked issuances are very common types of fundraising for companies like the Company, the risk of dilution is particularly significant for stockholders of the Company.

Debt financing, if obtained, may involve agreements that include liens on the Company's assets and covenants limiting or restricting the Company's ability to take specific actions such as incurring additional debt. Debt financing could also be required to be repaid regardless of the Company's operating results.

If the Company raises additional funds through collaborations and licensing arrangements, the Company may be required to relinquish some rights to its products or to grant licenses on terms that are not favorable to the Company.

***The Company's current and future operations substantially depend on the Company's management team and the Company's ability to hire other key personnel, the loss of any of whom could disrupt the Company's business operations.***

The Company's business depends and will continue to depend in substantial part on the continued service of Dr. Roger Crystal, Kevin Pollack, and Dr. Phil Skolnick, the Company's Chief Executive Officer, Chief Financial Officer, and Chief Scientific Officer, respectively. The loss of the services of any of these individuals would significantly impede implementation and execution of the Company's business strategy and may result in the failure to reach its goals. The Company has key man insurance policies in the amount of \$1 million for each of Dr. Roger Crystal and Kevin Pollack.

The Company's future viability and ability to achieve sales and profits will also depend on the Company's ability to attract, train, retain and motivate highly qualified personnel in the diverse areas required for continuing its operations. There is a risk that the Company will be unable to attract, train, retain or motivate qualified personnel, both near term or in the future, and the Company's failure to do so may severely damage its prospects.

***If the Company is unable to obtain and maintain patent protection for the Company's products and product candidates, or if the scope of the patent protection obtained is not sufficiently broad, the Company's competitors could develop and commercialize products and product candidates similar or identical to the Company's, and the Company's ability to successfully commercialize the Company's products and product candidates may be adversely affected.***

The Company's commercial success will depend, in part, on the Company's ability to obtain and maintain patent protection in the U.S. and other countries with respect to the Company's products and product candidates. The Company seeks to protect the Company's proprietary position by filing patent applications in the U.S. and abroad related to the Company's products and product candidates that are important to the Company's business, as appropriate. The Company cannot be certain that patents will be issued or granted with respect to applications that are currently pending or that the Company may apply for in the future with respect to one or more of the Company's products and product candidates, or that issued or granted patents will not later be found to be invalid and/or unenforceable.

The patent prosecution process is expensive and time-consuming, and the Company may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that the Company will fail to identify patentable aspects of the Company's research and development output before it is too late to obtain patent protection. Although the Company may enter into non-disclosure and confidentiality agreements with parties who have access to patentable aspects of the Company's research and development output, such as the Company's employees, distribution partners, consultants, advisors and other third parties, any of these parties may breach the agreements and disclose such output before a patent application is filed, thereby jeopardizing the Company's ability to seek patent protection.

The patent position of pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the Company's patent rights are highly uncertain. The Company's pending and future patent applications may not result in patents being issued, and even if issued, the patents may not meaningfully protect the Company's products or product candidates, effectively prevent competitors and third parties from commercializing competitive products or otherwise provide the Company with any competitive advantage. The Company's competitors or other third parties may be able to circumvent the Company's patents by developing similar or alternative products in a non-infringing manner.

Changes in either the patent laws, implementing regulations or interpretation of the patent laws in the U.S. and other countries may also diminish the value of the Company's patents or narrow the scope of the Company's patent protection. The laws of foreign countries may not protect the Company's rights to the same extent as the laws of the U.S., and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions.

The Company cannot be certain that the Company's patents and patent rights will be effective in protecting the Company's products, product candidates and technologies. Failure to protect such assets may have a material adverse effect on the Company's business, operations, financial condition and/or prospects.

***The Company may face litigation from third parties claiming that the Company's products infringe on their intellectual property rights, or seek to challenge the validity of the Company's patents.***

The Company's future success is also dependent in part on the strength of the Company's intellectual property, trade secrets and know-how, which have been developed from years of research and development. In addition to the litigation with Teva discussed below, the Company may be exposed to additional future litigation by third parties seeking to challenge the validity of the Company's rights based on claims that the Company's technologies, products or activities infringe the intellectual property rights of others or are invalid, or that the Company has misappropriated the trade secrets of others.

Since the Company's inception, the Company has sought to contract with manufacturers to supply commercial quantities of pharmaceutical formulations and products. As a result, the Company has disclosed, under confidentiality agreements, various aspects of the Company's technology with potential manufacturers and suppliers. The Company believes that these disclosures, while necessary for the Company's business, may have resulted and may result in the attempt by potential manufacturers and suppliers to improperly assert ownership claims to the Company's technology in an attempt to gain an advantage in negotiating manufacturing and supplier rights.

On September 15, 2016, the Company and Adapt Inc. received notice from Teva Ltd. and Teva USA, pursuant to the September 2016 Notice Letter, that Teva USA had filed the Teva ANDA with the FDA seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '253 patent. The '253 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's September 2016 Notice Letter asserts that its generic product will not infringe the '253 patent and/or that the '253 patent is invalid or unenforceable. On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '253 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '253 ANDA be a date not earlier than the expiration of the '253 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '253 patent, and monetary relief as a result of any such infringement.

On October 21, 2016, the Plaintiffs filed a complaint for patent infringement against the Defendants in the U.S. District Court for the District of New Jersey arising from Teva's USA's filing of the '253 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '253 ANDA be a date later than the expiration of the '253 patent, as well as equitable relief enjoining the Defendants from infringing the '253 patent and monetary relief as a result of any such infringement. The Company maintains full confidence in its intellectual property portfolio related to NARCAN® and expects that the '253 patent will continue to be vigorously defended from any infringement. There can be no assurances that the Company will be successful with respect to this litigation matter. Such a failure may have a material adverse impact on the Company and its business operations in the future.

On January 3, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to the January 2017 Notice Letter, that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '747 patent. The '747 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's January 2017 Notice Letter asserts that its generic product will not infringe the '747 patent or that the '747 patent is invalid or unenforceable. On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '747 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '747 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '747 patent, and monetary relief as a result of any such infringement.

On February 8, 2017, the Plaintiffs filed a complaint for patent infringement against the Defendants in the U.S. District Court for the District of New Jersey arising from Teva's USA's filing of the '747 ANDA with the FDA. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the '747 ANDA be a date later than the expiration of the '747 patent, as well as equitable relief enjoining the Defendants from infringing the '747 patent and monetary relief as a result of any such infringement. The Company has full confidence in its intellectual property portfolio related to NARCAN® (naloxone hydrochloride) Nasal Spray and expects that the '747 patent will continue to be vigorously defended from any infringement.

On March 17, 2017, the Company and Adapt Inc. received notice from Teva, pursuant to the March 2017 Notice Letter, that Teva USA is seeking regulatory approval to market a generic version of NARCAN® before the expiration of the '177 patent. The '177 patent is listed with respect to NARCAN® in the FDA's Orange Book and expires on March 16, 2035. Teva's March 2017 Notice Letter asserts that its generic product will not infringe the '177 patent and/or that the '177 patent is invalid or unenforceable. On April 26, 2017, the Plaintiffs filed a complaint for patent infringement against Teva in the United States District Court for the District of New Jersey arising from Teva USA's filing of the Teva ANDA with the FDA with respect to the '177 patent. The Plaintiffs seek, among other relief, an order that the effective date of FDA approval of the Teva ANDA be a date not earlier than the expiration of the '177 patent, as well as equitable relief enjoining Teva from making, using, offering to sell, selling, or importing the product that is the subject of the Teva ANDA until after the expiration of the '177 patent, and monetary relief as a result of any such infringement.

***The expiration or loss of patent protection may adversely affect the Company's future revenues and operating earnings.***

The Company relies on patent, trademark, trade secret and other intellectual property protection in the discovery, development, manufacturing and sale of the Company's products and product candidates. In particular, patent protection is important in the development and eventual commercialization of the Company's products and product candidates. Patents covering the Company's products and product candidates normally provide market exclusivity, which is important in order for the Company's products and product candidates to become profitable.

Certain of the Company's patents will expire in the next 18 to 21 years. While the Company is seeking additional patent coverage which may protect the technology underlying these patents, there can be no assurances that such additional patent protection will be granted, or if granted, that these patents will not be infringed upon or otherwise held enforceable. Even if the Company is successful in obtaining a patent, patents have a limited lifespan. In the U.S., the natural expiration of a utility patent typically is generally 20 years after it is filed. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Without patent protection for the Company's products and product candidates, the Company may be open to competition from generic versions of such methods and devices.

***The Company may be exposed to product liability risks, and clinical and preclinical liability risks, which could place a substantial financial burden upon the Company should the Company be sued.***

The Company's business exposes the Company to potential product liability and other liability risks that are inherent in the testing, manufacturing and/or marketing of pharmaceutical formulations and products. The Company cannot be sure that claims will not be asserted against the Company. A successful liability claim or series of claims brought against the Company could have a material adverse effect on the Company's business, financial condition and/or results of operations.

The Company cannot give assurances that the Company will be able to continue to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities. Claims or losses in excess of any product liability insurance coverage that the Company may obtain could have a material adverse effect on the Company's business, financial condition and/or results of operations.

***The Company's products may have undesirable side effects which may delay or prevent marketing approval, or, if approval is received, require it to be taken off the market, require it to include safety warnings or otherwise limit sales of the product.***

Unforeseen side effects from the Company's products and product candidates could arise either during clinical development or, if approved, after the Company's products have been marketed. This could cause regulatory approvals for, or market acceptance of, the Company's products to be more difficult and more costly to obtain.

To date, no serious adverse events have been attributed to the Company's products and product candidates. The results of the Company's planned or any future clinical trials may show that the Company's products and product candidates causes undesirable or unacceptable side effects, which could interrupt, delay and/or halt clinical trials, and result in delay of, or failure to obtain, marketing approval from the FDA and other regulatory authorities, or result in marketing approval from the FDA and other regulatory authorities with restrictive label warnings. If the Company's product candidates receive marketing approval and the Company or others later identify undesirable or unacceptable side effects caused by the use of the Company's products:

- regulatory authorities may withdraw their approval of the products, which would force the Company to remove its products from the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication, or field alerts to physicians, pharmacies and others;
- the Company may be required to change instructions regarding the way the products are administered, conduct additional clinical trials and/or change the labeling of the products;

- the Company may be subject to limitations on how it may promote the products;
- sales of the products may decrease significantly;
- the Company may be subject to litigation and/or product liability claims; and
- the Company's reputation may suffer.

Any of these events could prevent the Company or its potential future collaborators from achieving or maintaining market acceptance of the Company's products or could substantially increase commercialization costs and expenses, which in turn could delay or prevent the Company from generating significant revenues from the sale of its products.

***The Company currently has no marketing and sales organization and has no experience marketing pharmaceutical products. If the Company is unable to establish its own marketing and sales capabilities, or enter into agreements with third parties to market and sell the Company's products after approval, the Company may not be able to generate product revenues.***

The Company does not have a sales organization for the marketing, sales and distribution of any pharmaceutical products. In order to commercialize the Company's products and/or any other product candidates the Company may develop or acquire in the future, the Company must develop these capabilities on its own or make arrangements with third parties for the marketing, sales and distribution of its products. The establishment and development of the Company's own sales force will be expensive and time consuming and could delay any product launch, and the Company cannot be certain that it would be able to successfully develop this capability. As a result, the Company may seek one or more partners to handle some or all of the sales, marketing and distribution of its products. There also may be certain markets within the U.S. and elsewhere for the Company's products for which the Company may seek a co-promotion arrangement. However, the Company may not be able to enter into arrangements with third parties to sell its products on favorable terms, or at all. In the event the Company is unable to develop its own marketing and sales force or collaborate with a third party marketing and sales organization, the Company will not be able to commercialize its products and/or any other product candidates that it develops, which will negatively impact its ability to generate product revenues. Furthermore, whether the Company commercializes products on its own or relies on a third party to do so, the Company's ability to generate revenue would be dependent on the effectiveness of the sales force. In addition, to the extent the Company relies on third parties to commercialize its approved products, the Company would likely receive less revenues than if the Company commercialized these products itself.

***The market for the Company's products is rapidly changing and competitive, and new drugs, which may be developed by others, could impair the Company's ability to maintain and grow the Company's business and remain competitive.***

The pharmaceutical industry is subject to rapid and substantial technological change. Developments by others may render the Company's technologies and products noncompetitive or obsolete. The Company may also be unable to keep pace with technological developments and other market factors. Technological competition from medical device, pharmaceutical and biotechnology companies, universities, governmental entities and others diversifying into the field is intense and is expected to increase. Many of these entities have significantly greater research and development capabilities and budgets than the Company does, as well as substantially more marketing, manufacturing, financial and managerial resources. These entities represent significant competition for the Company.

***The Company's reliance on collaborations with third parties to develop and commercialize the Company's products, such as the Adapt Agreement to develop and commercialize the Company's intranasal naloxone Opioid Overdose Reversal Treatment Product, is subject to inherent risks and may result in delays in product development and lost or reduced revenues, restricting the Company's ability to commercialize the Company's products and adversely affecting the Company's profitability.***

With respect to the products the Company has licensed, the Company depends upon collaborations with third parties to develop these product candidates and the Company depends substantially upon third parties to commercialize these products. As a result, the Company's ability to develop, obtain regulatory approval of, manufacture and commercialize the Company's existing and possibly future product candidates depends upon the Company's ability to maintain existing, and enter into and maintain new, contractual and collaborative arrangements with others. The Company also engages, and intends in the future to continue to engage, contract manufacturers and clinical trial investigators.

In addition, although not a primary component of the Company's current strategy, the identification of new compounds or product candidates for development has led the Company in the past, and may continue to require the Company, to enter into licenses or other collaborative agreements with others, including other pharmaceutical companies and/or research institutions. Such collaborative agreements for the acquisition of new compounds or product candidates would typically require the Company to pay license fees, make milestone payments and/or pay royalties. Furthermore, these agreements may result in the Company's revenues being lower than if the Company developed the Company's product candidates on the Company's own and in the Company's loss of control over the development of the Company's product candidates.

Contractors or collaborators may have the right to terminate their agreements with the Company or reduce their payments to the Company under those agreements on limited or no notice and for no reason or reasons outside of the Company's control. For example, the Company may be unable to maintain its relationship with Adapt on a commercially reasonable basis, if at all, as the Adapt agreement may be terminated by Adapt in its sole discretion, either in its entirety or in respect of one or more countries, at any time by providing 60 days prior notice to the Company. In addition, Adapt may have similar or more established relationships with the Company's competitors or larger customers which may negatively impact the Company's relationship with Adapt. Moreover, the loss for any reason of Adapt as a key partner could have a materially significant and adverse impact on the Company's business. If the Company is unable to retain Adapt as a partner on commercially acceptable terms, the Company may not be able to commercialize the Company's products as planned and the Company may experience delays in or suspension of the marketing of the Company's products. The same could apply to other product candidates the Company may develop or acquire in the future. The Company's dependence upon third parties to assist with the development and commercialization of the Company's product candidates may adversely affect the Company's ability to generate profits or acceptable profit margins and the Company's ability to develop and deliver such products on a timely and competitive basis. Additionally, the Restated Aegis Agreement expires on the earlier of (i) the expiration of the Opiant Negotiation Periods and (ii) on 30 days' prior written notice by the Company; *provided, however*, that Aegis shall have the right to terminate the license granted in the event the Company does not pursue commercially reasonable efforts to exploit a Product. The Restated Aegis Agreement expired by its terms during the three months ended January 31, 2017 and Aegis and the Company are actively negotiating a new agreement.

If the Company's current or future licensees exercise termination rights they may have, or if these license agreements terminate because of delays in obtaining regulatory approvals, or for other reasons, and the Company is not able to establish replacement or additional research and development collaborations or licensing arrangements, the Company may not be able to develop and/or commercialize the Company's product candidates. Moreover, any future collaborations and/or license arrangements the Company may enter into may not be on terms favorable to the Company.

A further risk the Company faces with the Company's collaborations is that business combinations and changes in the collaborator or their business strategy may adversely affect their willingness and/or ability to complete their obligations to the Company.

The Company's current or any future collaborations or license arrangements ultimately may not be successful. The Company's agreements with collaborators typically allows them discretion in electing whether to pursue various development, regulatory, commercialization and other activities, such as the Adapt Agreement.

If any collaborator were to breach its agreement with the Company or otherwise fail to conduct collaborative activities in a timely or successful manner, the pre-clinical or clinical development or commercialization of the affected product candidate or research program would be delayed or terminated.

Other risks associated with the Company's collaborative and contractual arrangements with others include the following:

- the Company may not have day-to-day control over the activities of the Company's contractors or collaborators;
- the Company's collaborators may fail to defend or enforce patents they own on compounds or technologies that are incorporated into the products the Company develops with them;
- third parties may not fulfill their regulatory or other obligations; and
- the Company may not realize the contemplated or expected benefits from collaborative or other arrangements; and disagreements may arise regarding a breach of the arrangement, the interpretation of the agreement, ownership of proprietary rights, clinical results and/or regulatory approvals.

These factors could lead to delays in the development of the Company's product candidates and/or the commercialization of the Company's products or reduction in the milestone payments the Company receives from the Company's collaborators, or could result in the Company's not being able to commercialize the Company's products. Further, disagreements with the Company's contractors and/or collaborators could require or result in litigation or arbitration, which would be time-consuming and expensive. The Company's ultimate success may depend upon the success and performance on the part of these third parties. If the Company fails to maintain these relationships or establish new relationships as required, development of the Company's product candidates and/or the commercialization of the Company's products will be delayed or may never be realized.

***The Company is exposed to product liability, non-clinical and clinical liability risks which could place a substantial financial burden upon the Company, should lawsuits be filed against the Company.***

The Company's business exposes the Company to potential product liability and other liability risks that are inherent in the testing, manufacturing and marketing of pharmaceutical formulations and products. The Company expects that such claims are likely to be asserted against the Company at some point. In addition, the use in the Company's clinical trials of pharmaceutical formulations and products and the subsequent sale of these formulations or products by the Company or the Company's potential collaborators may cause the Company to bear a portion of, or potentially all, product liability risks. Any claim under any existing insurance policies or any insurance policies secured in the future may be subject to certain exceptions, and may not be honored fully, in part, in a timely manner, or at all, and may not cover the full extent of liability the Company may actually face. Therefore, a successful liability claim or series of claims brought against the Company could have a material adverse effect on the Company's business, financial condition and/or results of operations.

***Security breaches and other disruptions could compromise the Company's information and expose the Company to liability, which would cause the Company's business and reputation to suffer.***

In the ordinary course of the Company's business, the Company collects and stores sensitive data, including, but not limited to, intellectual property, the Company's proprietary business information and that of the Company's customers, suppliers and business partners and personally identifiable information of the Company's customers and employees, in the Company's data centers and/or on the Company's networks. The secure processing, maintenance and transmission of this information is critical to the Company's operations and business strategy. Despite the Company's security measures, the Company's information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance and/or other disruptions. Any such breach could compromise the Company's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure and/or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt the Company's operations and the products the Company provides to customers, and damage the Company's reputation, and cause a loss of confidence in the Company's products, which could adversely affect the Company's business/operating margins, revenues and/or competitive position.

## **Risks Related to Government Regulation of the Company's Industry**

### ***Legislative or regulatory reform of the healthcare system may affect the Company's ability to sell the Company's products profitably.***

In both the U.S. and certain foreign jurisdictions, there have been a number of legislative and regulatory proposals to change the healthcare system in ways that could impact both the Company's ability to sell the Company's future products and the Company's profitability. On March 23, 2010, former President Barack Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively, "PPACA"), which includes a number of health care reform provisions and requires most U.S. citizens to have health insurance. The new law, among other things, imposes a significant annual fee on companies that manufacture or import branded prescription drug products, addresses a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increases the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extends the rebate program to individuals enrolled in Medicaid managed care organizations, and establishes a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D. Substantial new provisions affecting compliance also have been added, which may require modification of business practices with health care practitioners.

In the coming years, additional changes under the new Trump administration and future presidential administrations could be made to governmental healthcare programs that could significantly impact the success of the Company's future products, and the Company could be adversely affected by current and future health care reforms.

### ***The Company's industry and the Company are subject to intense regulation from the U.S. Government and such other governments and quasi-official regulatory bodies where the Company's products are and product candidates may be sold.***

Both before and after regulatory approval to market a particular product candidate, including the Company's product candidates, the manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and record keeping related to the product are subject to extensive, ongoing regulatory requirements, including, without limitation, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with current Good Manufacturing Practices ("cGMP") requirements and good clinical practice requirements for any clinical trials that the Company conduct post-approval. As a result, the Company is subject to a number of governmental and other regulatory risks, which include:

- clinical development is a long, expensive and uncertain process; delay and failure can occur at any stage of the Company's clinical trials;
- the Company's clinical trials are dependent on patient enrollment and regulatory approvals; the Company does not know whether the Company's planned trials will begin on time, or at all, or will be completed on schedule, or at all;
- the FDA or other regulatory authorities may not approve a clinical trial protocol or may place a clinical trial on hold;
- the Company relies on third parties, such as consultants, contract research organizations, medical institutions and clinical investigators, to conduct clinical trials for the Company's drug candidates and if the Company or any of the Company's third-party contractors fail to comply with applicable regulatory requirements, such as cGMP requirements, the clinical data generated in the Company's clinical trials may be deemed unreliable and the FDA, the European Medicines Agency and/or comparable foreign regulatory authorities may require the Company to perform additional clinical trials;
- if the clinical development process is completed successfully, the Company's ability to derive revenues from the sale of the Company's product candidates will depend on the Company first obtaining FDA and/or other comparable foreign regulatory approvals, each of which are subject to unique risks and uncertainties;



- there is no assurance that the Company will receive FDA and/or corollary foreign approval for any of the Company's product candidates for any indication; the Company is subject to government regulation for the commercialization of the Company's product candidates;
- the Company has not received regulatory approval in the U.S. for the commercial sale of any of the Company's product candidates;
- even if one or more of the Company's product candidates does obtain approval, regulatory authorities may approve such product candidate for fewer or more limited indications than the Company requests, may not approve the price the Company intends to charge for the Company's products, may grant approval contingent on the performance of costly post-marketing clinical trials and/or may approve with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate;
- undesirable side effects caused by the Company's product candidates could cause the Company and/or regulatory authorities to interrupt, delay and/or halt clinical trials and could result in a more restrictive label, the delay or denial of regulatory approval by the FDA and/or other comparable foreign authorities;
- later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with the Company's third-party manufacturers or manufacturing processes, or failure to comply with the regulatory requirements of the FDA and/or other applicable U.S. and foreign regulatory authorities could subject the Company to administrative or judicially imposed sanctions;
- the FDA's policies may change and additional government regulations may be enacted that could prevent, limit and/or delay regulatory approval of the Company's drug candidates, and if the Company is slow and/or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if the Company is not able to maintain regulatory compliance, the Company may lose any marketing approval that the Company may have obtained; and
- the Company may be liable for contamination and/or other harm caused by hazardous materials used in the operations of the Company's business.

In addition, the Company's operations are also subject to various federal and state fraud and abuse, physician payment transparency and privacy and security laws, including, without limitation:

- The federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or providing remuneration to induce the purchase and/or recommendation of an item or service reimbursable under a federal healthcare program, such as the Medicare or Medicaid programs. This statute has been applied to pharmaceutical manufacturer marketing practices, educational programs, pricing policies and relationships with healthcare providers. A person or entity does not need to have actual knowledge of this statute or specific intent to violate it to have committed a violation;
- Federal civil and criminal false claims laws and civil monetary penalty laws, including civil whistleblower or qui tam actions that prohibit, among other things, knowingly presenting, or causing to be present, claims for payment or approval to the federal government that are false or fraudulent, knowingly making a false statement material to an obligation to pay or transmit money or property to the federal government or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay or transmit money or property to the federal government. The government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes;
- The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and its implementing regulations, which created federal criminal laws that prohibit, among other things, executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, also imposes certain regulatory and contractual requirements regarding the privacy, security and transmission of individually identifiable health information;
- Federal “sunshine” requirements imposed by the PPACA on drug manufacturers regarding any “transfer of value” made or distributed to physicians and teaching hospitals, and any ownership and investment interests held by such physicians and their immediate family members. Failure to submit the required information may result in civil monetary penalties up to \$150,000 per year in the aggregate and up to \$1 million per year, in the aggregate, for “knowing failures”, for all payments, transfers of value and/or ownership or investment interests not reported in an annual submission, and may result in liability under other federal laws or regulations; and
- State and foreign law equivalents of each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require drug manufacturers to comply with the industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government or otherwise restrict payments that may be made to healthcare providers; state laws that require drug manufacturers to report information related to payments and other transfers of value to physicians and other healthcare providers or marketing expenditures; and state laws governing the privacy and security of certain health information, many of which differ from each other in significant ways and often are not preempted by HIPAA.

#### **Risks Related to the Company’s Common Stock**

*The trading in the Company’s shares is regulated by the SEC and is subject to the “Penny Stock” rules. These rules may have the effect of reducing trading activity in the Company’s stock and provide an illiquid market for the Company’s securities.*

Although the Company’s shares are currently traded at a price higher than \$5.00, the Company’s shares have frequently traded in the past at a price lower than \$5.00. If the Company’s share price goes below \$5.00, the shares will be defined as a “Penny Stock” under the Exchange Act and rules of the SEC. Penny Stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). Penny Stock rules require a broker-dealer, prior to a transaction in a Penny Stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about Penny Stocks and the risks in the Penny Stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the Penny Stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each Penny Stock held in the customer’s account. The broker-dealer must also make a special written determination that the Penny Stock is a suitable investment for the purchaser and receive the purchaser’s written agreement to the transaction. These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the Penny Stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in the Company’s securities, which could severely limit the market price and liquidity of the Company’s securities. These requirements may restrict the ability of broker-dealers to sell the Company’s Common Stock and may affect your ability to resell the Company’s Common Stock.

The Company will incur ongoing costs and expenses for SEC reporting and compliance. Without revenue, the Company may not be able to remain in compliance, making it difficult for investors to sell their shares, if at all.

The Company’s shares are quoted on the OTCQB Market under the symbol “OPNT.” To be eligible for quotation, issuers must remain current in their filings with the SEC. In order for the Company to remain in compliance, the Company will require cash to cover the cost of these filings, which could comprise a substantial portion of the Company’s available cash resources. If the Company is unable to remain in compliance, it may be difficult for the Company’s stockholders to resell any shares, if at all.

***The price of the Company's Common Stock could be highly volatile due to a number of factors, which could lead to losses by investors and costly securities litigation.***

The Company's Common Stock is listed on the OTCQB Market under the symbol "OPNT." The stock market in general, and the market for pharmaceutical companies in particular, has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The trading price of the Company's Common Stock has experienced substantial volatility and is likely to continue to be highly volatile in response to a number of factors including, without limitation, the following:

- limited daily trading volume resulting in the lack of a liquid market;
- fluctuations in price and volume due to investor speculation and other factors that may not be tied to the financial performance of the Company;
- performance by the Company in the execution of its business plan;
- financial viability;
- actual or anticipated variations in the Company's operating results;
- announcements of developments by the Company or the Company's competitors;
- market conditions in the Company's industry;
- announcements by the Company or the Company's competitors of significant acquisitions, strategic partnerships, joint ventures and/or capital commitments;
- adoption of new accounting standards affecting the Company's industry;
- additions or departures of key personnel;
- introduction of new products by the Company or the Company's competitors;
- sales of the Company's Common Stock or other securities in the open market;
- regulatory developments in both the U.S. and foreign countries;
- performance of products sold and advertised by licensees in the marketplace;
- economic and other external factors;
- period-to-period fluctuations in financial results; and;
- other events or factors, including the other factors described in this "Risk Factors" section.

***Securities analysts do not currently and may not in the future cover the Company, which may have a negative impact on the market price of the Company's Common Stock.***

The trading market for the Company's Common Stock will depend, in part, on the research and reports that securities or industry analysts publish about the Company and the Company's business. The Company does not have any control over independent analysts and currently the Company is not covered by any such independent analysts. The Company has engaged various non-independent analysts historically, including Zacks Investment Research currently, to cover the Company and the Company's business. The Company otherwise does not currently have and may never obtain research coverage by independent securities and industry analysts. If no independent securities or industry analysts commence coverage of the Company, the trading price for the Company's Common Stock may continue to be negatively impacted.

***The Company does not anticipate declaring any cash dividends on the Company's Common Stock.***

The Company currently intends to retain any future earnings for use in the operation and expansion of the Company's business. Accordingly, the Company does not expect to pay any dividends in the foreseeable future, but will review this policy from time to time as circumstances dictate.

***The Company may register an aggregate of at least 15,715 shares of Common Stock, at least 45,000 shares of Common Stock underlying warrants and at least 2,305,000 shares of Common Stock underlying options in the second half of 2017. The sales of such shares could depress the market price of the Company's Common Stock.***

The Company may register an aggregate of at least 15,715 shares of Common Stock, at least 45,000 shares of Common Stock underlying warrants and at least 2,305,000 shares of Common Stock underlying options under a registration statement on Form S-1 in the second half of 2017. Assuming 2,365,715 total shares were registered, it would represent approximately 116.73% of the Company's shares of Common Stock outstanding as of June 6, 2017, assuming that all the security holders exercised all of their warrants and options. The sale of these shares into the public market could depress the market price of the Company's Common Stock.

***Certain of the Company's executive officers and directors control the direction of the Company's business by means of a significant collective ownership of the Company's common stock. The concentrated beneficial ownership of the Company's common stock may prevent other stockholders from influencing significant corporate decisions.***

Dr. Roger Crystal, the Company's Chief Executive Officer and a director, Kevin Pollack, the Company's Chief Financial Officer and a director, Dr. Michael Sinclair, the Company's Executive Chairman and Chairman of the Board, and Geoffrey Wolf, a director, Ann MacDougall, a director, Thomas T. Thomas, a director, and Dr. Gabrielle Silver, a director, collectively beneficially own approximately 64.11% of the Company's outstanding Common Stock as of June 6, 2017. As a result, such executive officers and directors effectively control the Company and have the ability to exert substantial influence over all matters requiring approval by the Company's stockholders, including the election and removal of directors, amendments to the Company's Articles of Incorporation, and any proposed merger, consolidation or sale of all or substantially all of the Company's assets and other corporate transactions. This concentration of ownership could be disadvantageous to other stockholders with differing interests from such executive officers and directors.

***As an "emerging growth company" under applicable law, the Company is subject to lessened disclosure requirements, which could leave the Company's stockholders without information or rights available to stockholders of more mature companies.***

For as long as the Company remains an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (which we refer to herein as the "JOBS Act"), the Company has elected to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act");
- taking advantage of an extension of time to comply with new or revised financial accounting standards;
- reduced disclosure obligations regarding executive compensation in the Company's periodic reports and proxy statements; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

The Company expects to take advantage of these reporting exemptions until the Company is no longer an “emerging growth company.” Because of these lessened regulatory requirements, the Company’s stockholders would be left without information or rights available to stockholders of more mature companies.

*Because the Company has elected to use the extended transition period for complying with new or revised accounting standards for an “emerging growth company,” its financial statements may not be comparable to companies that comply with public company effective dates.*

The Company has elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows the Company to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, the Company’s financial statements may not be comparable to companies that comply with public company effective dates, and thus investors may have difficulty evaluating or comparing the Company’s business, performance or prospects in comparison to other public companies, which may have a negative impact on the value and liquidity of the Company’s Common Stock.

*The Company will incur ongoing costs and expenses for SEC reporting and compliance. Without significant revenue the Company may not be able to remain in compliance, making it difficult for investors to sell their shares, if at all.*

The Company’s shares are quoted on the OTCQB Market under the symbol “OPNT”. To be eligible for quotation, issuers must remain current in their filings with the SEC. In order for the Company to remain in compliance, the Company will require cash to cover the cost of these filings, which could comprise a substantial portion of the Company’s available cash resources. If the Company is unable to remain in compliance it may be difficult for the Company’s stockholders to resell any shares, if at all.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Exhibit Title</b>
10.1	Employment Agreement, dated as of February 3, 2017, by and between Opiant Pharmaceuticals, Inc. and Phil Skolnick (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 6, 2017).
10.2*	Third Amendment to Senior Advisor Agreement, dated as of March 13, 2017, by and between Opiant Pharmaceuticals, Inc. and Brad Miles.
10.3	Employment Agreement Acknowledgement, effective as of March 31, 2017, by and between Opiant Pharmaceuticals, Inc. and Dr. Michael Sinclair (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 6, 2017).
10.4	Employment Agreement Acknowledgement, effective as of March 31, 2017, by and between Opiant Pharmaceuticals, Inc. and Dr. Roger Crystal (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 6, 2017).
10.5	Amendment to Investment Agreement, dated as of April 12, 2017, by and between Opiant Pharmaceuticals, Inc. and Potomac Construction Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 18, 2017).
10.6+	License Agreement between the Company and Adapt Pharma Operations Limited, dated as of December 15, 2014 (incorporated by reference to the revised Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 19, 2017).
10.7+	Amendment No. 1 to License Agreement, dated as of December 13, 2016, by and between Opiant Pharmaceuticals, Inc. and Adapt Pharma Operations Limited (incorporated by reference to the revised Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 19, 2017).
31.1*	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from the Opiant Pharmaceuticals, Inc. Form 10-Q for the quarter ended April 30, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of April 30, 2017 (Unaudited) and July 31, 2016, (ii) Consolidated Statements of Operations for the three and nine months ended April 30, 2017 and 2016 (Unaudited), (iii) Consolidated Statements of Stockholders' Equity (Deficit) for the nine months ended April 30, 2017 (Unaudited), (iv) Consolidated Statements of Cash Flows for the nine months ended April 30, 2017 and 2016 (Unaudited), and (v) Consolidated Notes to the Financial Statements (Unaudited).

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\* Filed herewith.

+ Confidential Treatment Granted. Confidential Materials omitted and filed separately with the Securities and Exchange Commission.

\*\* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**OPIANT PHARMACEUTICALS, INC.**

Date: June 14, 2017

By: /s/ Dr. Roger Crystal

Name: Dr. Roger Crystal

Title: Chief Executive Officer and Director  
(Principal Executive Officer)

Date: June 14, 2017

By: /s/ Kevin Pollack

Name: Kevin Pollack

Title: Chief Financial Officer and Director  
(Principal Financial and Accounting Officer)

## THIRD AMENDMENT TO SENIOR ADVISOR AGREEMENT

This third amendment (the “**Third Amendment**”) to the Senior Advisor Agreement by and between Brad Miles (“**Miles**”) and Opiant Pharmaceuticals, Inc. (the “**Company**”), dated January 22, 2013 and amended on February 24, 2015 and March 19, 2015 is entered into on March 13, 2017 (collectively, the “**Agreement**”) (the “**Effective Date**”), and hereby amends the terms of the Agreement. Company and Miles may be referred to herein as a “**Party**” or, collectively, as “**Parties**”. Capitalized terms used but not defined in this Third Amendment shall have the meaning ascribed to such term in the Agreement.

## RECITALS:

**WHEREAS**, the Company is currently planning on developing a specific product that is not for the treatment of a specific addiction, that the Company internally references under the name “DAVINCI” and that is undergoing a study during Q1 2017 (the “**Product**”);

**WHEREAS**, Miles is a Senior Advisor to the Company and in connection with the ongoing services (the “**Services**”) provided by Senior Advisor, the Company seeks to grant Miles the following interest in the Product and other compensation as set forth herein.

**NOW, THEREFORE**, in consideration of the various promises and undertakings set forth herein, the Parties hereby mutually agree to this Third Amendment as follows:

ARTICLE 1  
DEFINITIONS

Unless otherwise specifically provided herein, the following terms shall have the following meanings

- 1.1 “**Affiliate**” means a Person that controls, is controlled by or is under common control with a Party, but only for so long as such control exists. For the purposes of this Section 1.1, the word “control” (including, with correlative meaning, the terms “controlled by” or “under the common control with”) means the actual power, either directly or indirectly through one or more intermediaries, to direct the management and policies of such Person or entity, whether by the ownership of more than fifty percent (50%) of the voting stock of such entity, or by contract or otherwise.
  - 1.2 “**Divestiture**” means a transaction in which the Company sells all intellectual property rights and regulatory approvals for the Product to a Third Party. For clarity, a Sublicense is not a Divestiture.
  - 1.3 “**FDCA**” means The United States Federal Food, Drug, and Cosmetic Act and all amendments thereto.
  - 1.4 “**Law**” or “**Laws**” means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the binding effect of law of any governmental body.
  - 1.5 “**Net Profit**” means any revenue received by the Company that was derived from Sales of the Product less any and all Product Expenses not previously deducted from revenue received by the Company (“**Revenue**”). For clarity, Product Expenses shall be carried over until actually deducted and netted from Revenue.
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- 1.6 “**Person**” means any natural person, corporation, firm, business trust, joint venture, association, organization, company, partnership or other business entity, or any government or agency or political subdivision thereof.
- 1.7 “**Product Expenses**” means all costs and expenses incurred by and payments made by the Company or its Affiliates in connection with generating revenue from the Product, including all costs and expenses incurred (including allocation of Company overhead based on the proportionate time, expenses and resources devoted by the Company to activities related to the Product as determined by the Company in good faith) for (a) the research, development and commercialization of the Product and (b) for any transaction, directly or indirectly, related to the Product.
- 1.8 “**Regulatory Approval**” means the approval of a New Drug Application (as defined by the FDCA) by the U.S. Food and Drug Administration necessary to commercially distribute, sell, offer for sale, market, import or use a Product in the United States including, pricing, reimbursement and labeling approval.
- 1.9 “**Sale of the Product**” means any transaction for which consideration is received by the Company for sale, use, transfer or other disposition of a Product to or for the benefit of a Third Party. For clarity, a Sale of the Product does not include a Divestiture.
- 1.10 “**Sublicense**” means a grant to a Third Party of a right under the Company’s intellectual property rights to make, use or sell the Product.
- 1.11 “**Third Party**” means any Person other than the Company, Miles or any of their respective Affiliates.
- 1.12 “**Third Party Agreement**” shall mean any agreement between the Company and a Third Party related to the Product, including any assets material to the Product.
- 1.13 **Other Terms.** The definition of each of the following terms is set forth in the section of the Agreement indicated below:

Defined Term	Section
Agreement	<u>Preamble</u>
Audit	3.1
Audited NP	3.3
Buyback Amount	2.3
Company	<u>Preamble</u>
Effective Date	<u>Preamble</u>
Estimated NP	3.3
Fair Market Value	2.2
Interest	2.1
Interest Holder	2.5
Miles	<u>Preamble</u>
Notices	4.7
Party	<u>Preamble</u>
Product	<u>Recitals</u>
Revenue	1.4
Third Amendment	<u>Preamble</u>

**ARTICLE 2**  
**GRANT AND OTHER RIGHTS**

- 2.1 **Extension of Term.** Miles shall provide the Services and additional Services through December 31, 2017 (the “Term”), unless the Agreement is terminated as per its terms.
- 2.2 **Consideration for Services.**
- 2.2.1 Within fifteen (15) business days of the execution of this Third Amendment, Miles shall be paid \$107,805 and be issued 1,875 shares of the Company’s common stock.
- 2.2.2 The Company hereby agrees to grant Miles the right to receive, pro rata, 1.25% of the Net Profit generated from the Product from the Effective Date (the “**Interest**”). In the event of a Divestiture, Miles shall receive 1.25% of the net proceeds of such sale, pro rata, and in the form of such net proceeds, after the deduction of Product Expenses not previously deducted. In the event that the Company is sold, then the Company shall engage an independent financial or accounting firm to determine the fair value of the Company which is directly attributable to the Product (“**Fair Market Value**”) and Miles shall receive 1.25% of such amount after the deduction of all expenses and costs related to such sale. Upon receipt of the payment described in this Section 2.2, the Interest shall be deemed either extinguished or transferred or sold back to the Company, at the Company’s direction, and have no further legal effect and Miles shall have no rights with respect to such Interest.
- 2.2.3 Subject to the terms of this Agreement, the Company agrees to pay Miles \$17,000 per calendar quarter during 2017. The payment for the first calendar quarter of 2017 shall be made by the Company to Miles no later than fifteen (15) business days after the execution of this Third Amendment. The \$17,000 payments for the second, third and fourth calendar quarters of 2017 shall be made by the Company to Miles no later than fifteen (15) business days after the start of each respective calendar quarter.
- 2.2.4 The Company shall grant Miles warrants (the “Warrants”) to purchase 45,000 shares of the Company’s common stock (the “Common Stock”) (with each share of Common Stock, a “Share”). All of the Warrants shall have an exercise price of \$10.00, which shall be equal to or greater than the fair market value of a Share of Common Stock on the date of their grant. All of the Warrants shall be exercisable for cash. All of the Warrants shall contain standard adjustment provisions with respect to stock splits, recapitalizations, change of control and fundamental transactions but shall not contain any anti-dilution or price protection. All of the Warrants shall have a three-year life from their date of grant. Notwithstanding the foregoing, in the event that Miles is terminated by the Company for Cause pursuant to Article IV of this Third Amendment, then all of the Warrants not previously exercised shall expire on the day of such termination. All of the Warrants shall fully vest on their grant date. None of the Warrants are transferable except that in the event of Miles’s death the Warrants shall be transferrable to Miles’s estate.

All of the Warrants shall be in such form as the Form of Notice of Warrant Grant attached as Exhibit A hereto, which Warrants may be exercised, where applicable, pursuant to the Form of Notice of Exercise of Warrant attached as Exhibit B hereto.

Upon the exercise of such Warrants, the fair market value per Share of Common Stock shall be equal to the closing price of the Shares of Common Stock of the Company on the day prior to such exercise. Exercise of these Warrants shall occur by Miles's: (i) surrendering the exercised Warrants at the principal office of the Company together with a properly completed and signed Notice of Exercise of Warrant (as per Exhibit B hereto), and (ii) providing via email a readable .pdf or scan of all of the documentation set forth in (i) to the email addresses of the Chief Executive Officer, Chief Financial Officer and Controller (if the Company has a Controller at such time) of the Company at the time of such surrender (the current applicable email addresses being: rcrystal@opiant.com and kpollack@opiant.com).

- 2.3 **Buyback Right.** Notwithstanding any other provisions of this Agreement, from the Effective Date until four (4) years from the Effective Date the Company shall have the right to buyback the Product Interest or any portion of the Product Interest by providing written or electronic notice to Miles. Any such notice shall include the percentage amount of the Product Interest to be bought back by the Company, and such notice shall also include the dollar amount that equals the percentage amount of the Product Interest to be bought back by the Company based on a rate of 1.25% of Product Interest being equal to one hundred eighty seven thousand five hundred dollars (\$187,500) (the "**Product Buyback Amount**"). In the event that such notice is provided within two and one half (2½) years of the Effective Date, then the Company shall pay Miles two (2) times the Product Buyback Amount within ten (10) business days of providing such notice. In the event that such notice is provided after two and one half (2½) years from the Effective Date and no later than four (4) years from the Effective Date, then the Company shall pay Miles three and one half (3½) times the Product Buyback Amount within ten (10) business days of providing such notice. Upon the Company's paying to Miles the Product Buyback Amount with respect to the Product Interest or any portion of the Product Interest, such Product Interest or portion of the Product Interest, as appropriate, shall be deemed either extinguished or transferred or sold back to the Company, at the Company's direction, and have no further legal effect and Miles shall have no rights with respect to such amount of Interest bought back by the Company.
- 2.4 **Third Party Agreements.** Miles agrees that the Company and its successors and assigns may freely enter into any Third Party Agreement without the prior written consent of Miles. Further, Miles agrees and covenants for the benefit of the Company and its successors and assigns, and any Third Party that enters into a Third Party Agreement and its successors and assigns, and each of their respective shareholders, directors, officers and employees (each, an "Interest Holder") that (a) it shall under no circumstances seek payment or other compensation for any amount due hereunder from any party other than the Company and its successors and assigns, including with respect to any Third Party Agreement and (b) that such Interest Holders shall be express Third Party beneficiaries of Miles's covenants in this Section 2.4 and may enforce the provisions hereof and that the foregoing is a material inducement of such Third Parties to enter into any Third Party Agreement, if any. In consideration of Miles agreeing to the consent granted in this Section 2.4, Company agrees and covenants for the benefit of Miles that in the event that the Company sells a portion of its Revenue stream to a Third Party, Miles's original interest in Net Profit shall be adjusted upward to "equally offset" any reduction in the original interest that would be the result of such sale of the Revenue stream from which Miles would not receive anything. For example, if ten percent of Revenue stream is sold and the original share of Miles of Net Profit was 1.25%, then Miles's share of the Net Profit shall be adjusted by ten percent to 1.375% of Net Profit.

**ARTICLE 3**  
FINANCIAL PROVISIONS

- 3.1 **Net Profit Audit.** The Company shall provide Miles with an annual audit of Net Profits (the “**Audit**”), which Audit shall be completed after the end of each calendar year. Notwithstanding the foregoing, this Section 3.1 shall not be applicable until the Product generates Net Profit from which amounts would be due to Miles.
- 3.2 **Product Status Update.** After the end of each quarter of the calendar year, the Company shall provide Miles with a written or electronic update with respect to the status of the Product.
- 3.3 **Net Profit Distribution.** After the end of each of the first three quarters of the calendar year, the Company shall distribute to Miles eighty percent (80%) of such calendar quarter’s Net Profits represented by the Interest, which amount shall be estimated in good faith by the Company. Upon the completion of the Audit for such calendar year, the Company shall distribute to Miles the Net Profits represented by the Interest, for the fourth quarter of the calendar year. In the event that the Audit for such calendar year determines the Net Profits represented by the Interest, for the first three quarters of the calendar year (the “**Audited NP**”) to be greater than the estimated Net Profits represented by the Interest, actually paid to Miles for the first three calendar quarters (the “**Estimated NP**”), then the Company shall distribute to Miles the difference between the Audited NP and the Estimated NP. In the event that the Audit for such calendar year determines the Audited NP to be less than the Estimated NP, then the Company shall deduct the difference between the Estimated NP and the Audited NP from the distribution for the fourth quarter of such calendar year and, if required, each following distribution until such amount is fully deducted.

**ARTICLE 4**  
ADDITIONAL PROVISIONS

- 4.1 All compensation granted to Miles herein shall be in addition to compensation previously granted by the Company to Miles. No other compensation shall be owed or due to Miles unless set forth in this Third Amendment or in the Agreement.
- 4.2 Notwithstanding anything herein to the contrary, during the Term, the Company may terminate this Agreement at any time for Cause (as hereinafter defined). In such an event Miles shall be deemed effectively terminated as of the time of delivery of such notice. For the avoidance of doubt, there will be no severance pay or other special payment upon such termination by the Company for Cause and the Company shall not be obligated to provide any further compensation to Miles, except that Miles shall be entitled to all such options and warrants held by Miles that have vested. For purposes of this Agreement, “Cause” means: termination based upon Miles’s (i) willful breach or willful neglect of his duties and responsibilities; (ii) conviction of or a plea of no contest with respect to a felony occurring on or after the execution of this Agreement; (iii) material breach of this Agreement; (iv) acts of fraud, dishonesty, misappropriation, or embezzlement; (v) willful failure to comply with the Board of Directors of the Company’s reasonable orders or directives consistent with Miles’s position; or (vi) becoming disqualified or prohibited by law from serving as Senior Advisor of the Company; provided, however, that in the case of any act or failure to act described in clauses (i), (iii), or (v) above, such act or failure to act will not constitute Cause if, within ten (10) days after notice of such act or failure to act is given to Miles by the Company, Miles has corrected such act or failure to act (if it is capable of correction).

- 4.3 This Third Amendment, together with any other documents incorporated herein by reference, including the Agreement, and related exhibits and schedules, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.
- 4.4 The Agreement, as amended by this Third Agreement, may only be amended, modified, or supplemented by an agreement in writing signed by each Party to the Agreement or, in the case of waiver, by the Party or Parties waiving compliance.
- 4.5 This Third Amendment shall be governed by and construed in accordance with the internal Laws of the State of California without giving effect to any choice or conflict of Law provision or rule. Each Party irrevocably submits to the exclusive jurisdiction and venue of the federal and state courts located in California in any legal suit, action or proceeding arising out of or based upon this Third Amendment or the Services and/or compensation provided hereunder.
- 4.6 If any term or provision of this Third Amendment is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Third Amendment or invalidate or render unenforceable such term or provision in any other jurisdiction.
- 4.7 This Third Amendment may be executed in multiple counterparts and by facsimile signature or by email of a PDF document, each of which shall be deemed an original and all of which together shall constitute one instrument.
- 4.8 All notices, requests, demands and other communications (collectively, “**Notices**”) given pursuant to this Agreement shall be electronic or in writing, and shall be delivered by email or by personal service, courier, facsimile transmission or by United States first class, registered or certified mail, postage prepaid, addressed to the Party at the address set forth below. Any Notice, other than a Notice sent by registered or certified mail, shall be effective when received; a Notice sent by registered or certified mail, postage prepaid return receipt requested, shall be effective on the earlier of when received or the fifth day following deposit in the United States mails. Any Party may from time to time change its address for further Notices hereunder by giving notice to the other Party in the manner prescribed in this Section. Notwithstanding the foregoing, the Company may send the information set forth in Sections 3.1 and 3.2 via email.

***For Company***

Opiant Pharmaceuticals, Inc.  
401 Wilshire Blvd., 12<sup>th</sup> Floor  
Santa Monica, CA 90401  
Attention: Roger Crystal  
Email: rcrystal@opiant.com

***with a copy to:***

DLA Piper LLP  
One Liberty Place  
1650 Market Street, Suite 4900  
Attention: Fahd M.T. Riaz  
Email: Fahd.Riaz@dlapiper.com

***For Miles:***

Brad Miles  
117 Sandcherry Court  
Pickering, Ontario Canada L1V 6V8  
Email: [bmiles@opiant.com](mailto:bmiles@opiant.com) or  
[mb.miles@sympatico.ca](mailto:mb.miles@sympatico.ca)

IN WITNESS WHEREOF, duly authorized representatives of the Parties have executed this Third Amendment as of the Effective Date.

**OPIANT PHARMACEUTICALS, INC.**

**BRAD MILES**

By: /s/ Kevin Pollack  
Name: Kevin Pollack  
Title: CFO

By: /s/ Brad Miles  
Title: Senior Advisor

**EXHIBIT A**

**OPIANT PHARMACEUTICALS, INC.  
401 Wilshire Blvd., 12<sup>th</sup> Floor  
Santa Monica, CA 90401**

**Form of Notice of Warrant Grant**

Dear Brad Miles,

Pursuant to the Third Amendment to the Senior Advisor Agreement by and between you and Opiant Pharmaceuticals, Inc. (the "Company"), dated January 22, 2013 and amended on February 24, 2015, March 19, 2015 and March 13, 2017 (the "Third Amendment") (collectively, the "Agreement"), the Company has granted you warrants (the "Warrants") to purchase common stock of the Company (the "Common Stock") (with each share of Common Stock, a "Share") as follows:

Board Approval Date: March 11, 2017

Date of Grant: March \_\_, 2017

Exercise Price per Share: US\$10.00, which shall be equal to or greater than the fair market value of a Share of Common Stock on the Date of Grant.

Total Number of Shares Granted: 45,000

Method of Exercise: Cash exercise

Expiration Date: March [ ], 2020

Termination Period: Except as otherwise provided below, these Warrants may be exercised for a period of three (3) years from the Date of Grant. You are responsible for keeping track of these exercise periods. The Company will not provide further notice of such periods.

Notwithstanding the foregoing, in the event that you are terminated by the Company for Cause pursuant to Article IV of the Third Amendment, then the Warrants shall expire on the day of such termination.

Transferability: The Warrants are not transferable except that in the event of your death the Warrants shall be transferrable to your estate.

Restriction on Exercise: Your ability to exercise these Warrants is contingent on your and your officers, agents, and representatives keeping confidential information shared with you and your officers, agents, and representatives confidential and complying with all applicable laws and regulations.

Vesting: 100% on March \_\_, 2017

These Warrants may only be exercised for cash.

Following receipt by the Company of evidence and/or an indemnity from you to the Company in a form reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of these Warrants or any certificates for representing the Shares underlying these Warrants and, in the event of mutilation, following the surrender and cancellation of such Warrants or stock certificate, the Company shall make and deliver replacement Warrants or stock certificate of like tenor and dated as of such cancellation, in lieu of these Warrants or stock certificate, without any charge therefor. Any such replacement Warrants or stock certificates shall be subject to the same terms, conditions, and restrictions as these Warrants and any Shares underlying these Warrants. Proportionate adjustments shall automatically be made to both the Exercise Price and number of these Warrants in the event of a stock split, recapitalization, change of control and fundamental transaction. Upon the exercise of these Warrants, the fair market value per Share shall be equal to the closing price of the Shares on the day prior to such exercise.

Exercise of these Warrants shall occur by your: (i) surrendering the exercised Warrants at the principal office of the Company together with a properly completed and signed Notice of Exercise of Warrant (as per Exhibit B), and (ii) providing via email a readable .pdf or scan of all of the documentation set forth in (i) to the email addresses of the Chief Executive Officer, Chief Financial Officer and Controller (if the Company has a Controller at such time) of the Company at the time of such surrender (the current applicable email addresses being: rcrystal@opiant.com and kpollack@opiant.com).

If only a portion of the Warrants are exercised as of a particular date, the number of Shares issued shall be rounded down to the nearest whole share. However, the number of Shares issued is rounded up to 100% on the final exercise date with respect to the Warrants.

These Warrants may be delivered to you electronically with a scanned signature, in which case they shall have the same effect and force as if they had been delivered in original signed form.

You shall not have any of the rights of a stockholder with respect to the Shares of Common Stock until such Shares have been issued to you upon the due exercise of the Warrants. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such Shares are issued.

This Notice may be amended from time to time by the Company in its discretion; provided, however, that this Notice may not be modified in a manner that would have a materially adverse effect on the Warrants or Shares as determined in the discretion of the Company except as provided in a written document signed by you and the Company.

This Notice and the Warrants granted hereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code. This Notice and the Warrants shall be administered, interpreted and construed in a manner consistent with this intent. Nothing in this Notice shall be construed as including any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the Warrants. Should any provision of this Notice be found not to comply with, or otherwise be exempt from, the provisions of Section 409A of the Code, it may be modified and given effect, in the sole discretion of the Company and without requiring your consent, in such manner as the Company determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Section 409A of the Code. The foregoing, however, shall not be construed as a guarantee or warranty by the Company of any particular tax effect to you.



Notwithstanding the foregoing, if at any time the Company determines that the delivery of Shares under this Notice is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign securities laws, the right to exercise the Warrants or receive Shares pursuant to the Warrants shall be suspended until the Company determines that such delivery is lawful. If at any time the Company determines that the delivery of Shares is or may violate the rules of the national securities exchange on which the shares are then listed for trade, the right to exercise the Warrants or receive Shares pursuant to the Warrants shall be suspended until the Company determines that such exercise or delivery would not violate such rules.

By your signature and the signature of the Company's representative below, you and the Company agree to the terms of these Warrants.

OPIANT PHARMACEUTICALS, INC.

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Kevin Pollack, Chief Financial Officer

**EXHIBIT B**

**Form of Notice of Exercise of Warrant**

Ladies and Gentlemen:

This letter constitutes an unconditional and irrevocable notice that I hereby exercise the warrant(s) granted to me by Opiant Pharmaceuticals, Inc., a Nevada corporation (the "Company") on \_\_\_\_\_ at a fair market value of US\$ \_\_\_\_\_ per share. Pursuant to the terms of such warrant(s), I wish to purchase \_\_\_\_\_ shares of the common stock covered by such warrant(s) at the exercise price(s) of US\$ \_\_\_\_\_ per share via cash exercise, for a total aggregate purchase price of US\$ \_\_\_\_\_, which I agree to promptly provide to the Company.

These shares should be delivered as follows:

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tax ID #: \_\_\_\_\_

I represent that I will not dispose of such shares in any manner that would involve a violation of applicable securities laws.

Dated: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER,  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES–OXLEY ACT OF 2002**

I, Dr. Roger Crystal, Chief Executive Officer of Opiant Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Opiant Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2017

By:     /s/ Dr. Roger Crystal      
Dr. Roger Crystal  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER,  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin Pollack, Chief Financial Officer of Opiant Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Opiant Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2017

By: /s/ Kevin Pollack  
Kevin Pollack  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Opiant Pharmaceuticals, Inc. (the "Company") for the period ended April 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Roger Crystal, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2017

By: /s/ Dr. Roger Crystal  
Dr. Roger Crystal  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Opiant Pharmaceuticals, Inc. (the "Company") for the period ended April 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Pollack, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2017

By: /s/ Kevin Pollack  
Kevin Pollack  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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