SCOLR Pharma, Inc.

Technical Rights, Patent License And Royalty Agreements

Technical Rights, Patent License And Royalty Agreements	6 Months Ended
	Jun. 30, 2011
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Note 7 - Technical Rights, Patent License and Royalty Agreements

Syntrix Biosystems, Inc.

On June 2, 2011, the Company, and Syntrix Biosystems, Inc., a Delaware corporation ("Syntrix"), entered into an Exclusive License Agreement (the "Agreement") pursuant to which the Company granted Syntrix a perpetual, exclusive, worldwide, assignable, sub-licensable right to the Company's technology platform for the development, manufacture and distribution of tablet formulations containing a certain confidential active ingredient. In consideration for the grant of the License, the Company will receive a royalty as a percentage of sales and sublicense royalties actually received by Syntrix, net of certain allowances or credits for rejections and returns, rebates, charge backs and discounts. Royalties are payable from the first commercial sale of licensed product formulations through July 19, 2017, up to a maximum payment to the Company of $20 million.

The Company had previously contracted with Syntrix to provide certain development and commercialization services with respect to the licensed formulation. In connection with the agreement and in order for Syntrix to continue the needed development activities, the Company sold Syntrix certain laboratory equipment previously used by the Company in performing these services. The purchase price for the equipment was $175,000 and a gain of $120,000 was recognized.

RedHill Biopharma Ltd.

On May 2, 2010, the Company entered into an Exclusive License Agreement (the "Agreement") with RedHill Biopharma Ltd., an Israeli company ("RedHill"). Under the Agreement, SCOLR granted to RedHill the exclusive, worldwide, and perpetual rights to produce, market, and sell Ondansetron tablet formulations based on SCOLR's proprietary and patented Controlled Delivery Technology ("CDT") platforms. Under the terms of the Agreement, the Company received the initial licensing fee of $100,000 in May 2010. Additionally, RedHill is obligated to make milestone payments to SCOLR of $250,000 each upon (i) final marketing approval by the FDA of the Ondansetron product and (ii) the first commercial sale of the product by RedHill. SCOLR will receive an 8% royalty on direct and sublicense sales royalties actually received by RedHill, net of RedHill's reasonable marketing and distribution expenses. The Agreement specifies a maximum payment to SCOLR, including royalties and all other fees, of $30 million.

On November 3, 2010, RedHill engaged SCOLR Pharma to perform certain research services related to an extended release formulation of Ondansetron. Under the agreement, RedHill is to pay SCOLR $100,000 in total fees. RedHill paid $50,000 of the total fee upon signing the agreement and paid the remaining $50,000 in the first quarter of 2011. The full $100,000 was recorded as revenue in the first quarter of 2011.

Perrigo Company of South Carolina, Inc

On October 20, 2005, the Company entered into a Manufacture, License and Distribution Agreement with a subsidiary of Perrigo Company ("Perrigo"). Perrigo is a leading global healthcare supplier and one of the world's largest manufacturers of over-the-counter ("OTC") pharmaceutical and nutritional products for the store brand and contract manufacturing markets. Under the agreement, the Company granted a license to its CDT technology to Perrigo for the manufacture, marketing, distribution, and sale of specific dietary supplements in the United States. The Company receives royalty payments based on Perrigo's net profits derived from the sales of products subject to the agreement. On January 24, 2010, the Company amended the Perrigo agreement to provide for a

reduction in the royalty rate due to it on sales by Perrigo of products licensed under the Agreement. The amendment also modified the methodology for calculation of "net profits" for determining the amount of such royalties, removed Perrigo's exclusivity rights with respect to three out of the five categories of products licensed under the agreement and eliminated Perrigo's right to request that it develop additional dietary supplement products for sale under the agreement.

The term of the agreement is determined on a product-by-product basis and, unless earlier terminated, ends with respect to particular products on the tenth anniversary of the first commercial sale of that product. Two principal products are sold by Perrigo under the Agreement, one of which, glucosamine chondroitin, began commercial sales in 2005, and the other, a calcium supplement, began commercial sale in August 2007. In addition, under certain conditions, the Company may terminate the agreement with respect to individual products covered thereby at any time after the fifth (5th) anniversary of the first commercial sale of that product. The agreement is otherwise terminable by mutual consent, for material breach, or in circumstances of bankruptcy, insolvency or liquidation.

During the fourth quarter of 2010, the Company was informed by Perrigo, that certain retail accounts will no longer carry certain of Perrigo's products. The revenues from Perrigo decreased substantially as a result of such discontinuance as remaining product was sold, and the Company expects the revenues from Perrigo to be negligible for the remainder of 2011.