Zogenix Announces Agreement of Sale of Zohydro(R) ER Business to Pernix for $100 Million at Closing Plus Potential Milestones of $283.5 Million

March 10, 2015

Enables planned implementation of new strategic focus to developing a late-stage, high-value CNS pipeline

Conference Call and Webcast on Tuesday, March 10, at 4:30 p.m. ET

Agreement Terms:

- *$100 million in upfront consideration comprised of $30 million in cash, $20 million in Pernix common stock and a $50 million short term promissory note*
- *$12.5 million milestone payment for approval of ZX007 abuse-deterrent extended-release hydrocodone tablet (the Altus formulation)*
- *Up to $271 million in potential sales milestones with first being $7.5 million upon aggregate net sales reaching $75 million in a single calendar year*

SAN DIEGO, March 10, 2015 (GLOBE NEWSWIRE) -- Zogenix, Inc. (Nasdaq: ZGNX), a pharmaceutical company developing and commercializing products for the treatment of central nervous system (CNS) disorders, announced today that it has entered into a definitive agreement to sell its Zohydro® ER (hydrocodone bitartrate) business to Pernix Therapeutics (Nasdaq:PTX) for $100 million plus regulatory and sales milestones up to $283.5 million. Both companies plan to transition the Zogenix sales team and other select employees to Pernix.

This transaction enables Zogenix to strategically shift focus to its late-stage CNS clinical pipeline highlighted by two promising product candidates:

- ZX008, which has orphan drug designation in the US and EU for the treatment of Dravet syndrome and is expected to enter Phase 3 development this year, and;
- Relday, a unique long-acting injectable formulation of risperidone for the maintenance treatment of schizophrenia that is expected to be ready for Phase 3 studies in the first half of 2016.

The sale of Zohydro ER to Pernix significantly reduces operating expenses, eliminates all R&D expenses related to ongoing abuse-deterrent formulations, and further enhances the Company's financial strength with non-dilutive capital.

Roger Hawley, chief executive officer of Zogenix said, "The submission and recent approval of the supplemental New Drug Application (sNDA) for Zohydro® ER with BeadTek™ was an important catalyst for increasing strategic interest in the brand. We are very pleased to have selected Pernix for this transaction as we believe they are well positioned to continue raising awareness of the important clinical benefits of Zohydro ER for patients suffering with severe chronic pain who are in need of around-the-clock opioid therapy. As a further benefit to those involved with Zohydro ER, upon closing both companies plan to transition the Zogenix sales team and other select commercial and medical affairs employees to Pernix. This will help ensure uninterrupted customer support, a smooth transition and continued growth of the product. We thank our entire commercial and medical organizations for their achievements during the product's first year on the market and look forward to continued efforts in the coming months by our sales team in driving adoption of Zohydro ER in the pain community."

Terms of the agreement

Under terms of the agreement, at closing, Pernix will pay Zogenix $30 million in cash, $20 million in common stock and provide a $50 million short-term promissory note. Ten percent of the cash consideration will be deposited into escrow to fund potential indemnification claims for a period of 12 months, plus up to an additional $7 million to be deposited into escrow upon repayment of the promissory note. The Company is also eligible to receive $12.5 million upon approval of ZX007, a tablet formulation of extended-release hydrocodone with abuse-deterrent properties which is currently in development in collaboration with Altus Formulation. In addition, Zogenix is eligible to receive cash payments of up to $271 million based on the achievement of pre-determined annual product sales milestones for Zohydro ER and ZX007. Pernix will also purchase a pre-defined amount of Zohydro ER product inventory.

The Zohydro ER NDA and related investigational new drug applications will be transferred to Pernix immediately upon closing and Pernix will assume responsibility for Zogenix's royalty and manufacturing obligations to Daravita Limited, an indirect wholly-owned subsidiary of Alkermes plc. Upon closing, Pernix will also assume regulatory and financial responsibility for the ongoing efforts related to amending the Zohydro ER label to include abuse-deterrent claims and for the development of ZX007, with Zogenix providing assistance in the development of both programs under a Transitional Services Agreement for up to 18 months following closing. The transaction is expected to close in April 2015, subject to customary closing conditions.

Leerink Partners LLC acted as financial advisor and Latham & Watkins LLP acted as legal advisor to Zogenix on the transaction.

Conference Call

Further comments regarding this transaction will be discussed during a conference call and webcast today, March 10, 2015, at 4:30 pm ET.

To access the live webcast please visit the Company's Investor Relations website at ir.zogenix.com, and to participate, please dial (877) 417-5253 (U.S.) or (315) 625-3082 (International); participant passcode: 85134635.

About Zogenix

Zogenix, Inc. (Nasdaq:ZGNX) is a pharmaceutical company committed to developing and commercializing therapies that address specific clinical needs for people living with pain-related conditions and CNS disorders who need innovative treatment alternatives to help them return to normal daily functioning.

Forward-Looking Statements

Zogenix cautions you that statements included in this press release that are not a description of historical facts are forward-looking statements. Words such as "believes,"

"anticipates," "plans," "expects," "indicates," "will," "intends," "potential," "suggests," "assuming," "designed" and similar expressions are intended to identify forward-looking statements. These statements are based on the company's current beliefs and expectations. These forward-looking statements include statements regarding: the timing and likelihood of closing the Zohydro ER transaction; the potential to receive future milestone payments from the Zohydro ER transaction and the potential effect on operating expenses of Zogenix following the closing; Zogenix's strategy on advancing Zogenix's novel pipeline in CNS disorders; and the timing of the commencement of clinical trials for ZX008 and Relday. Actual results may differ from those set forth in this press release due to the risk and uncertainties inherent in Zogenix's business, including, without limitation: the uncertainty of approval under the Hart Scott Rodino Antitrust Improvements Act for the proposed sale of Zohydro ER; the parties' ability to satisfy the conditions to closing for the proposed transaction on the anticipated timeline or at all; difficulties or delays relating to the development, testing and manufacturing of and obtaining regulatory approval for ZX008 or Relday; Zogenix's dependence on third parties to develop ZX008 and Relday; Zogenix may require additional capital and may not be able raise sufficient capital when needed, on acceptable terms or at all; Pernix Therapeutic's ability to repay the promissory note when expected; the value of the stock consideration is subject to changes based on fluctuations in the value of Pernix Therapeutic's common stock; and other risks detailed in Zogenix's prior press releases as well as in public periodic filings with the Securities and Exchange Commission. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, and Zogenix undertakes no obligation to revise or update this press release to reflect events or circumstances after the date hereof. All forward-looking statements are qualified in their entirety by this cautionary statement. This caution is made under the safe harbor provisions of Section 21E of the Private Securities Litigation Reform Act of 1995.

CONTACT: Investors
Zack Kubow |The Ruth Group
646.536.7020 | zkubow@theruthgroup.com

Media
David Polk | Chandler Chicco Companies
310.309.1029 | DPolk@chandlerchiccocompanies.com

Zogenix