

CONFLICTS OF INTEREST WITH MD ANDERSON SUGGESTS ZIOPHARM AND INTREXON'S LICENSED CANCER THERAPY HAS LITTLE VALUE

January 20, 2015

RESEARCH SUMMARY

- MD Anderson (MDA) has a lockup period of four months before it can sell its \$115M of ZIOP and XON stock it received for selling them the license to its CAR-T cancer therapy, Sleeping Beauty.
- MDA's Ex-VP of Research, Leonard Zwelling, [wrote](#) about a conflict of interest arising from the deal, in which it's against MDA's interest to report any negative findings of Sleeping Beauty and risk ZIOP and XON falling as a result.
- MDA's engaging in this questionable deal likely means Sleeping Beauty will turn out to be an ineffective therapy.
- XON and ZIOP will likely do an equity raise ASAP while the hype is still fresh.

"False. It (MD Anderson) didn't pick them (ZIOP and XON) over the others, the others are already partnered. Classic \$ZIOP and \$XON pump."

- Tweeted [Skeptical PhD](#) on 1/18/15

As explained in White Diamond Research's [previous article](#) on Intrexon (XON), XON aggressively promoted its

stock at the JPM Healthcare conference on 1/14/15. XON announced that along with its partner, cancer biotech Ziopharm (ZIOP), they purchased the license of MD Anderson's CAR-T cancer therapy called Sleeping Beauty, for a total of \$100M in stock. XON wanted to get involved with the CAR-T hype and pitch it to investors at the conference so much, that it and ZIOP paid an extra \$15M worth of stock, on top of the \$100M, in order to expedite the deal to get it done in time for the conference.

Since then, a new revelation has come to light. MDA's ex-VP of Research, Leonard Zwelling, [blogged](#) about how there's a conflict of interest with the MDA deal. MDA was paid \$115M, all in stock, half in ZIOP and half in XON, and MDA can't sell its shares until four months from now. Since the cancer therapy was purchased very cheap (\$115M), it's a longshot for the therapy to be successful. Therefore, MDA will likely not do any intensive, revealing studies in the four months before its lockup period ends, because if any negative discoveries come to light about the therapy, that will make XON and ZIOP stock go down, which MDA is now heavily invested in.

From [MDA's Wikipedia page](#):

Being part of The University of Texas System, MD Anderson Cancer Center is managed under a nonprofit structure; however, for-profit agreements have caused some to question the motives of the center.

MDA wanted that \$115M, which is a small sum for a cancer therapy. The fact that MDA is willing to risk tarnishing its reputation over this deal shows that Sleeping Beauty is likely not an effective therapy. If MDA was sitting on something of great value, it likely would have passed on this questionable deal with XON and ZIOP, and waited to do the deal with a bigger pharma company.

Now is the time for XON and ZIOP to strike with an equity raise. XON investors are now very exuberant after the JPM Healthcare Conference, and the lockup period for MDA is a long ways away. XON won't be able to promote its stock as well as it did at the conference from now until MDA's lockup period expiry. At this point, the longer XON and ZIOP wait to do an equity raise, the lower the price they'll have to sell their stock. For these reasons, it's in both companies best interest to do an equity raise ASAP.

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