UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2021

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 001-39294

ASSERTIO HOLDINGS, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware	**85-0598378**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

100 South Saunders Road, Suite 300
Lake Forest, Illinois 60045
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES; ZIP CODE)

(224) 419-7106
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock, $0.0001 par value	ASRT	Nasdaq Stock Market

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☒
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. ☐

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

The number of issued and outstanding shares of the registrant's Common Stock, $0.0001 par value, as of October 31, 2021 was 44,634,085.

ASSERTIO HOLDINGS, INC.
FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2021
TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ASSERTIO HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,726	$ 20,786
Accounts receivable, net	36,145	44,350
Inventories, net	5,481	11,712
Prepaid and other current assets	12,193	17,406
Total current assets	112,545	94,254
Property and equipment, net	1,678	2,437
Intangible assets, net	179,143	200,082
Other long-term assets	5,939	6,501
Total assets	$ 299,305	$ 303,274
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,666	$ 14,808
Accrued rebates, returns and discounts	43,830	63,114
Accrued liabilities	13,782	27,071
Current portion of long-term debt	12,257	11,942
Contingent consideration, current portion	7,200	6,776
Interest payable	4,193	1,793
Other current liabilities	11,552	7,182
Total current liabilities	100,480	132,686
Long-term debt	66,410	72,160
Contingent consideration	30,759	31,776
Other long-term liabilities	4,796	11,138
Total liabilities	202,445	247,760
Commitments and contingencies		
Shareholders' equity:		
Common stock, $0.0001 par value, 200,000,000 shares authorized; 44,622,498 and 28,392,149 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	4	3
Additional paid-in capital	530,689	483,456
Accumulated deficit	(433,833)	(427,945)
Total shareholders' equity	96,860	55,514
Total liabilities and shareholders' equity	$ 299,305	$ 303,274

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

ASSERTIO HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
Product sales, net	$ 25,997	$ 33,664	$ 77,271	$ 61,974
Commercialization agreement, net	—	—	—	11,258
Royalties and milestones	416	299	1,391	1,158
Other revenue	(941)	602	(976)	1,709
Total revenues	25,472	34,565	77,686	76,099
Costs and expenses:				
Cost of sales	3,050	6,462	10,936	13,099
Research and development expenses	—	1,316	—	3,983
Selling, general and administrative expenses	9,313	27,607	43,279	83,052
Amortization of intangible assets	7,175	5,587	20,939	18,237
Restructuring charges	—	268	1,089	6,787
Total costs and expenses	19,538	41,240	76,243	125,158
Income (loss) from operations	5,934	(6,675)	1,443	(49,059)
Other (expense) income :				
Interest expense	(2,495)	(3,050)	(7,783)	(13,328)
Other gain (loss), net	344	253	747	(3,571)
Gain on sale of Gralise	—	—	—	126,655
Loss on extinguishment of convertible notes	—	—	—	(47,880)
Loss on sale of NUCYNTA	—	—	—	(14,749)
Loss on debt extinguishment	—	—	—	(8,233)
Total other (expense) income	(2,151)	(2,797)	(7,036)	38,894
Net income (loss) before income taxes	3,783	(9,472)	(5,593)	(10,165)
Income tax (expense) benefit	(46)	(1,050)	(294)	6,374
Net income (loss) and Comprehensive income (loss)	$ 3,737	$ (10,522)	$ (5,887)	$ (3,791)
Basic net income (loss) per share	$ 0.08	$ (0.35)	$ (0.14)	$ (0.15)
Diluted net income (loss) per share	$ 0.08	$ (0.35)	$ (0.14)	$ (0.15)
Shares used in computing basic net income (loss) per share	44,969	29,891	42,550	24,958
Shares used in computing diluted net income (loss) per share	45,055	29,891	42,550	24,958

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

ASSERTIO HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Common Stock		Additional Paid-In Capital*	Accumulated Earnings (Deficit)	Shareholders' Equity
	Shares*	Amount*			
Balances at December 31, 2020	28,392	$ 3	$ 483,456	$ (427,945)	$ 55,514
Issuance of common stock upon exercise of options	73	—	—	—	—
Issuance of common stock in connection with stock offerings	14,400	1	44,860	—	44,861
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	211	—	(388)	—	(388)
Issuance of common stock in conjunction with vesting of performance stock units	13	—	—	—	—
Issuance of common stock upon exercise of warrant	347	—	—	—	—
Stock-based compensation	—	—	772	—	772
Net income and comprehensive income	—	—	—	4,544	4,544
Balances at March 31, 2021	43,436	$ 4	$ 528,700	$ (423,401)	$ 105,303
Issuance of common stock upon exercise of options	—	—	193	—	193
Issuance of common stock under employee stock purchase plan	4	—	—	—	—
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	227	—	(19)	—	(19)
Issuance of common stock upon exercise of warrant	845	—	—	—	—
Stock split fractional shares settlement	(18)	—		—	—
Stock-based compensation	—	—	957	—	957
Net loss and comprehensive loss	—	—	—	(14,169)	(14,169)
Balances at June 30, 2021	44,494	$ 4	$ 529,831	$ (437,570)	$ 92,265
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	128	—	(8)	—	(8)
Stock-based compensation	—	—	866	—	866
Net income and comprehensive income	—	—	—	3,737	3,737
Balances at September 30, 2021	44,622	$ 4	$ 530,689	$ (433,833)	$ 96,860

(*) Adjusted to reflect the 1-for-4 reverse stock split effected on May 18, 2021.

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

	Common Stock		Additional Paid-In Capital*	Accumulated Earnings (Deficit)	Shareholders' Equity
	Shares*	Amount*			
Balances at December 31, 2019	20,222	$ 2	$ 457,757	$ (399,801)	$ 57,958
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	109	—	(271)	—	(271)
Reacquisition of equity component of 2021 Notes and 2024 Notes	—	—	(16,814)	—	(16,814)
Stock-based compensation	—	—	1,934	—	1,934
Net income and comprehensive income	—	—	—	41,230	41,230
Balances at March 31, 2020	20,331	$ 2	$ 442,606	$ (358,571)	$ 84,037
Issuance of common stock under employee stock purchase plan	19	—	49	—	49
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	54	—	(41)	—	(41)
Issuance of common stock in connection with the Zyla Merger	6,370	1	22,930	—	22,931
Issuance of warrants and stock options in conjunction with the Zyla Merger	—	—	11,626	—	11,626
Reacquisition of equity component of 2021 Notes and 2024 Notes	—	—	(2,718)	—	(2,718)
Stock-based compensation	—	—	3,593	—	3,593
Net loss and comprehensive loss	—	—	—	(34,499)	(34,499)
Balances at June 30, 2020	26,774	$ 3	$ 478,045	$ (393,070)	$ 84,978
Issuance of common stock in conjunction with vesting of restricted stock units, net of employee's withholding liability	21	—	(17)	—	(17)
Stock-based compensation	—	—	1,511	—	1,511
Net loss and comprehensive loss	—	—	—	(10,522)	(10,522)
Balances at September 30, 2020	26,795	$ 3	$ 479,539	$ (403,592)	$ 75,950

(*) Adjusted to reflect the 1-for-4 reverse stock split effected on May 18, 2021.

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

ASSERTIO HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2021	**2020**
Operating Activities		
Net loss	$ (5,887)	$ (3,791)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Gain on sale of Gralise	—	(126,655)
Loss on sale of NUCYNTA	—	14,749
Loss on extinguishment of Convertible Notes	—	47,880
Loss on prepayment of Senior Notes	—	8,233
Depreciation and amortization	21,698	19,468
Amortization of debt discount, debt issuance costs and royalty rights	159	5,614
Recurring fair value measurement of assets and liabilities	1,902	5,485
Stock-based compensation	2,596	7,038
Provision for inventory and other assets	(86)	2,561
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	8,205	24,944
Inventories	6,317	(792)
Prepaid and other assets	5,777	1,837
Accounts payable and other accrued liabilities	(22,405)	(18,447)
Accrued rebates, returns and discounts	(19,284)	(43,265)
Interest payable	2,400	(4,449)
Net cash provided by (used in) operating activities	1,392	(59,590)
Investing Activities		
Purchases of property and equipment	—	(10)
Cash acquired in Zyla Merger	—	7,585
Proceeds from sale of NUCYNTA	—	368,965
Proceeds from sale of Gralise	—	130,261
Proceeds from sale of investments	—	6,000
Net cash provided by investing activities	—	512,801
Financing Activities		
Payments in connection with convertible notes	(335)	(264,731)
Payment in connection with Series A-1 and A-2 debt	(4,750)	(10,000)
Payment of contingent consideration	(2,495)	(261)
Payments in connection with Senior Notes settlement	—	(171,775)
Payments on Revolver	—	(10,000)
Payments on Promissory Note	—	(3,000)
Payment of Royalty Rights	(510)	—
Proceeds from issuance of common stock	44,861	—
Proceeds from exercise of stock options	193	—
Shares withheld for payment of employee's withholding tax liability	(416)	(814)
Net cash provided by (used in) financing activities	36,548	(460,581)
Net increase (decrease) in cash and cash equivalents	37,940	(7,370)
Cash and cash equivalents at beginning of year	20,786	42,107
Cash and cash equivalents at end of period	$ 58,726	$ 34,737
Supplemental Disclosure of Cash Flow Information		
Net cash paid for income taxes	$ —	$ 865
Cash paid for interest	$ 5,216	$ 12,100

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

ASSERTIO HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements of Assertio Holdings, Inc. (the Company or Assertio) and its subsidiaries and the related footnote information of the Company have been prepared pursuant to the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules and regulations, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company's management, the accompanying interim unaudited condensed consolidated financial statements include all adjustments necessary for a fair presentation of the information for the periods presented. Certain amounts in prior periods have been reclassified to conform with current period presentation. The results for the three and nine months ended September 30, 2021 are not necessarily indicative of results to be expected for the entire year ending December 31, 2021 or future operating periods.

The accompanying unaudited condensed consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended December 31, 2020 included in Assertio Holdings, Inc.'s Annual Report on Form 10-K filed with the SEC on March 12, 2021 (the 2020 Form 10-K). The Condensed Consolidated Balance Sheet as of December 31, 2020 has been derived from the audited financial statements at that date, as filed in the Company's 2020 Form 10-K. The Company's significant one-time 2020 transactions such as the sale of the NUCYNTA franchise, sale of Gralise, repayment of its debt obligations, and merger with Zyla Life Sciences are discussed in the 2020 Form 10-K.

Stock Split

On May 18, 2021, the Company effected a 1-for-4 reverse stock split of its issued and outstanding common stock. The par value of the common stock was not adjusted as a result of the reverse stock split. All common stock share and per-share data included in these financial statements have been retrospectively adjusted to reflect the effect of the reverse stock split for all periods presented.

Revenue Reclassification

During the third quarter, the Company made certain reclassifications within Total Revenues related to product sales adjustments for previously divested products. Product sales adjustments for previously divested products were reclassified from Product sales, net to Other revenue on the Condensed Consolidated Statements of Comprehensive Income, which impacted previously reported amounts for the three and nine months ended September 30, 2020. The reclassifications were made so the line item Product sales, net would reflect net sales of the Company's current commercialized products. Prior period results were recast to conform with these changes, and resulted in a increase to Other revenue and an equal and offsetting decrease to Product sales, net of $0.6 million and $1.7 million for the three and nine months ended September 30, 2020, respectively. Total net revenue as previously reported remains unchanged.

Impact of COVID-19 on our Business

Following the outbreak of COVID-19 during early 2020, the Company's priority was and remains the health and safety of its employees, their families, and the patients it serves. As a result, in March 2020, the Company initiated remote working arrangements and maintained flexible work arrangements for individuals, which continued through the remainder of 2020 and into 2021. In addition to the health and safety of its employees, the Company is focused on ensuring that it continues making its products accessible to the patients who need them. Because COVID-19 impacted the Company's ability to see in-person providers who prescribe its products, the Company adapted its approach during 2020 and increased its virtual visits. Additionally, due to the limitations on elective surgeries and changes in patient behavior since the outbreak of COVID-19, the Company has experienced a decline and subsequent volatility in prescriptions associated with those elective procedures. The extent to which the Company's operations may continue to be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak, actions by government authorities to contain the outbreak or treat its impact, the emergence of new COVID-19 variants and the related potential for new surges in infections, and the distribution, public acceptance and efficacy of COVID-19 vaccines including for emerging variants.

NOTE 2. REVENUE

Disaggregated Revenue

The following table reflects summary revenue, net for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Product sales, net:				
INDOCIN products [1]	$ 14,541	$ 13,773	$ 42,214	$ 19,207
CAMBIA	5,038	7,449	17,628	21,503
Zipsor	1,999	3,395	6,802	9,261
SPRIX [1]	2,272	5,642	6,911	7,244
Other products	2,147	3,405	3,716	4,759
Total product sales, net	25,997	33,664	77,271	61,974
Commercialization agreement revenue, net	—	—	—	11,258
Royalties and milestone revenue	416	299	1,391	1,158
Other revenue	(941)	602	(976)	1,709
Total revenues	$ 25,472	$ 34,565	$ 77,686	$ 76,099

(1) Products acquired in connection with the May 20, 2020 Zyla Merger.

Product Sales, net:

For the three and nine months ended September 30, 2021, product sales primarily consisted of sales from INDOCIN Products, CAMBIA, Zipsor and SPRIX. The Company began shipping and recognizing product sales for INDOCIN Products and SPRIX upon the Zyla Merger on May 20, 2020.

Other product net sales includes product sales for non-promoted products (OXAYDO and SOLUMATRIX) which were acquired from Zyla in May 2020.

The Company records contract liabilities in the form of deferred revenue resulting from prepayments from customers. As of September 30, 2021, contract liabilities were $0.3 million and included in Other Current Liabilities on the Condensed Consolidated Balance Sheet.

Pro Forma Information

Supplemental unaudited proforma information is based upon accounting estimates and judgments that the Company believes are reasonable. This supplemental unaudited pro forma financial information has been prepared for comparative purposes only, and is not necessarily indicative of what actual results would have occurred, or of results that may occur in the future. The pro forma consolidated product sales, net for the three and nine months ended September 30, 2020, as if the acquisition of Zyla had occurred on January 1, 2020, was $33.7 million and $89.1 million, respectively.

Commercialization Agreement Revenue, net

The Company ceased recognizing commercialization revenue and related costs for NUCYNTA effective with the closing of the transaction to sell its rights, title and interest in and to the NUCYNTA franchise to Collegium on February 13, 2020. In connection with the sale, the Commercialization Agreement terminated at closing with certain specified provisions of the Commercialization Agreement surviving in accordance with the terms of the purchase agreement. During the nine months ended September 30, 2020, the Company recognized net revenue from the Commercialization Agreement of $11.3 million. This included variable royalty revenue of $13.1 million offset by the amortization of the $1.8 million net contract asset in connection with the termination of the Commercialization Agreement.

Royalties and Milestone Revenue

In November 2010, the Company entered into a license agreement with Tribute Pharmaceuticals Canada Ltd. (now known as Miravo Pharmaceuticals) granting them the rights to commercially market CAMBIA in Canada. Miravo independently contracts with manufacturers to produce a specific CAMBIA formulation in Canada. The Company receives royalties on net sales on a quarterly basis as well as certain one-time contingent milestone payments upon the occurrence of certain events. The Company recognized revenue related to CAMBIA in Canada of $0.4 million and $1.4 million for the three and nine months ended September 30, 2021, respectively, and $0.3 million and $1.2 million for the three and nine months ended September 30, 2020, respectively.

Other Revenue

Other revenue consists of sales adjustments for previously divested products, which includes adjustments to reserves for product sales allowances (gross-to-net sales allowances) and can result in reductions to total revenue during the period. Sales adjustments for previously divested products primarily include Gralise, which was divested in January 2020, Nucynta and Lazanda and were $(0.9) million and $(1.0) million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $1.7 million for the three and nine months ended September 30, 2020, respectively.

NOTE 3. ACCOUNTS RECEIVABLES, NET

The following table reflects accounts receivables, net, as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Receivables related to product sales, net	$ 36,145	$ 40,784
Receivables from Collegium	—	3,566
Total accounts receivable, net	$ 36,145	$ 44,350

As of September 30, 2021 and December 31, 2020, allowances for cash discounts for prompt payment were $0.7 million and $1.3 million, respectively.

NOTE 4. INVENTORIES, NET

The following table reflects the components of inventory, net as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Raw materials	$ 1,480	$ 1,136
Work-in-process	204	1,340
Finished goods	3,797	9,236
Total	$ 5,481	$ 11,712

As of September 30, 2021 and December 31, 2020, inventory reserves were $2.2 million and $2.3 million, respectively.

NOTE 5. PROPERTY AND EQUIPMENT, NET

The following table reflects property and equipment, net as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Furniture and office equipment	$ 2,680	$ 2,680
Laboratory equipment	20	20
Leasehold improvements	10,522	10,523
	13,222	13,223
Less: Accumulated depreciation and amortization	(11,544)	(10,786)
Property and equipment, net	$ 1,678	$ 2,437

Depreciation expense was $0.2 million and $0.8 million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $1.2 million for the three and nine months ended September 30, 2020, respectively. Depreciation expense is recognized in Selling, general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Income.

NOTE 6. INTANGIBLE ASSETS

The following table reflects the gross carrying amounts and net book values of intangible assets as of September 30, 2021 and December 31, 2020 (dollar amounts in thousands):

		September 30, 2021			December 31, 2020		
	Remaining Useful Life (In years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Products rights:							
INDOCIN	10.6	$ 154,100	$ (17,443)	$ 136,657	$ 154,100	$ (7,812)	$ 146,288
SPRIX	5.6	39,000	(7,568)	31,432	39,000	(3,389)	35,611
CAMBIA	1.3	51,360	(41,422)	9,938	51,360	(36,163)	15,197
Zipsor	Less than 1 year	27,250	(26,134)	1,116	27,250	(24,381)	2,869
Oxaydo	—	300	(300)	—	300	(183)	117
Total Intangible Assets		$ 272,010	$ (92,867)	$ 179,143	$ 272,010	$ (71,928)	$ 200,082

Amortization expense was $7.2 million and $20.9 million for the three and nine months ended September 30, 2021, respectively, and $5.6 million and $18.2 million for the three and nine months ended September 30, 2020, respectively.

The following table reflects future amortization expense the Company expects for its intangible assets (in thousands):

Year Ending December 31,	Estimated Amortization Expense
2021 (remainder)	$ 7,176
2022	26,895
2023	18,412
2024	18,413
2025	18,413
Thereafter	89,834
Total	$ 179,143

NOTE 7. OTHER LONG-TERM ASSETS

The following table reflects other long-term assets as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Investment, net	$ 1,579	$ 1,579
Operating lease right-of-use assets	912	1,955
Prepaid asset and deposits	2,692	1,936
Other	756	1,031
Total other long-term assets	$ 5,939	$ 6,501

Investment consists of the Company's $3.5 million investment in a company engaged in medical research. This investment is structured as a long-term loan receivable with a convertible feature and is valued at amortized cost. As a result of the Company's adoption of ASU 2016-13 *Financial Instruments-Credit Losses* (ASU 2016-13 or Topic 326): *Measurement of Credit Losses on Financial Instruments* on January 1, 2020, the Company estimated an expected credit loss of approximately $1.9 million on its investment, which was recognized in Other (expense) income in the Company's Condensed Consolidated Statement of Comprehensive Income in the first quarter of 2020. To calculate the expected credit loss allowance, the Company utilized a probability-of-default method (PDM). This process estimates the probability of the loan being successfully paid back or converted into equity based on the ability of the investee to obtain FDA acceptance of its research. The Company's expected credit losses can vary from period to period based on several factors, such as progress of the medical research and FDA submission, and overall economic environment and the ability of the investee to fund its operations. As of September 30, 2021, the Company continues to assess an estimated $1.9 million expected credit loss on its investment based on evaluation of probability of default that exist.

NOTE 8. ACCRUED LIABILITIES

The following table reflects accrued liabilities as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Accrued compensation	$ 2,685	$ 5,498
Accrued restructuring costs	1,294	8,744
Other accrued liabilities	9,803	12,829
Total accrued liabilities	$ 13,782	$ 27,071

NOTE 9. DEBT

The following table reflects the Company's debt as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
13% Senior Secured Notes due 2024	$ 75,500	$ 80,250
Royalty rights obligation	3,167	3,533
2.50% Convertible Notes due 2021	—	335
Total principal amount	78,667	84,118
Unamortized debt discounts	—	(16)
Carrying value	78,667	84,102
Less: current portion of long-term debt	(12,257)	(11,942)
Net, long-term debt	$ 66,410	$ 72,160

13% Senior Secured Notes due 2024

In accordance with the Zyla Merger, Assertio assumed $95.0 million aggregate principal amount of 13% senior secured notes due 2024 (the Secured Notes) issued pursuant to an indenture (the Existing Indenture) entered into on January 31, 2019, by and among Zyla Life Sciences, the guarantors party thereto (the Guarantors) and Wilmington Savings Fund Society, FSB (as successor to U.S. Bank National Association), as trustee and collateral agent (the Trustee). The Secured Notes were issued in two series: $50.0 million of Series A-1 Notes and $45.0 million of Series A-2 Notes.

As of May 20, 2020, the Existing Indenture was modified by a Supplemental Indenture (the Supplemental Indenture and the Existing Indenture, as so modified, the Indenture), pursuant to which Assertio (the Issuer) assumed the obligations as issuer of the Secured Notes and the subsidiaries of Assertio became guarantors of the Secured Notes. The Supplemental Indenture, among other things, provides for certain amendments to the restrictive covenants in the Indenture.

Interest on the Secured Notes accrues at a rate of 13% per annum and is payable semi-annually in arrears on May 1 and November 1 of each year (each, a Payment Date). The Existing Indenture also requires payments of outstanding principal on the Secured Notes equal to 10% per annum of the issued principal amount, payable semi-annually on each Payment Date.

The Secured Notes are senior secured obligations of the Issuer and are secured by a lien on substantially all assets of the Issuer and the guarantors. The stated maturity date of the Secured Notes is January 31, 2024. Upon the occurrence of a Change of Control, subject to certain conditions (as defined in the Existing Indenture), holders of the Secured Notes may require the Issuer to repurchase for cash all or part of their Secured Notes at a repurchase price equal to 100% of the principal amount of the Secured Notes to be repurchased, plus accrued and unpaid interest to the date of repurchase.

The Company may redeem the Secured Notes at its option, in whole or in part from time to time, at a redemption price equal to 100% of the principal amount of the Secured Notes being redeemed, plus accrued and unpaid interest, if any, through the redemption date. No sinking fund is provided for the Secured Notes.

Pursuant to the Supplemental Indenture, Assertio and its restricted subsidiaries must also comply with certain covenants, including limitations on the issuance of debt; the issuance of preferred and/or disqualified stock; the payment of dividends and other restricted payments; the prepayment, redemption or repurchase of subordinated debt; mergers, amalgamations or consolidations; engaging in certain transactions with affiliates; and the making of investments. In addition, the Issuer must maintain a minimum level of consolidated liquidity, based on unrestricted cash on hand and availability under any revolving credit facility, equal to the greater of (1) the quotient of the outstanding principal amount of the Secured Notes divided by 9.5 and (2) $7.5 million. The Company was in compliance with its covenants with respect to the Secured Notes as of September 30, 2021.

The Company had Senior Secured Notes obligations of $75.5 million as of September 30, 2021, with $9.5 million classified as current and $66.0 million classified as non-current debt in the Company’s Condensed Consolidated Balance Sheets.

Royalty Rights Obligation

In accordance with the Zyla Merger, the Company assumed a royalty rights agreements (the Royalty Rights) with each of the holders of its Secured Notes pursuant to which the Company will pay the holders of the Secured Notes an aggregate 1.5% royalty on Net Sales (as defined in the Existing Indenture) through December 31, 2022. The Royalty Rights were determined to be a freestanding element with respect to the Secured Notes and the Company is accounting for the Royalty Rights obligation relating to future royalties as a debt instrument.

The Company has Royalty Rights obligations of $3.2 million as of September 30, 2021, with $2.8 million classified as current and $0.4 million classified as non-current debt in the Company’s Condensed Consolidated Balance Sheets.

The accounting for the Royalty Rights requires the Company to make certain estimates and assumptions about the future net sales. The estimates of the magnitude and timing of net sales are subject to significant variability due to the extended time period associated with the financing transaction and are thus subject to significant uncertainty.

Convertible Notes

2.50% Convertible Senior Notes Due 2021

On September 9, 2014, the Company issued $345.0 million aggregate principal amount of 2.50% Convertible Senior Notes Due 2021 (the 2021 Notes). The 2021 Notes were issued pursuant to an indenture, as supplemented by a supplemental indenture dated September 9, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee), and mature on September 1, 2021, unless earlier converted, redeemed, or repurchased. The 2021 Notes bear interest at the rate of 2.50% per annum, payable semi-annually in arrears on March 1 and September 1 of each year, beginning March 1, 2015.

On February 19, 2020, the Company entered into purchase agreements with a limited number of holders of the Company's outstanding 2021 Notes to repurchase $102.5 million aggregate principal amount of 2021 Notes. On April 8, 2020, the Company completed its public tender offers to purchase the $42.1 million in aggregate principal amount outstanding 2021 Notes. As of December 31, 2020, only $0.3 million in aggregate principal amount of the 2021 Notes were outstanding and were classified as part of current portion of long-term debt on the Company's Condensed Consolidated Balance Sheets.

On September 1, 2021, the remaining $0.3 million in aggregate principal amount of the 2021 Notes matured and were paid. As of September 30, 2021 there were no outstanding aggregate principal amount of the 2021 Notes.

5.00% Convertible Senior Notes Due 2024

On August 13, 2019, the Company issued $120.0 million aggregate principal of Convertible Senior Notes Due 2024 (the 2024 Notes). On February 19, 2020, the Company entered into purchase agreements with a limited number of holders of the Company's outstanding 2024 Notes to repurchase $85.5 million aggregate principal amount of 2024 Notes. On April 8, 2020, the Company completed its public tender offers to purchase the remaining $34.5 million in aggregate principal amount outstanding 2024 Notes. As of December 31, 2020 there were no outstanding aggregate principal amount of the 2024 Notes.

Senior Secured Notes

On April 2, 2015, the Company issued $575 million aggregate principal amount of senior secured notes pursuant to a Note Purchase Agreement dated March 12, 2015 (Note Purchase Agreement). On February 13, 2020, the Company repaid in full all outstanding indebtedness, and terminated all commitments and obligations, under its Note Purchase Agreement.

Interest Expense

Debt discount and royalty rights are amortized as interest expense using the effective interest method. The following table reflects debt related interest included in the Interest expense in the Company's Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stated coupon interest	$ 2,454	$ 2,938	$ 7,624	$ 7,714
Amortization of debt discount, and royalty rights	41	103	159	5,614
Total interest expense	$ 2,495	$ 3,041	$ 7,783	$ 13,328

NOTE 10. STOCK-BASED COMPENSATION

The Company's stock-based compensation generally includes stock options, restricted stock units (RSUs), performance share units (PSUs), and purchases under the Company's employee stock purchase program (ESPP).

The following table reflects stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Comprehensive Income for the three and nine months September 30, 2021 and 2020 (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of sales	$ —	$ 2	$ —	$ 43
Research and development expense	—	18	—	261
Selling, general and administrative expense	866	1,491	2,596	5,735
Restructuring charges	—	—	—	999
Total	$ 866	$ 1,511	$ 2,596	7,038

During the nine months ended September 30, 2021 the Company granted 1.7 million RSUs at an average fair market value of $3.54 per share.

NOTE 11. LEASES

As of September 30, 2021, the Company has non-cancelable operating leases for its offices and certain office equipment. The Company has the right to renew the term of the Lake Forest lease for one period of five years, provided that written notice is made to the Landlord no later than twelve months prior to the expiration of the initial term of the lease which is on December 31, 2023. In connection with the Zyla Merger, the Company assumed an operating lease for offices in Wayne, Pennsylvania. The Wayne, Pennsylvania office lease terminates in 2022 and will not be renewed. The Company relocated its corporate headquarters from Newark, California to Lake Forest, Illinois in 2018 and subsequently entered into two subleases which, together, account for the entirety of the Newark facility. Operating lease costs and sublease income related to the Newark facility are accounted for in Other gain (loss) in the Condensed Consolidated Statements of Comprehensive Income.

The following table reflects lease expense for the three and nine months ended September 30, 2021 and 2020 (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Financial Statement Classification	2021	2020	2021	2020
Operating lease cost	Selling, general and administrative expenses	$ 54	$ 424	$ 256	$ 797
Operating lease cost	Other gain (loss), net	148	148	443	443
Total lease cost		$ 202	$ 572	$ 699	$ 1,240
Sublease Income	Other gain (loss), net	$ 347	$ 347	$ 1,040	$ 1,040

The following table reflects supplemental cash flow information related to leases for the three and nine ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash paid for amounts included in measurement of liabilities:				
Operating cash flows from operating leases	667	861	2,129	2,085

The following table reflects supplemental balance sheet information related to leases as of September 30, 2021 and December 31, 2020 (in thousands):

	Financial Statement Classification	September 30, 2021	December 31, 2020
Liabilities			
Current operating lease liabilities	Other current liabilities	$ 2,252	$ 2,683
Noncurrent operating lease liabilities	Other long-term liabilities	772	2,815
Total lease liabilities		$ 3,024	$ 5,498

NOTE 12. COMMITMENTS AND CONTINGENCIES

Jubilant HollisterStier Manufacturing and Supply Agreement

Pursuant to the Zyla Merger, the Company assumed a Manufacturing and Supply Agreement (the "Agreement") with Jubilant HollisterStier LLC ("JHS") pursuant to which the Company engaged JHS to provide certain services related to the manufacture and supply of SPRIX for the Company's commercial use. Under the Agreement, JHS will be responsible for supplying a minimum of 75% of the Company's annual requirements of SPRIX through July 30, 2022. The Company has agreed to purchase a minimum number of batches of SPRIX per calendar year from JHS over the term of the Agreement. Total commitments to JHS are approximately $1.8 million through the period ending July 30, 2022 and are expected to be met.

Cosette Pharmaceuticals Supply Agreement

Pursuant to the Zyla Merger, the Company assumed a Collaborative License, Exclusive Manufacture and Global Supply Agreement with Cosette Pharmaceuticals, Inc. (formerly G&W Laboratories, Inc.) (the "Supply Agreement") for the manufacture and supply of INDOCIN Suppositories to Zyla for commercial distribution in the United States. On July 9, 2021, the Company and Cosette entered into Amendment No. 3 to the Supply Agreement, to among other things, extend the expiration date of the Supply Agreement from July 31, 2023 to July 9, 2028. The Company is obligated to purchase all of its requirements for INDOCIN Suppositories from Cosette Pharmaceuticals, Inc., and is required to meet minimum purchase requirements each calendar year during the extended term of the agreement. Total commitments to Cosette are approximately $6.3 million annually through the end of the contract term.

Legal Matters

General

The Company is currently involved in various lawsuits, claims, investigations and other legal proceedings that arise in the ordinary course of business. The Company recognizes a loss contingency provision in its financial statements when it concludes that a contingent liability is probable, and the amount thereof is estimable. Costs associated with our involvement in legal proceedings are expensed as incurred. Amounts accrued for legal contingencies are based on management's best estimate of a loss based upon the status of the cases described below, assessments of the likelihood of damages, and the advice of counsel and often result from a complex series of judgments about future events and uncertainties that rely heavily on estimates and assumptions including timing of related payments. As of September 30, 2021 and December 31, 2020 the Company had a legal contingency accrual of approximately $3.6 million and zero, respectively. The Company recognized a gain on contingency provision of $0.8 million and a loss on contingency provision of $10.6 million in the three and nine months ended September 30, 2021, respectively. The Company will continue to monitor each matter and adjust accruals as warranted based on new information and further developments in accordance with ASC 450-20- 25. For matters discussed below for which a loss is not probable, or a probable loss cannot be reasonably estimated, no liability has been recorded. Legal expenses are recorded in Selling, general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Income and the related accruals are recorded in Accrued Liabilities in the Company's Condensed Consolidated Balance Sheets.

Other than matters that we have disclosed below, the Company may from time to time become party to actions, claims, suits, investigations or proceedings arising from the ordinary course of its business, including actions with respect to intellectual property claims, breach of contract claims, labor and employment claims and other matters. The Company may also become party to further litigation in federal and state courts relating to opioid drugs. Although actions, claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, other than the matters set forth below, the Company is not currently involved in any matters that the Company believes may have a material adverse effect on its business, results of operations or financial condition. However, regardless of the outcome, litigation can have an adverse impact on the Company because of associated cost and diversion of management time.

Glumetza Antitrust Litigation

Antitrust class actions and related direct antitrust actions were filed in the Northern District of California against the Company and several other defendants relating to our former drug Glumetza®. The named class representatives in the currently pending class actions include Meijer, Inc., Bi-Lo, LLC, Winn-Dixie Logistics, Inc., City of Providence, and KPH Healthcare Services, Inc. These class representatives seek to represent a putative class of direct purchasers of Glumetza. In addition, several retailers, including CVS Pharmacy, Inc., Rite Aid Corporation, Walgreen Co., the Kroger Co., the Albertsons Companies, Inc., H-E-B, L.P., and Hy-Vee, Inc. (the "Retailer Plaintiffs") filed substantially similar direct purchaser antitrust

claims based on alleged assignments of claims from direct purchaser wholesalers. On December 23, 2019, the Company filed a motion to dismiss all claims in the actions. That motion was heard by the District Court on February 20, 2020. On March 5, 2020 the District Court issued an order denying the motion to dismiss. However, based on the order on the motion, claims previously filed by a putative class of end payor plaintiffs were voluntarily dismissed.

On July 30, 2020, Humana Inc. also filed a complaint against the Company in federal court in the Northern District of California alleging similar claims related to Glumetza®. On February 2, 2021, the District Court dismissed Humana's state-law antitrust claims, but permitted Humana to proceed on its federal direct purchaser claims. On February 8, 2021, Humana refiled its state-law claims against the Company and several other defendants in the Superior Court for the State of California in the County of Alameda. On September 20, 2021, Humana voluntarily dismissed all of its remaining claims in the federal action and, pursuant to a stipulation with the defendants, will instead pursue its direct purchaser claims as part of the California state court lawsuit.

These antitrust cases arise out of a Settlement and License Agreement (the Settlement) that the Company, Santarus, Inc. (Santarus) and Lupin Limited (Lupin) entered into in February 2012 that resolved patent infringement litigation filed by the Company against Lupin regarding Lupin's Abbreviated New Drug Application for generic 500 mg and 1000 mg tablets of Glumetza. The antitrust plaintiffs allege, among other things, that the Settlement violated the antitrust laws because it allegedly included a "reverse payment" that caused Lupin to delay its entry in the market with a generic version of Glumetza. The alleged "reverse payment" is an alleged commitment on the part of the settling parties not to launch an authorized generic version of Glumetza for a certain period. The antitrust plaintiffs allege that the Company and its co-defendants, which include Lupin as well as Bausch Health (the alleged successor in interest to Santarus), are liable for damages under the antitrust laws for overcharges that the antitrust plaintiffs allege they paid when they purchased the branded version of Glumetza® due to delayed generic entry. Plaintiffs seek treble damages for alleged past harm, attorneys' fees and costs.

On September 14, 2021, the Retailer Plaintiffs voluntarily dismissed all claims against the Company pursuant to a settlement agreement with the Company in return for $3.15 million. On September 22, 2021, the Court preliminarily approved a settlement agreement reached by the Company to settle the direct purchaser class plaintiffs' claims in return for $3.85 million, subject to final court approval. As part of the settlements, the Company admitted no liability as to the claims against it and denied all allegations of wrongdoing.

With respect to the Humana lawsuit that is continuing in California state court, the Company and other defendants filed a motion to dismiss all claims in the action on April 16, 2021.

The Company intends to defend itself vigorously in these matters. A liability for this matter has been recorded in the financial statements.

Securities Class Action Lawsuit and Related Matters

On August 23, 2017, the Company, two individuals who formerly served as its chief executive officer and president, and its former chief financial officer were named as defendants in a purported federal securities law class action filed in the U.S. District Court for the Northern District of California (the District Court). The action (*Huang v. Depomed et al.*, No. 4:17-cv-4830-JST, N.D. Cal.) alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 relating to certain prior disclosures of the Company about its business, compliance, and operational policies and practices concerning the sales and marketing of its opioid products and contends that the conduct supporting the alleged violations affected the value of Company common stock and is seeking damages and other relief. In an amended complaint filed on February 6, 2018, the lead plaintiff (referred to in its pleadings as the Depomed Investor Group), which seeks to represent a class consisting of all purchasers of Company common stock between July 29, 2015 and August 7, 2017, asserted the same claims arising out of the same and similar disclosures against the Company and the same individuals as were involved in the original complaint. The Company and the individuals filed a motion to dismiss the amended complaint on April 9, 2018. On March 18, 2019, the District Court granted the motion to dismiss without prejudice, and the plaintiffs filed a second amended complaint on May 2, 2019. The second amended complaint asserted the same claims arising out of the same and similar disclosures against the Company and the same individuals as were involved in the original complaint. The Company and the individuals filed a motion to dismiss the second amended complaint on June 17, 2019, and the District Court granted that motion with prejudice on March 11, 2020. On April 9, 2020, the plaintiffs filed a notice of appeal with the United States Court of Appeals for the Ninth Circuit. The parties completed their briefing of the appeal on December 14, 2020. On March 1, 2021, the court granted the parties' joint motion to stay the appeal pending settlement discussions. On July 30, 2021, the Company reached an agreement to settle the matter subject to District Court approval. On August 13, 2021, the plaintiffs filed an unopposed motion for preliminary approval of the settlement with the District Court.

In addition, five shareholder derivative actions were filed on behalf of the Company against its officers and directors for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the federal securities laws. The claims arise out of the same factual allegations as the purported federal securities

class action described above. The first derivative action was filed in the Superior Court of California, Alameda County on September 29, 2017 (*Singh v. Higgins et al*., RG17877280). The second and third actions were filed in the Northern District of California on November 10, 2017 (*Solak v. Higgins et al*., No. 3:17-cv-6546-JST) and November 15, 2017 (*Ross v. Fogarty et al*., No. 3:17-cv-6592- JST). The fourth action was filed in the District of Delaware on December 21, 2018 (*Lutz v. Higgins et al*, No. 18-2044-CFC). The fifth derivative action was filed in the Superior Court of California, Alameda County on January 28, 2019 (*Youse v. Higgins et al*, No. HG19004409). On December 7, 2017, the plaintiffs in *Solak v. Higgins, et al.* voluntarily dismissed the action. On July 12, 2019, the *Singh* and *Youse* actions were consolidated. All of the derivative actions were stayed pending the resolution of the class action, and the stays have been extended pending the resolution of the appeal. On July 30, 2021, the Company reached an agreement to settle these matters subject to court approval. On August 6, 2021, plaintiffs in the consolidated *Singh*/*Youse* derivative action filed an unopposed motion for preliminary approval of the settlement with the Superior Court of California, Alameda County. On October 19, 2021, the Superior Court held a hearing regarding the preliminary approval motion. A liability for these matters and the securities law class action described in the preceding paragraph has been recorded in the financial statements.

Opioid-Related Request and Subpoenas

As a result of the greater public awareness of the public health issue of opioid abuse, there has been increased scrutiny of, and investigation into, the commercial practices of opioid manufacturers generally by federal, state, and local regulatory and governmental agencies. In March 2017, the Company's subsidiary Assertio Therapeutics, Inc. (Assertio Therapeutics) received a letter from then-Sen. Claire McCaskill (D-MO), the then-Ranking Member on the U.S. Senate Committee on Homeland Security and Governmental Affairs, requesting certain information regarding Assertio Therapeutics' historical commercialization of opioid products. Assertio Therapeutics voluntarily furnished information responsive to Sen. McCaskill's request. Since 2017, Assertio Therapeutics has received and responded to subpoenas from the U.S. Department of Justice (DOJ) seeking documents and information regarding its historical sales and marketing of opioid products. Assertio Therapeutics has also received and responded to subpoenas or civil investigative demands focused on its historical promotion and sales of Lazanda, NUCYNTA, and NUCYNTA ER from various state attorneys general seeking documents and information regarding Assertio Therapeutics' historical sales and marketing of opioid products. In addition, Assertio Therapeutics received and responded to a subpoena from the State of California Department of Insurance (CDI) seeking information relating to its historical sales and marketing of Lazanda. The CDI subpoena also seeks information on Gralise, a non-opioid product formerly in Assertio Therapeutics' portfolio. In addition, Assertio Therapeutics received and responded to a subpoena from the New York Department of Financial Services seeking information relating to its historical sales and marketing of opioid products. The Company also from time to time receives and complies with subpoenas from governmental authorities related to investigations primarily focused on third parties, including healthcare practitioners. Assertio Therapeutics is cooperating with the foregoing governmental investigations and inquiries.

Multidistrict Opioid Litigation

A number of pharmaceutical manufacturers, distributors and other industry participants have been named in numerous lawsuits around the country brought by various groups of plaintiffs, including city and county governments, hospitals, individuals and others. In general, the lawsuits assert claims arising from defendants' manufacturing, distributing, marketing and promoting of FDA-approved opioid drugs. The specific legal theories asserted vary from case to case, but the lawsuits generally include federal and/or state statutory claims, as well as claims arising under state common law. Plaintiffs seek various forms of damages, injunctive and other relief and attorneys' fees and costs.

For such cases filed in or removed to federal court, the Judicial Panel on Multi-District Litigation issued an order in December 2017, establishing a Multi-District Litigation court (MDL Court) in the Northern District of Ohio (In re National Prescription Opiate Litigation, Case No. 1:17-MD-2804). Since that time, more than 2,000 such cases that were originally filed in U.S. District Courts, or removed to federal court from state court, have been filed in or transferred to the MDL Court. Assertio Therapeutics is currently involved in a subset of the lawsuits that have been filed in or transferred to the MDL Court. Plaintiffs may file additional lawsuits in which the Company may be named. Plaintiffs in the pending federal cases involving the Company include individuals; county, municipal and other governmental entities; employee benefit plans, health insurance providers and other payors; hospitals, health clinics and other health care providers; Native American tribes; and non-profit organizations who assert, for themselves and in some cases for a putative class, federal and state statutory claims and state common law claims, such as conspiracy, nuisance, fraud, negligence, gross negligence, negligent and intentional infliction of emotional distress, deceptive trade practices, and products liability claims (defective design/failure to warn). In these cases, plaintiffs seek a variety of forms of relief, including actual damages to compensate for alleged personal injuries and for alleged past and future costs such as to provide care and services to persons with opioid-related addiction or related conditions, injunctive relief, including to prohibit alleged deceptive marketing practices and abate an alleged nuisance, establishment of a compensation fund, establishment of medical monitoring programs, disgorgement of profits, punitive and statutory treble damages, and attorneys' fees and costs. No trial date has been set in any of these lawsuits, which are at an early stage of proceedings. The Company intends to defend itself vigorously in these matters.

State Opioid Litigation

Related to the cases in the MDL Court noted above, there have been hundreds of similar lawsuits filed in state courts around the country, in which various groups of plaintiffs assert opioid-drug related claims against similar groups of defendants. Assertio Therapeutics is currently named in a subset of those cases, including cases in Missouri, Nevada, Pennsylvania, Texas and Utah. Plaintiffs may file additional lawsuits in which Assertio Therapeutics may be named. In the pending cases involving Assertio Therapeutics, plaintiffs are asserting state common law and statutory claims against the defendants similar in nature to the claims asserted in the MDL cases. Plaintiffs are seeking actual damages, disgorgement of profits, injunctive relief, punitive and statutory treble damages, and attorneys' fees and costs. The state lawsuits in which Assertio Therapeutics has been served are generally each at an early stage of proceedings. The Company intends to defend itself vigorously in these matters.

Insurance Litigation

On January 15, 2019, the Company was named as a defendant in a declaratory judgment action filed by Navigators Specialty Insurance Company (Navigators) in the U.S. District Court for the Northern District of California (Case No. 3:19-cv-255). Navigators is the Company's primary product liability insurer. Navigators was seeking declaratory judgment that opioid litigation claims noticed by the Company (as further described above under "Multidistrict Opioid Litigation" and "State Opioid Litigation") are not covered by the Company's life sciences liability policies with Navigators. On February 3, 2021, the Company entered into a Confidential Settlement Agreement and Mutual Release with Navigators to resolve the declaratory judgment action and the Company's counterclaims. Pursuant to the Settlement Agreement, the parties settled and the coverage action was dismissed without prejudice.

During the first quarter of 2021, the Company received $5.0 million in insurance reimbursement for previous opioid-related spend, which was recognized within Selling, general and administrative expenses in the Condensed Consolidated Statements of Comprehensive Income.

On July 16, 2021, the Company filed a complaint for declaratory relief against one of its excess products liability insurers, Lloyd's of London Newline Syndicate 1218 and related entities (Newline), in the Superior Court of the State of California for the County of Alameda. Newline removed the case to federal court, and it is currently pending in the U.S. District Court for the Northern District of California (Case No. 3:21-cv-06642). The Company is seeking a declaratory judgment that Newline has a duty to defend the Company or, alternatively, to reimburse the Company's attorneys' fees and other defense costs for opioid litigation claims noticed by the Company. Discovery has not yet commenced, and the case is not yet set for trial.

CAMBIA® ANDA Litigation

On July 16, 2020, the Company and APR Applied Pharma Research SA (APR), received notice from Patrin Pharma Inc. (Patrin) advising that Patrin had filed an Abbreviated New Drug Application (ANDA) seeking to market a generic version of CAMBIA® 50 mg prior to the expiration of U.S. patents in June 2026 as listed in the FDA "Orange Book" for CAMBIA (Orange Book Patents). The Orange Book Patents are licensed to the Company by APR. On August 27, 2020, the Company and APR filed a lawsuit against Patrin in the U.S. District Court for the Northern District of Illinois, Eastern Division, seeking an injunction to prevent approval of the Patrin ANDA. The lawsuit alleges that Patrin has infringed the Orange Book Patents by filing an ANDA with a Paragraph IV Certification seeking approval from the FDA to market a generic version of CAMBIA prior to the expiration of the patents. The commencement of the patent infringement suit stays or bars the FDA from approving Patrin's ANDA for 30 months or until an earlier district court decision that each of the patents is invalid or not infringed. On September 18, 2020, Patrin filed its answer including affirmative defenses and counterclaims. On October 9, 2020, the Company and APR filed an answer to Patrin's counterclaims. On January 21, 2021, the court stayed all case deadlines pending settlement discussions between the parties. On March 8, 2021, the Company entered into a confidential settlement agreement with Patrin. On March 10, 2021, the Court granted the parties' agreed motion for entry of Judgment and Order of Permanent Injunction. This settlement concludes all ongoing ANDA litigation.

NOTE 13. RESTRUCTURING CHARGES

The Company continually evaluates its operations to identify opportunities to streamline operations and optimize operating efficiencies as an anticipation to changes in the business environment.

On December 15, 2020, the Company announced the December 2020 Plan which was designed to substantially reduce the Company's operating footprint through the reduction of its staff at our headquarters office and remote sales force. The Company substantially completed the workforce reduction in the first quarter of 2021.

In May 2020, the Company began implementing reorganization plans of its workforce and other restructuring activities to realize the synergies of the Zyla Merger and to re-align resources to strategic areas and drive growth (Zyla Merger Reorganization). The Company completed the restructuring activities in 2020 and does not expect to incur significant costs related to the Zyla Merger Reorganization in 2021. The following table reflects total expenses related to restructuring activities recognized within the Condensed Consolidated Statement of Comprehensive Income as restructuring costs (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Employee compensation costs	$ —	$ 260	$ 876	$ 5,695
Equity compensation costs	—	—	—	999
Other exit costs	—	8	213	93
Total restructuring costs	$ —	$ 268	$ 1,089	$ 6,787

The following table reflects cash activity relating to the Company's accrued restructuring cost as of September 30, 2021 (in thousands):

	Employee compensation costs	Other exit costs	Total
Balance as of December 31, 2020	$ 8,744	$ —	$ 8,744
Restructuring charges	876	213	1,089
Cash paid	(8,326)	(213)	(8,539)
Balance as of September 30, 2021	$ 1,294	$ —	$ 1,294

NOTE 14. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Upon consummation of the Zyla Merger in May 2020, the Company inherited outstanding Zyla warrants to purchase Zyla common stock, which were converted into the right to purchase shares of Assertio's common stock. As these warrants are exercisable at any time at an exercise price of $0.0016 per share, they represent contingently issuable shares and therefore are included in the number of outstanding shares used for the computation of basic income per share. There were 392,095 unexercised shares of common stock issuable upon the exercise of warrants as of September 30, 2021.

Diluted net income (loss) per share is calculated by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding during the period, plus potentially dilutive common shares, consisting of stock options, awards, and equivalents and convertible debt. The Company uses the treasury-stock method to compute diluted earnings per share with respect to its stock options and equivalents. The Company uses the if-converted method to compute diluted earnings per share with respect to its convertible debt. For purposes of this calculation, options to purchase stock are considered to be potential common shares and are only included in the calculation of diluted net income (loss) per share when their effect is dilutive.

The following table reflects the calculation of basic and diluted earnings per common share for the three and nine months ended September 30, 2021 and 2020 (in thousands, except for per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Basic net income (loss) per share				
Net income (loss)	$ 3,737	$ (10,522)	$ (5,887)	$ (3,791)
Weighted average common shares and warrants outstanding	44,969	29,891	42,550	24,958
Basic net income (loss) per share	$ 0.08	$ (0.35)	$ (0.14)	$ (0.15)
Diluted net income (loss) per share				
Net income (loss)	$ 3,737	$ (10,522)	$ (5,887)	$ (3,791)
Weighted average common shares and share equivalents outstanding	44,969	29,891	42,550	24,958
Add: effect of dilutive stock options, awards, and equivalents	86	—	—	—
Diluted net income (loss) per share	$ 0.08	$ (0.35)	$ (0.14)	$ (0.15)

The following table reflects outstanding potentially dilutive common shares that are not included in the computation of diluted net income (loss) per share, because to do so would be anti-dilutive, for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
2.5% Convertible Notes debt 2021	3	4	4	447
5.0% Convertible Notes debt 2024	—	—	—	2,281
Stock options, awards and equivalents	2,297	3,063	2,725	2,478
Total potentially dilutive common shares	2,300	3,067	2,729	5,206

NOTE 15. FAIR VALUE

The following table reflects the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020 (in thousands):

September 30, 2021	Financial Statement Classification	Level 1	Level 2	Level 3	Total
Liabilities:					
Short-term contingent consideration	Contingent consideration, current portion	$ —	$ —	$ 7,200	$ 7,200
Long-term contingent consideration	Contingent consideration	—	—	30,759	30,759
Total		$ —	$ —	$ 37,959	$ 37,959

December 31, 2020	Financial Statement Classification	Level 1	Level 2	Level 3	Total
Assets:					
Money market funds	Cash and cash equivalents	$ 77	$ —	$ —	$ 77
Total		$ 77	$ —	$ —	$ 77
Liabilities:					
Short-term contingent consideration	Contingent consideration, current portion	$ —	$ —	$ 6,776	$ 6,776
Long-term contingent consideration	Contingent consideration	—	—	31,776	31,776
Total		$ —	$ —	$ 38,552	$ 38,552

Cash equivalents consisted of money market funds with overnight liquidity and no stated maturities. The Company classified cash equivalents as Level 1, due to their short-term maturity, and measured the fair value based on quoted prices in active markets for identical assets.

Pursuant to the May 2020 Zyla Merger, the Company assumed a contingent consideration obligation which is measured at fair value. The Company has obligations to make contingent consideration payments for future royalties to Iroko based upon annual INDOCIN Product net sales over $20.0 million. The Company classified the acquisition-related contingent consideration liabilities to be settled in cash as Level 3, due to the lack of relevant observable inputs and market activity. As of September 30, 2021 and December 31, 2020, INDOCIN Product contingent consideration was $37.7 million and $38.4 million, respectively, with $7.2 million and $6.8 million classified as short-term and $30.5 million and $31.6 million classified as long-term contingent consideration, respectively, in the Condensed Consolidated Balance Sheet. During the three and nine months ended September 30, 2021 and September 30, 2020, the Company recognized a charge of $0.3 million and $1.9 million, and a charge of $1.9 million and $1.9 million, respectively, for the change in fair value of contingent consideration, which was recognized in Selling, general and administrative expense in the Company's Condensed Consolidated Statements of Comprehensive Income. The fair value of the contingent consideration is determined using an option pricing model under the income approach based on estimated INDOCIN product revenues through January 2029 and discounted to present value. The significant assumptions used in the calculation of the fair value as of September 30, 2021 included revenue volatility of 40.0%, discount rate of 6.5%, credit spread of 5.1% and updated projections of future INDOCIN Product revenues.

Contingent consideration related to CAMBIA was $0.2 million as of September 30, 2021 and December 31, 2020.

The carrying value of the Company's debt for the period ended September 30, 2021 approximates its fair value. When determining the estimated fair value of the Company's debt, the Company uses a commonly accepted valuation methodology and market-based risk measurements that are indirectly observable, such as credit risk.

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2021.

NOTE 16. INCOME TAXES

As of September 30, 2021, the Company's net deferred tax assets are fully offset by a valuation allowance. The valuation allowance is determined in accordance with the provisions of ASC 740, Income Taxes, which require an assessment of both negative and positive evidence when measuring the need for a valuation allowance. Based on the weight of available evidence, the Company recorded a full valuation allowance against its net deferred tax assets beginning in the fourth quarter of 2016 and continues to provide a full valuation allowance against the its net deferred tax assets in subsequent quarters. The Company reassesses the need for a valuation allowance on a quarterly basis. If it is determined that a portion or all of the valuation allowance is not required, it will generally be a benefit to the income tax provision in the period such determination is made.

For the nine months ended September 30, 2021, the Company recorded an income taxes expense of approximately $0.3 million. The difference between the income tax expense of $0.3 million and the tax at the statutory rate of 21.0% to date on current year operations is principally due to the recording of a valuation allowance for current year movement in deferred tax assets.

The Company filed a NOL carryback claim pursuant to the provisions of the CARES Act and is expected to receive approximately $8.3 million tax refund during 2021 which is included in Prepaid and other current assets on the Company's Condensed Consolidated Balance Sheet. However, the timing of receiving the refund could be delayed by processing backlogs at the IRS.

The Company files income tax returns in the United States federal jurisdiction and in various states, and the tax returns filed for the years 2007 through 2020 and the applicable statutes of limitation have not expired with respect to those returns. Because of NOLs and unutilized R&D credits, substantially all of the Company's tax years remain open to examination. The Company previously exhausted all the federal research and development credits in the 2018 tax return, but the NOL carryback from CARES Act will result in making R&D credits utilized in 2018 available for future use, the percentage of unrecognized tax benefit against the R&D credit remains reserved, and the rest will be offset by valuation allowance. Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense by the Company. At September 30, 2021 the Company did not have significant accrued interest and penalties associated with unrecognized tax benefits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

Statements made in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q that are not statements of historical fact are 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). We have based these forward-looking statements on our current expectations and projections about future events. Our actual results could differ materially from those discussed in, or implied by, these forward-looking statements. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may" and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements include, but are not necessarily limited to, those relating to:

- the potential impacts of disasters, acts of terrorism or global pandemics, including the ongoing COVID-19 pandemic, on our liquidity, capital resources, operations and business and those of the third parties on which we rely, including suppliers and distributors;
- our ability to execute and achieve the expense savings expected from our restructuring plan announced in December 2020, which was designed to further reduce our cost base and right size the organization, as well as delays, challenges and expenses, and unexpected costs associated with executing the restructuring plan;
- our ability to achieve the growth prospects and synergies expected from our merger with Zyla Life Sciences, as well as delays, challenges and expenses, and unexpected costs associated with integrating and operating the combined company's businesses;
- our ability to successfully pursue business development, strategic partnerships, and investment opportunities to build and grow for the future;
- the commercial success and market acceptance of our products;
- the coverage of our products by payors and pharmacy benefit managers;
- the entry of generics for any of our products;
- the outcome of opioid-related investigations, opioid-related litigation and related claims for insurance coverage, and other disputes and litigation, and the costs and expenses associated therewith;
- the outcome of our antitrust litigation relating to our former drug Glumetza®, including final court approval of the class settlement and resolution of Humana's pending claims in California state court;
- our ability to obtain and maintain intellectual property protection for our products and operate our business without infringing the intellectual property rights of others;
- our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- our ability to generate sufficient cash flow from our business to make payments on our indebtedness, our ability to restructure or refinance our indebtedness, if necessary, and our compliance with the terms and conditions of the agreements governing our indebtedness;
- our common stock maintaining compliance with Nasdaq's minimum closing bid requirement of at least $1.00 per share;
- our compliance or non-compliance with legal and regulatory requirements related to the development or promotion of pharmaceutical products in the U.S.;
- our plans to acquire, in-license or co-promote other products, and/or acquire companies;

- the timing and results of our research and development efforts including clinical studies relating to any future product candidates;
- our ability to raise additional capital, if necessary;
- our ability to successfully develop and execute our sales, marketing and non-personal and digital promotion strategies, including developing relationships with customers, physicians, payors and other constituencies;
- variations in revenues obtained from commercialization agreements, including contingent milestone payments, royalties, license fees and other contract revenues, including non-recurring revenues, and the accounting treatment with respect thereto;
- our counterparties' compliance or non-compliance with their obligations under our agreements; and
- our ability to attract and retain key executive leadership.

Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include those more fully described and incorporated by reference in the "**RISK FACTORS**" section and elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and in our Quarterly Reports on Form 10-Q for the three months ended March 31, 2021 and June 30, 2021, respectively. Except as required by law, we assume no obligation to update any forward-looking statement publicly, or to revise any forward-looking statement to reflect events or developments occurring after the date of this Quarterly Report on Form 10-Q, even if new information becomes available in the future.

COMPANY OVERVIEW

We are a commercial pharmaceutical company offering differentiated products to patients. Our commercial portfolio of branded products focuses on three areas: neurology, hospital, and pain and inflammation. We have built our commercial portfolio through a combination of increased opportunities with existing products, as well as through the acquisition or licensing of additional approved products. Our primary marketed products are:

INDOCIN® (indomethacin) Suppositories INDOCIN® (indomethacin) Oral Suspension	A suppository form and oral solution of indomethacin, a nonsteroidal anti-inflammatory drug (NSAID), approved for: • Moderate to severe rheumatoid arthritis including acute flares of chronic disease • Moderate to severe ankylosing spondylitis • Moderate to severe osteoarthritis • Acute painful shoulder (bursitis and/or tendinitis) • Acute gouty arthritis
CAMBIA® (diclofenac potassium for oral solution)	A prescription medicine used to treat migraine attacks in adults. CAMBIA does not prevent or lessen the number of migraines one has, and it is not for other types of headaches. It contains diclofenac potassium, a non-steroidal anti-inflammatory drug (NSAID).
SPRIX® (ketorolac tromethamine) Nasal Spray	A prescription NSAID indicated in adult patients for the short term (up to five days) management of moderate to moderately severe pain that requires analgesia at the opioid level.
Zipsor® (diclofenac potassium) Liquid filled capsules	A prescription NSAID used for relief of mild-to-moderate pain in adults (18 years of age and older)

Other commercially available products include OXAYDO® (oxycodone HCI, USP) tablets for oral use only —CII.

Impact of COVID-19 on our Business

Following the outbreak of COVID-19 during early 2020, our priority was and remains the health and safety of our employees, their families, and the patients we serve. As a result, in March 2020, we initiated remote working arrangements and maintained flexible work arrangements for individuals, which continued through the remainder of 2020 and into 2021. In addition to the health and safety of our employees, we are focused on ensuring that we continue making our products accessible to the patients who need them. Because COVID-19 impacted our ability to see in-person providers who prescribe our products, we adapted our approach during 2020 and increased our virtual visits. Additionally, due to the limitations on elective surgeries and changes in patient behavior since the outbreak of COVID-19, we have experienced a decline and subsequent volatility in prescriptions associated with those elective procedures.

We implemented a restructuring plan in December 2020 which, we believe, allows our business to continue to provide our differentiated products to patients and better positions ourselves for future success. We believe that we are prepared with sufficient product inventory, technology to facilitate virtual and/or digital communications, and operations prepared to adapt our work environment as needed. The extent to which our operations may continue to be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the outbreak, actions by government authorities to contain the outbreak or treat its impact, the emergence of new COVID-19 variants and the related potential for new surges in infections, and the distribution, public acceptance and efficacy of COVID-19 vaccines including for emerging variations.

Segment Information

We manage our business within one reportable segment. Segment information is consistent with how management reviews the business, makes investing and resource allocation decisions and assesses operating performance. To date, substantially all of revenues from product sales are related to sales in the U.S.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that require significant judgment and/or estimates by management at the time that the financial statements are prepared such that materially different results might have been reported if other assumptions

had been made. We consider certain accounting policies related to revenue recognition, accrued liabilities and use of estimates to be critical policies. These estimates form the basis for making judgments about the carrying value of assets and liabilities. We believe there have been no significant changes in our critical accounting policies and significant judgements and estimates since we filed our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 12, 2021 (the 2020 Form 10-K), see ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Critical Accounting Policies and Estimates in our 2020 Form 10-K for further information.

RESULTS OF OPERATIONS

Revenues

The following table reflects total revenues, net for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Product sales, net:				
INDOCIN products [1]	$ 14,541	$ 13,773	$ 42,214	$ 19,207
CAMBIA	5,038	7,449	17,628	21,503
Zipsor	1,999	3,395	6,802	9,261
SPRIX [1]	2,272	5,642	6,911	7,244
Other products	2,147	3,405	3,716	4,759
Total product sales, net	25,997	33,664	77,271	61,974
Commercialization agreement revenue, net	—	—	—	11,258
Royalties and milestone revenue	416	299	1,391	1,158
Other revenue	(941)	602	(976)	1,709
Total revenues	$ 25,472	$ 34,565	$ 77,686	$ 76,099

(1) Products acquired in connection with May 20, 2020 Zyla Merger.

Product Sales, net

For the three and nine months ended September 30, 2021, product sales primarily consisted of sales from INDOCIN Products, CAMBIA, Zipsor and SPRIX. We began shipping and recognizing product sales for INDOCIN Products and SPRIX upon the Zyla Merger on May 20, 2020.

INDOCIN products net sales for the three months ended September 30, 2021 increased $0.8 million from $13.8 million to $14.5 million as compared to the same period in 2020 primarily due to higher volume partially offset by unfavorable payor mix. The increase in INDOCIN products net sales for the nine months ended September 30, 2021 of $23.0 million from $19.2 million to $42.2 million as compared to the same period in 2020 was primarily a result of 2020 began including product sales for INDOCIN Products upon the Zyla Merger on May 20, 2020.

CAMBIA net product sales for the three and nine months ended September 30, 2021 decreased $2.4 million from $7.4 million to $5.0 million and $3.9 million from $21.5 million to $17.6 million, respectively, as compared to the same periods in 2020, primarily due to lower volume partially offset by favorable payor mix.

Zipsor net product sales for the three and nine months ended September 30, 2021 decreased $1.4 million from $3.4 million to $2.0 million and $2.5 million from $9.3 million to $6.8 million, respectively, as compared to the same periods in 2020, primarily due to lower volume partially offset by favorable payor mix.

SPRIX net product sales for the three months ended September 30, 2021 decreased $3.4 million from $5.6 million to $2.3 million as compared to the same period in 2020 primarily due to lower volume partially offset by favorable payor mix. The decrease in SPRIX net product sales for the nine months ended September 30, 2021 of $0.3 million from $7.2 million to $6.9 million as compared to the same period in 2020 was primarily result of lower volume partially offset by the impact 2020 began including product sales for SPRIX upon the Zyla Merger on May 20, 2020.

Other products net sales includes product sales for non-promoted products (OXAYDO and SOLUMATRIX) which were acquired from Zyla in May 2020. In September 2020, we terminated our iCeutica License and as a result will no longer manufacture products using SOLUMATRIX technology.

Commercialization Agreement Revenue, net

We ceased recognizing commercialization revenue and related costs for NUCYNTA effective the closing of the transaction to divest its rights, title and interest in and to the NUCYNTA franchise to Collegium on February 13, 2020. During the nine months ended September 30, 2020, we recognized net revenue from the Commercialization Agreement of $11.3 million. This included variable royalty revenue of $13.1 million partially offset by the amortization of the $1.8 million net contract asset in connection with the termination of the Commercialization Agreement.

Royalties & Milestones

In November 2010, we entered into a license agreement with Tribute Pharmaceuticals Canada Ltd. (now known as Miravo Pharmaceuticals) granting them the rights to commercially market CAMBIA in Canada. We receive royalties on net sales as well as certain one-time contingent milestone payments. During the three and nine months ended September 30, 2021, the Company recognized $0.4 million and $1.4 million of revenue related to CAMBIA in Canada, respectively. During the three and nine ended September 30, 2020, the Company recognized $0.3 million and $1.2 million of revenue related to CAMBIA in Canada, respectively.

Other Revenue

Other revenue consists of sales adjustments for previously divested products. Sales adjustments for previously divested products primarily include Gralise, which was divested in January 2020, Nucynta and Lazanda and were $(0.9) million and $(1.0) million for the three and nine months ended September 30, 2021, respectively, and $0.6 million and $1.7 million for the three and nine months ended September 30, 2020, respectively.

Cost of Sales (excluding amortization of intangible assets)

Cost of sales decreased $3.4 million from $6.5 million to $3.1 million during the three months ended September 30, 2021 as compared to the same period in 2020 primarily due the impact of lower net product sales and higher Zyla Merger related inventory step-up expense in the third quarter of 2020 not repeating in the current period.

Cost of sales decreased $2.2 million from $13.1 million to $10.9 million during the nine months ended September 30, 2021 as compared to the same period in 2020 primarily due to lower cost of sales as a result of the Gralise divestiture in the first quarter of 2020 and lower Zyla Merger related inventory step-up expense in current period, partially offset by higher net product sales.

The three and nine months ended September 30, 2021 cost of sales included zero and $0.6 million, respectively, of amortization of inventory step-up related to Zyla acquired inventories sold. The three and nine months ended September 30, 2020 cost of sales included $0.5 million and $2.9 million, respectively, of amortization of inventory step-up related to Zyla acquired inventories sold.

Research and Development Expenses

As a result of the December 2020 restructuring plan, we do not expect to incur significant research and development costs in 2021. Research and development expense decreased for the three and nine months ended September 30, 2021 as compared to the same period in 2020 primarily due to the completion of all material research and development activities in 2020.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses decreased $18.3 million from $27.6 million to $9.3 million for the three months ended September 30, 2021 primarily due to lower employee costs in 2021 as a result of prior restructuring plans and one-time transaction costs in 2020 not repeating.

Selling, general, and administrative expenses decreased $39.8 million from $83.1 million to $43.3 million for the nine months ended September 30, 2021, as compared to the same period in 2020 primarily due to one-time transaction costs in 2020 not repeating, lower employee costs in 2021 as a result of prior restructuring plans, receipt of insurance reimbursement in the first quarter of 2021 for previous opioid-related expenses, partially offset by additional expense for loss contingency provision recognized in 2021.

Intangible Assets

The following table reflects amortization of intangible assets for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Amortization of intangible assets - INDOCIN	$ 3,210	$ 2,661	$ 9,631	$ 4,601
Amortization of intangible assets - SPRIX	1,393	1,048	4,179	1,996
Amortization of intangible assets - CAMBIA	1,988	1,284	5,259	3,852
Amortization of intangible assets - Zipsor	584	584	1,752	1,753
Amortization of intangible assets - Oxaydo	—	10	118	108
Amortization of intangible assets - NUCYNTA	—	—	—	5,927
Total	$ 7,175	$ 5,587	$ 20,939	$ 18,237

Amortization expense during the three months ended September 30, 2021 increased $1.6 million from $5.6 million to $7.2 million as compared to the same period in 2020 primarily due to the timing of the finalization of the fair value of the Zyla acquired product rights for INDOCIN Products, SPRIX, and OXAYDO occurring at the end of 2020.

Amortization expense during the nine months ended September 30, 2021 increased $2.7 million from $18.2 million to $20.9 million as compared to the same period in 2020 primarily due to the timing of Zyla Merger in May 2020 partially offset by the February 2020 divestiture of our rights, title and interest to the NUCYNTA franchise of products to Collegium. As a result, we derecognized the remaining carrying value of the NUCYNTA product rights and ceased recognizing related amortization.

Restructuring Charges

We continually evaluate our operations to identify opportunities to streamline operations and optimize operating efficiencies as an anticipation to changes in the business environment.

On December 15, 2020, we announced the December 2020 Plan which was designed to substantially reduce the Company’s operating footprint through the reduction of its staff at our headquarters office and remote sales force. We substantially completed the workforce reduction in the first quarter of 2021.

In May 2020, we began implementing reorganization plans of our workforce and other restructuring activities to realize the synergies of the Zyla Merger and to re-align resources to strategic areas and drive growth (Zyla Merger Reorganization). We completed the restructuring activities in 2020 and do not expect to incur significant costs related to the Zyla Merger Reorganization in 2021.

For the three and nine months ended September 30, 2021 restructuring charges incurred were zero and $1.1 million, respectively. The restructuring charges cost and one-time termination costs incurred for the three and nine months ended September 30, 2020 were $0.3 million and $6.8 million, respectively.

Other (Expense) Income

The following table reflects other (expense) income for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gain on sale of Gralise	$ —	$ —	$ —	$ 126,655
Loss on extinguishment of convertible notes	—	—	—	(47,880)
Loss on sale of NUCYNTA	—	—	—	(14,749)
Interest expense	(2,495)	(3,050)	(7,783)	(13,328)
Loss on prepayment of Senior Notes	—	—	—	(8,233)
Other gain (loss)	344	253	747	(3,571)
Total other (expense) income	$ (2,151)	$ (2,797)	$ (7,036)	$ 38,894

Other (expense) income changed by $45.9 million from other income of $38.9 million to other expense of $7.0 million for the nine months ended September 30, 2021 as compared to the same period in 2020 primarily due to the prior year gain on the sale of Gralise, loss on sale of NUCYNTA, loss on debt extinguishment and change in fair value of Collegium warrants not repeating. Sublease income offset by sublease expense is recorded in Other gain (loss) within the above table.

The following table reflects interest expense for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest payable on 13% Senior Secured Notes due 2024	$ 2,454	$ 2,936	$ 7,618	$ 4,341
Interest payable on Senior Notes	—	—	—	1,648
Interest payable on Convertible Notes	—	2	6	1,725
Amortization of debt discounts, and royalty rights	41	103	159	5,614
Other	—	9	—	—
Total interest expense	$ 2,495	$ 3,050	$ 7,783	$ 13,328

For the three months ended September 30, 2021, total interest expense decreased $0.6 million as compared to the same period in 2020 primarily due to the impact of the principal payments of the 13% Senior Secured Notes during the period.

For the nine months ended September 30, 2021, total interest expense decreased $5.5 million as compared to the same period in 2020 primarily due the settlement of the remaining principal of our Senior Notes and the repurchase of our 2021 and 2014 Notes in the third quarter of 2020 partially offset by interest expense associated with 13% Senior Secured Notes assumed from the Zyla Merger in May 2020.

Income Tax Provision

For the three and nine months ended September 30, 2021, we recorded an income tax expense of approximately $0.1 million and $0.3 million, respectively, which represents an effective tax rate of 1.2% and (5.3)%, respectively. The difference between the income tax expense of $0.1 million and $0.3 million for the three and nine months ended September 30, 2021, respectively, and the tax at the statutory rate of 21.0% is principally due to the recording of a valuation allowance for current year movement in deferred tax assets.

In the three and nine months ended September 30, 2020, we recorded an income tax expense of $1.1 million and an income tax benefit of $6.4 million, respectively, that represents an effective tax rate of (11.1)% and 62.7%, respectively. The difference between income tax expense of $1.1 million and income tax benefit of $6.4 million for the three and nine months ended September 30, 2020, respectively, and the tax at the statutory rate of 21.0% was principally due to the partial release of valuation allowance recorded against the beginning of year deferred tax asset for the net operating loss (NOL) carryback to the 2018 and 2019 tax years now permitted by the CARES Act.

LIQUIDITY AND CAPITAL RESOURCES

Historically and through September 30, 2021, we have financed our operations and business development efforts primarily from product sales, private and public sales of equity securities, including convertible debt securities, the proceeds of secured borrowings, the sale of rights to future royalties and milestones, upfront license, milestone and fees from collaborative and license partners.

On February 9, 2021, we completed a registered direct offering with certain institutional investors and accredited investors to sell 22,600,000 shares of our common stock at a purchase price of $0.62 per share. The gross proceeds from the offering were approximately $14.0 million. After placement agent fees, we received net proceeds of approximately $13.1 million. On February 12, 2021, we completed a registered direct offering with certain institutional investors and accredited investors to sell 35,000,000 shares of our common stock at a purchase price of $0.98 per share. The gross proceeds from the offering were approximately $34.3 million. After placement agent fees, we received net proceeds of approximately $32.2 million. We also incurred $0.5 million direct incremental cost to complete both registered direct offerings. We intend to use proceeds from both offerings for general corporate purposes, including general working capital.

We may incur operating losses in future years. We believe that our existing cash will be sufficient to fund our operations for the next twelve months from the date of this filing. We base this expectation on our current operating plan, which may change as a result of many factors.

Our cash needs may vary materially from our current expectations because of numerous factors, including:

- acquisitions or licenses of complementary businesses, products, technologies or companies;
- sales of our marketed products;
- expenditures related to our commercialization of our products;
- milestone and royalty revenue we receive under our collaborative development arrangements;
- interest and principal payments on our current and future indebtedness;
- financial terms of definitive license agreements or other commercial agreements we may enter into;
- changes in the focus and direction of our business strategy and/or research and development programs;
- potential expenses relating to ongoing litigation matters, including relating to Assertio Therapeutics' prior opioid product franchise for which we have not accrued any reserves due to an inability to estimate the magnitude and/or probability of such expenses, and former drug Glumetza; and
- effects of the COVID-19 pandemic on our operations.

The inability to raise any additional capital that may be required to fund our future operations or product acquisitions and strategic transactions which we may pursue could have a material adverse effect on our company.

The following table reflects summarized cash flow activities for the nine months ended September 30, 2021 and 2020 (in thousands):

	Nine Months Ended September 30,	
	2021	2020
Net cash provided by (used in) operating activities	$ 1,392	$ (59,590)
Net cash provided by investing activities	—	512,801
Net cash provided by (used in) financing activities	36,548	(460,581)
Net increase (decrease) in cash and cash equivalents	$ 37,940	$ (7,370)

Cash Flows from Operating Activities

Cash provided by operating activities was $1.4 million during the nine months ended September 30, 2021 compared to cash used of $59.6 million in the same period in 2020. The increase in cash provided from operating activities is primarily due to combination of lower net loss after non-cash adjustments and favorable working capital cash flows.

Cash Flows from Investing Activities

There was no cash flow activity from investing activities for the nine months ended September 30, 2021. Cash provided from investing activities for the nine months ended September 30, 2020 was $512.8 million, which included cash received for the sales of NUCYNTA, Gralise and Collegium warrants as well as cash acquired in Zyla Merger.

Cash Flows from Financing Activities

Cash provided by financing activities for the nine months ended September 30, 2021 was $36.5 million, which primarily consisted of proceeds from the registered direct offerings in February 2021 partially offset by payments of our debt as well as contingent consideration. Cash used in financing activities for the nine months ended September 30, 2020 was $460.6 million, which was primarily due to the settlement of our Senior Notes and the repurchase of our outstanding 2021 Notes and 2024 Notes.

Off-Balance Sheet Arrangement

There were no off-balance sheet arrangements during the quarter ended September 30, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective.

We review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis to improve our controls and procedures over time and to correct any deficiencies that we may discover in the future. Our goal is to ensure that our senior management has timely access to all material financial and non-financial information concerning our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to significantly modify our disclosure controls and procedures

Changes in Internal Controls over Financial Reporting

During the first quarter of 2021, we finalized the process of integrating our acquisition of Zyla's operations in our internal control environment. There were no other significant changes in our internal controls over financial reporting during the nine months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDING

For a description of our material pending legal proceedings, see "Note 12. Commitments and Contingencies - Legal Matters" of the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

We are subject to various risks and uncertainties that could have a material impact on our business, results of operations and financial condition, including those hereby incorporated by reference from Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020. There have been no material changes to our risk factors

since our Annual Report on Form 10-K for the year ended December 31, 2020. In addition to other information in this report, the risk factors referenced above should be considered carefully in evaluating an investment in our securities. If any of these risks or uncertainties actually occurs, our business, results of operations or financial condition would be materially and adversely affected. The risks and uncertainties referenced above are not the only ones facing us. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial may also become important factors that may harm our business, results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not repurchase any shares of the Company's common stock during the period covered by this Quarterly Report, except for shares surrendered to us, as reflected in the following table, to satisfy tax withholding obligations in connection with the vesting of equity awards.

	(a) Total Number of Shares (or Units) Purchased [1]	(b) Average Price Paid per Share	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2021 - July 31, 2021	3,072	$1.30	N/A	N/A
August 1, 2021 - August 31, 2021	2,812	$1.32	N/A	N/A
September 1, 2021 - September 30, 2021	851	0.93	N/A	N/A
Total	6,735	$1.26		

(1) Consists of shares withheld to pay employees' tax liability in connection with the vesting of equity awards granted under the our stock-based compensation plans. These shares may be deemed to be "issuer purchases" of shares.

ITEM 6. EXHIBITS

10.1†	Amendment No. 3 to Collaborative License, Exclusive Manufacture and Global Supply Agreement between Zyla Life Sciences and Cosette Pharmaceuticals, Inc. effective July 9, 2021
31.1	Certification pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act
31.2	Certification pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act
32.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(†) Confidential information omitted

(*) Furnished herewith

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.

Date: November 4, 2021

ASSERTIO HOLDINGS, INC.

/s/ Daniel A. Peisert
Daniel A. Peisert
President and Chief Executive Officer

/s/ Paul Schwichtenberg
Paul Schwichtenberg
Senior Vice President and Chief Financial Officer

/s/ Ajay Patel
Ajay Patel
Senior Vice President and Chief Accounting Officer

Exhibit 10.1

CERTAIN MATERIAL (INDICATED BY [***]) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCOSED.

AMENDMENT NO. 3 TO
COLLABORATIVE LICENSE, EXCLUSIVE MANUFACTURE AND GLOBAL SUPPLY AGREEMENT

THIS AMENDMENT NO. 3 TO COLLABORATIVE LICENSE, EXCLUSIVE MANUFACTURE AND GLOBAL SUPPLY AGREEMENT (this "**Amendment**"), is effective as of July 9, 2021 (the "**Amendment No. 3 Effective Date**") and is by and between Zyla Life Sciences, a Delaware corporation and successor in interest to Iroko Pharmaceuticals, LLC ("**Buyer**"), and Cosette Pharmaceuticals, Inc., a Delaware corporation and successor in interest to G&W Laboratories, Inc. (the "**Manufacturer**"**).** Buyer and Manufacturer are each a "**Party**" and together constitute the "**Parties**" under the Amendment.

WHEREAS, Iroko Pharmaceuticals, LLC ("**Iroko**") and G&W Laboratories, Inc. ("**G&W**") have entered into the Collaborative License, Exclusive Manufacture and Global Supply Agreement, dated August 1, 2008, as amended by Amendment 1 dated December 27, 2017 between Iroko and G&W and Amendment 2 dated July 10, 2018 between Iroko and G&W (the "**Agreement**") pursuant to which G&W agreed to manufacture and supply Iroko with the Products (as defined in the Agreement) for a specified period of time as G&W's exclusive distributor for such Products;

WHEREAS, Zyla Life Sciences has succeeded to the rights and obligations of Iroko under the Agreement and Cosette Pharmaceuticals, Inc. has succeeded to the rights and obligations of G&W under the Agreement; and

WHEREAS, the Parties desire to amend the Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the various promises and undertakings set forth herein, the Parties agree as follows:

1. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

1. Within (5) five days after the Amendment No. 3 Effective Date, Buyer will pay the Manufacturer the sum of ***/****/*** (the "**Upfront Fee**") by wire transfer to a bank account designated in writing by the Manufacturer, which amount shall be non- refundable.

1. Section 1 of the Agreement is hereby amended by adding the following definitions of "Amendment No. 3" and "Amendment No. 3 Effective Date" after the definition of "Agreement Quarters":

"Amendment No. 3" shall mean Amendment No. 3 to Collaborative License, Exclusive, Manufacture and Global Supply Agreement between the Manufacturer and Buyer.

"Amendment No. 3 Effective Date" shall mean July 9, 2021, the effective date of Amendment No.

1. Section 1 of the Agreement is hereby amended by adding the following definition of ***[***]***:

   [***]

1. Section 1 of the Agreement is hereby amended by deleting the definition of "Purchase Price" in its entirety and replacing it with the following:

   "Purchase Price" shall, effective for all Products ordered pursuant to Purchase Orders placed on or after ***[***]***, mean $***[***]***.

1. Section 1 of the Agreement is hereby amended by adding the following definition of "Suppository" immediately after the definition of "Specifications":

   "Suppository" shall mean one unit of the Product.

1. The heading of Section 4 is hereby deleted in its entirety and replaced with the following:

   Section 4. Purchase and Sale of Product; ***[***]***; Right of First Refusal**.**

1. Section 4.3(d) is hereby amended by adding the following sentence at the end thereof:

   [***]

1. Section 4 is hereby amended by adding the following sections at the end thereof: Section 4.9 ***[***]***.

   [***]

   Section 4.10 Limitation on Assignment; Right of First Refusal.

a. Manufacturer shall not, during the Term of this Agreement, assign or transfer to any third party any interest, in whole or in part, of Manufacturer in, to or under the ANDA, the Products or any Product IP (as defined below) (collectively, the "ROFR Assets") without the prior written consent of Buyer (which Buyer shall not unreasonably withhold); provided, however, that Manufacturer shall be entitled to assign or transfer any interest in any ROFR Assets without Buyer's consent: (i) to an Affiliate, or (ii) in connection with the sale, license, merger or consolidation of all or substantially all of its business. Any purported assignment or transfer by Manufacturer of any ROFR Assets in violation of the provisions of this Section 4.10(a) shall be void ab initio and of no legal effect. For purposes of this Agreement, "Product IP" means manufacturing processes, know-how and other intellectual property now or hereafter owned or controlled by Manufacturer or any of its Affiliates that has been or hereafter is used, directly or indirectly, in the manufacture of Product or any components thereof.

a. Promptly upon receipt of, and in any event prior to Manufacturer accepting any offer from a third party with respect to a transaction that would involve, directly or indirectly, a sale or assignment

of any ROFR Asset (whether or not such transaction involves any other assets of Manufacturer, but excluding any transaction that constitutes the sale, license, merger or consolidation of all or substantially all of Manufacturer's business) (a "ROFR Asset Transfer"), Manufacturer shall provide to Buyer written notice (the "Manufacturer Notice") of such offer along with a description of the material terms of such offer. Promptly following delivery of the Manufacturer Notice, Manufacturer shall provide Buyer with access to Manufacturer personnel and such other Manufacturer consultants or agents as may be reasonably requested by Buyer and shall promptly provide all of written information in the possession of Manufacturer reasonably requested by Buyer for purposes of determining whether to exercise its rights under this Section 4.10.

a. Buyer shall have thirty (30) days (which time period may be extended by mutual written agreement) following its receipt of the Manufacturer Notice to notify Manufacturer in writing that it intends to match the terms of the offer described in the Manufacturer Notice (the "Buyer Notice"). If Buyer provides Manufacturer with a Buyer Notice, the Parties will immediately enter into good faith negotiations to agree upon the terms of a definitive agreement which shall contain all of the material terms and conditions of the transaction that is the subject of the Manufacturer Notice.

a. If Buyer does not provide a timely Buyer Notice, then Manufacturer shall be permitted to enter into the transaction described in the Manufacturer Notice with the proposed purchaser described in the Manufacturer Notice; provided, that if (i) the material terms of such transaction are not at least as favorable to Manufacturer as set forth in the Manufacturer Notice, when considered in the aggregate or (ii) the transaction is not consummated within one hundred twenty (120) days of the expiration of the thirty (30) day period described in Section 4.10(c), such transaction will again be subject to the right of first refusal described in this Section 4.10.

1. The first sentence of Section 5.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

The Buyer shall pay the then-applicable Purchase Price for all Product purchased after the Amendment No. 3 Effective Date. For the avoidance of doubt, the Purchase Prices shall not be subject to any adjustment during the remaining Term of this Agreement pursuant to Section 5.1 and Exhibit B.

1. Section 11.1 of the Agreement is hereby deleted in its entirety and replaced with the following:

The Term of this Agreement shall commence on the Amendment No. 3 Effective Date and shall continue until the seventh (7^{th}) anniversary of the Amendment No. 3 Effective Date, at which time this Agreement shall automatically renew for consecutive two (2)-year periods unless either Party provides written notice of termination to the other Party at least one (1) year prior to end of the Term or the then-current renewal term, as applicable. If either Party gives written notice of termination of this Agreement to the other Party less than one year prior to the end of the then-current Term or renewal term of this Agreement, the Term shall end and this Agreement shall expire at the end of the immediately following renewal term.

1. Section 11.2(b) of the Agreement is hereby deleted in its entirety and replaced with the following:

by either Party (the "Terminating Party") upon sixty (60) days' written notice to the other Party (the "Non-Terminating Party") in the event of a failure of the Non-Terminating Party to perform

or observe a material obligation imposed by this Agreement (other than a failure which would permit termination under subclause (c) of this Section 11.2), unless such failure is cured or the parties have reached written agreement on a plan to achieve a cure of such failure prior to the end of such sixty (60) day period; provided, however, that, if the Non-Terminating Party disputes the Terminating Party's grounds for terminating the Agreement under this Section 11.2(b) and initiates the dispute resolution procedures set forth in Section 13.12 by giving the Terminating Party written notice of the dispute which must describe with reasonable particularity the Non-Terminating Party's rationale for raising the dispute (a "Dispute") prior to the expiration of such sixty (60) day notice period, the Terminating Party may thereafter only terminate this Agreement pursuant to this Section 11.2(b) with respect to such Disputed grounds following its receipt of a favorable ruling from the arbitrator in the Expedited Arbitration (as defined in Section 13.12); or

1. Section 11.3 of the Agreement is hereby amended by adding the following sentence at the end thereof:

If this Agreement is terminated by a Party pursuant to Section 11.2(b), then the Non-Terminating Party's obligations under ***/[***]*** shall survive the termination of this Agreement through the date on which the then-current Term or renewal term of this Agreement (measured as of immediately prior to such termination of this Agreement) would have expired had the Agreement not been so terminated pursuant to Section 11.2(b).

1. Section 13.2 is hereby deleted in its entirety and replaced with the following:

This Agreement shall be assignable or transferable by either Party hereto only with the consent in writing of the other Party, which consent shall not be unreasonably withheld; provided, however, that either Party shall be entitled to assign its rights and obligations hereunder without such consent:

(i) to an Affiliate, or (ii) in connection with the sale, license, merger or consolidation of all or substantially all of its business. Notwithstanding the foregoing, Manufacturer shall not assign or transfer this Agreement in connection with a sale or transfer of any ROFR Assets without the prior written consent of Buyer (which Buyer shall not unreasonably withhold) except as expressly permitted by first sentence of this Section 13.2. Any purported assignment or transfer by Manufacturer of this Agreement in violation of any of the provisions of this Section 13.2 shall be void ab initio and of no legal effect.

1. Section 13.3 is hereby deleted in its entirety and replaced with the following:

Section 13.3. Notice. Unless otherwise set forth herein, all notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally (including by overnight courier) or by facsimile transmission (receipt confirmed by telephone) or by electronic mail transmission (receipt confirmed by electronic mail) to the Party at the following address, facsimile numbers, or electronic mail addresses set forth below:

If to Buyer:

Assertio Holdings, Inc. c/o Zyla Life Sciences
100 S. Saunders Road, Suite 300 Lake Forest, IL 60025 Attention: President and CEO Facsimile No: (510) 744-8001

E-mail: dpeisert@assertiotx.com with a copy to:

Gibson Dunn & Crutcher LLP 1881 Page Mill Road
Palo Alto, CA 94304-1211
Attention: David H. Kennedy Facsimile No: (650) 849-5004

E-mail: dkennedy@gibsondunn.com If to the Manufacturer:

Cosette Pharmaceuticals, Inc. 200 Crossing Blvd, 4th Floor Bridgewater, NJ 08807 Attention: President and CEO

E-mail: asaraf@cosettepharma.com With a copy to:

Cosette Pharmaceuticals, Inc. 200 Crossing Blvd, 4th Floor Bridgewater, NJ 08807 Attention: General Counsel

E-mail: silinschneider@cosettepharma.com

The above addresses for receipt of notice may be changed by either Party by notice, given as provided herein.

1. Section 13 is hereby amended by adding the following sections at the end thereof:

a. Submission to Jurisdiction. The Parties hereto irrevocably submit to the non- exclusive jurisdiction of federal or state courts sitting in the State of New Jersey.

a. Equitable Relief. Each Party acknowledges and agrees that any actual or threatened breach of by a Party of its obligations under Sections 4.1, 4.9, 4.10 or 13.2 shall constitute immediate and irreparable harm to the non-breaching Party for which monetary damages will be an inadequate to remedy. Each Party therefore agrees that the non- breaching Party shall be entitled to an injunction and other equitable relief, without posting a bond, to prevent any such threatened or actual breach.

a. Dispute Resolution Procedure. If the Non-Terminating Party fails to give the Terminating Party written notice of its Dispute including reasonable particularity prior to the expiration of the sixty (60) day notice period contemplated by Section 11.2(b), the Non- Terminating Party will be deemed to have waived any right to initiate the dispute resolution provisions of this Section 13.12 and the Terminating Party shall, thereafter, have the right to terminate this Agreement in accordance with Section 11.2(b). If the Non-Terminating Party gives such written notice of a Dispute prior to expiration of such sixty (60) day period, the Dispute will be resolved pursuant to the expedited dispute resolution process in this Section 13.12 ("Expedited Arbitration"). In any such Expedited Arbitration, the Dispute will be submitted to fast track, binding arbitration in accordance with the following:

a. An Expedited Arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with its Commercial Arbitration Rules, subject to this Section 13.12, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The place of arbitration shall be within the State of New Jersey. There shall be one (1) arbitrator, who shall by an independent third-party expert with at least ten (10) years of experience in pharmaceutical industry. The arbitrator will be selected as follows: within five (5) days after the Non-Terminating Party has timely delivered notice of its Dispute to the Terminating Party, each of the Terminating Party and the Non-Terminating Party will

designate an independent third party and such independent third parties will thereafter jointly select the arbitrator as soon as reasonably practicable. If for any reason an arbitrator who is available and willing to serve has not been appointed within thirty (30) days from the date on which the Non-Terminating Party has timely delivered notice of its Dispute to the Terminating Party, either Party may request that the AAA select the arbitrator. The cost of the Expedited Arbitration will be borne equally by the Parties, and each Party shall bear its own costs and attorneys' and witnesses' fees and associated costs and expenses. Except in a proceeding to enforce the results of the Expedited Arbitration or as otherwise required by applicable Laws, neither Party nor any arbitrator may disclose the existence, content or results of any Expedited Arbitration hereunder without the prior written agreement of the Parties.

a. Within twenty (20) days after the arbitrator designated in accordance with the foregoing provisions of this Section 13.12 confirms his or her availability to conduct the Expedited Arbitration, each Party will provide the arbitrator with a proposal and written memorandum in support of its position regarding the Dispute, as well as any documentary evidence it wishes to provide in support thereof (not to exceed thirty (30) pages) (each a "Proposal") and the arbitrator will provide each Party's Proposal to the other Party after it receives it from both Parties.

a. Within fourteen (14) days after a Party submits its Proposal, the other Party will have the right to submit a rebuttal memorandum (not to exceed fifteen (15) pages), if any, to the arbitrator and the other Party. If requested by the arbitrator, the Parties will make oral submissions to the arbitrator based on such Party's Proposal.

a. Within twenty (20) days after the receipt by the arbitrator of both Parties' written submissions (or expiration of the twenty (20) day period if any Party fails to submit a response), the arbitrator will issue a final award in writing, stating its reasoning, provided that the arbitrator will select one of the Parties' Proposals. The decision of the arbitrator will be the sole, exclusive, binding and non-appealable remedy between them regarding the Dispute referred to Expedited Arbitration.

1. This Amendment is effective as of the Amendment No. 3 Effective Date. Except as expressly provided in this Amendment, all of the terms and provisions of the Agreement are and will remain in full force and effect, and are hereby ratified and confirmed by the Parties. On and after the Amendment No. 3 Effective Date, each reference in the Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference to the Agreement in any other agreements, documents or instruments executed and delivered pursuant to, or in connection with, the Agreement, will mean and be a reference to the Agreement, as amended by this Amendment.

1. This Amendment shall be governed by and construed under the laws of the State of New Jersey, excluding its conflicts of law principles.

1. This Amendment may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of this Amendment shall constitute an original.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed and to be effective as of the Amendment No. 3 Effective Date.

ZYLA LIFE SCIENCES
By: /s/ Dan Peisert
Print: Dan Peisert
Title: CEO

COSETTE PHARMACEUTICALS, INC.
By: /s/ Apurva Saraf
By: Apurva Saraf
By: President and CEO

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Daniel A. Peisert, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Assertio Holdings, 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(s) 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 officers 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: November 4, 2021

By: /s/ Daniel A. Peisert

Daniel A. Peisert
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Paul Schwichtenberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Assertio Holdings, 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(s) 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 officers 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: November 4, 2021

By: /s/ Paul Schwichtenberg

Paul Schwichtenberg

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 Assertio Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel A Peisert, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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: November 4, 2021

/s/ Daniel A. Peisert

Daniel A. Peisert

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Assertio Holdings, Inc. (the "Company") for the quarterly period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Schwichtenberg, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §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: November 4, 2021

/s/ Paul Schwichtenberg

Paul Schwichtenberg

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)