

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2020**

Or

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___ to ___

Commission File Number **1-10113**

Acura Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in its Charter)

New York

(State or Other Jurisdiction of Incorporation or Organization)

11-0853640

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

616 N. North Court, Suite 120, Palatine, Illinois

(Address of Principal Executive Offices)

60067

(Zip Code)

*(Registrant's telephone number, including area code: **(847) 705-7709**)*

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 charter) 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.

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value	ACUR	OTCQB Market

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, \$0.01 par value

Common shares outstanding as of August 14, 2020: 21,650,294

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Unless otherwise indicated or the context otherwise requires, references to the "Company", "registrant", "we", "us" and "our" refer to Acura Pharmaceuticals Inc. and its subsidiary. The Acura logo is our trademark and Acura Pharmaceuticals is our registered trademark. All other trade names, trademarks and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners. We have assumed that the reader understands that all such terms are source-indicating. Accordingly, such terms, when first mentioned in this Quarterly Report on Form 10-Q, appear with the trade name, trademark or service mark notice and then throughout the remainder of this Quarterly Report on Form 10-Q without the trade name, trademark or service mark notices for convenience only and should not be construed as being used in a descriptive or generic sense.

Item 1. Interim Consolidated Financial Statements

ACURA PHARMACEUTICALS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands except par value)

	June 30, 2020	December 31, 2019
Assets:		
Cash	\$ 1,038	\$ 862
Royalty receivable	30	82
Collaboration revenue receivable from related party	49	78
License fee receivable from related party	700	-
Prepaid expenses and other current assets	55	122
Income tax receivable	68	34
Total current assets	1,940	1,178
Income tax receivable	-	34
Property, plant and equipment, net (Note 6)	511	540
Intangible asset, net (Note 3)	85	810
Total assets	\$ 2,536	\$ 2,562
Liabilities:		
Accounts payable	\$ 141	\$ 237
Accrued expenses (Note 7)	645	585
Loan under CARES Act	120	-
Other current liabilities (Note 11)	15	29
Sales returns liability (Note 4)	-	223
Accrued interest to related party (Note 8)	454	-
Convertible debt to related party, net of discounts (Note 8)	6,000	-
Total current liabilities	7,375	1,074
Convertible debt to related party, net of discounts (Note 8)	-	6,000
Accrued interest to related party (Note 8)	-	229
Loan under CARES Act	149	-
Total liabilities	\$ 7,524	\$ 7,303
Commitments and contingencies		
Stockholders' deficit:		
Common stock - \$0.01 par value per share; 100,000 shares authorized, 21,650 and 21,300 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	216	213
Additional paid-in capital	383,079	383,042
Accumulated deficit	(388,283)	(387,996)
Total stockholders' deficit	(4,988)	(4,741)
Total liabilities and stockholders' deficit	\$ 2,536	\$ 2,562

See accompanying notes to unaudited consolidated financial statements.

ACURA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands except per share amounts)

	Three months Ended June 30,		Six months Ended June 30,	
	2020	2019	2020	2019
Revenues:				
Royalties	\$ 34	\$ 46	\$ 67	\$ 113
Collaboration	44	-	52	-
License fees	1,050	-	2,100	-
Product sales, net of allowance (Note 4)	223	-	223	-
Total revenues	1,351	46	2,442	113
Operating expenses:				
Research and development	445	262	832	575
General and administrative	485	406	1,672	843
Total operating expenses	930	668	2,504	1,418
Operating income (loss)	421	(622)	(62)	(1,305)
Loss on debt extinguishment	-	(2,600)	-	(2,600)
Interest expense – related party (Note 10)	(113)	(119)	(225)	(224)
Income (loss) before provision for income taxes	308	(3,341)	(287)	(4,129)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 308	\$ (3,341)	\$ (287)	\$ (4,129)
Net income (loss) per share:				
Basic	\$ 0.01	\$ (0.15)	\$ (0.01)	\$ (0.19)
Diluted	\$ 0.01	\$ (0.15)	\$ (0.01)	\$ (0.19)
Weighted average number of shares outstanding:				
Basic	32,304	21,872	32,287	21,684
Diluted	32,482	21,872	32,287	21,684

See accompanying notes to unaudited consolidated financial statements.

ACURA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED STOCKHOLDERS' DEFICIT
(Unaudited; in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Number of Shares	Par Value			
Balance at January 1, 2020	21,300	\$ 213	\$ 383,042	\$ (387,996)	\$ (4,741)
Net loss	-	-	-	(595)	(595)
Net distribution of common stock pursuant to restricted stock unit award plan	350	3	19	-	22
Non-cash share-based compensation	-	-	9	-	9
Balance at March 31, 2020	21,650	\$ 216	\$ 383,070	\$ (388,591)	\$ (5,305)
Net income	-	-	-	308	308
Non-cash share-based compensation	-	-	9	-	9
Balance at June 30, 2020	21,650	\$ 216	\$ 383,079	\$ (388,283)	\$ (4,988)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Number of Shares	Par Value			
Balance at January 1, 2019	21,034	\$ 210	\$ 380,395	\$ (384,222)	\$ (3,617)
Net loss	-	-	-	(788)	(788)
Non-cash share-based compensation	-	-	29	-	29
Net distribution of common stock pursuant to restricted stock unit award plan	266	3	12	-	15
Balance at March 31, 2019	21,300	\$ 213	\$ 380,436	\$ (385,010)	\$ (4,361)
Net loss	-	-	-	(3,341)	(3,341)
Non-cash share-based compensation	-	-	29	-	29
Debt premium from debt modification	-	-	1,382	-	1,382
Issuance of warrant	-	-	1,145	-	1,145
Balance at June 30, 2019	21,300	\$ 213	\$ 382,992	\$ (388,351)	\$ (5,146)

See accompanying notes to unaudited consolidated financial statements.

ACURA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six months Ended June 30,	
	2020	2019
Cash Flows from Operating Activities:		
Net loss	\$ (287)	\$ (4,129)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	29	34
Non-cash share-based compensation	18	58
Capitalized debt discount	-	(13)
Amortization of debt discount and deferred debt issue costs	-	66
Amortization of intangible asset	57	103
Loss on debt extinguishment	-	2,600
Impairment charge on intangible asset	668	-
Changes in assets and liabilities:		
Royalty receivable	52	93
License fee receivable – related party	(700)	-
Loan receivable – related party	-	(725)
Collaboration revenue receivable from related party	29	-
Prepaid expenses and other current assets	67	118
Accounts payable	(96)	69
Accrued expenses	60	94
Sales return liability	(223)	-
Accrued interest on related party loans	225	(106)
Other current liabilities	7	(2)
Net cash used in operating activities	(94)	(1,740)
Cash Flows from Financing Activities:		
Proceeds from distribution of restricted stock units	3	14
Statutory minimum payroll withholding taxes paid on the distribution of shares pursuant to RSU award plan	(2)	-
Proceeds from loan under CARES Act	269	-
Proceeds from related party loans	-	1,650
Net cash provided by financing activities	270	1,664
Net increase (decrease) in cash	176	(76)
Cash at beginning of period	862	91
Cash at end of end of period	\$ 1,038	\$ 15
Supplemental Disclosures of Cash Flow Information:		
Cash interest payments on loan	\$ -	\$ -

See accompanying notes to unaudited consolidated financial statements.

ACURA PHARMACEUTICALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited; in thousands)

Supplemental disclosures of noncash investing and financing activities

Six months Ended June 30, 2019

1. The imputed interest on the below market rate element of the related party \$650 loans made to the Company through June 27, 2019, amounted to \$13, and was recorded in interest income with a corresponding like amount recorded as debt discount against the principal amount of the loan.
2. On June 28, 2019, modifications made to the related party \$5,000 loan resulted in debt extinguishment. A \$2,600 loss on debt extinguishment was recorded comprising \$1,150 for a common stock purchase warrant issued to the related party lender, the excess fair value premium on the newly issued convertible debt of \$1,380, and the write-off of unamortized debt discount of approximately \$70.
3. Accrued interest due of \$274 on the related party \$5,000 loan was rolled into principal under modifications made to the loan occurring on June 28, 2019 and the related party receivable of \$725 was received on July 2, 2019.

See accompanying notes to unaudited consolidated financial statements.

ACURA PHARMACEUTICALS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND JUNE 30, 2019

NOTE 1 – OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Operations

Acura Pharmaceuticals, Inc., a New York corporation, and its subsidiary (the “Company”, “Acura”, “We”, “Us” or “Our”) is an innovative drug delivery company engaged in the research, development and commercialization of technologies and products intended to address safe use of medications. We have discovered and developed three proprietary platform technologies which can be used to develop multiple products. Our Limitx™ Technology is intended to minimize the risks and side effects associated with overdose by retarding the release of active drug ingredients when too many tablets are accidentally or purposefully ingested. Our Aversion® Technology is intended to address methods of product tampering associated with opioid abuse by incorporating gelling ingredients and irritants into tablets to discourage abuse by snorting and provide barriers to abuse by injection. Our Impede® Technology is directed at minimizing the extraction and conversion of pseudoephedrine tablets into methamphetamine.

- Our Limitx Technology is in development with immediate-release tablets containing hydrocodone bitartrate and acetaminophen (also known as LTX-03) as the lead product candidate due to its large market size and its known prevalence of oral excessive tablet abuse and overdose. The technology is designed to retard the release of active opioid drug when too many tablets are accidentally or purposefully ingested by neutralizing stomach acid with buffer ingredients but deliver efficacious amounts of drug when taken as a single tablet with a nominal buffer dose. US commercialization rights to LTX-03 are licensed to Abuse Deterrent Pharma, LLC (See Note 3).
- Our Aversion Technology has been licensed to Assertio Holdings Inc or Assertio (formerly known as Zyla Life Sciences and previously as Egalet Corporation) for use in Oxaydo® Tablets (oxycodone HCl, CII), and is the first approved immediate-release oxycodone product in the United States with abuse deterrent labeling. Oxaydo is currently approved by the FDA for marketing in the United States in 5mg and 7.5mg strengths (See Note 3).
- Our Impede Technology is used in Nexafed® Tablets (30mg pseudoephedrine HCl) and Nexafed® Sinus Pressure + Pain Tablets (30/325mg pseudoephedrine HCl and acetaminophen). We have licensed to MainPointe Pharmaceuticals, LLC (MainPointe), our Impede Technology in the United States and Canada to commercialize these Nexafed products (See Note 3). MainPointe subsequently assigned its interest in the license to Abuse Deterrent Pharma, LLC but continues to market the products.

Basis of Presentation, Liquidity and Substantial Doubt in Going Concern

The accompanying consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern and in accordance with generally accepted accounting principles in the United States of America. The going concern basis of presentation assumes that we will continue in operation one year after the date these financial statements are issued and we will be able to realize our assets and discharge our liabilities and commitments in the normal course of business. As of June 30, 2020, we had cash of \$1.0 million, working capital deficit of \$5.6 million and an accumulated deficit of \$388.3 million. We had a loss from operations of \$62 thousand and a net loss of \$287 thousand for the six months ended June 30, 2020, and had a loss from operations of \$725 thousand and a net loss of \$3.8 million for the year ended December 31, 2019. We have suffered recurring losses and have not generated positive cash flows from operations. We anticipate operating losses to continue for the foreseeable future.

On June 28, 2019, we entered into a License, Development and Commercialization Agreement with Abuse Deterrent Pharma, LLC (“AD Pharma”) (the “AD Pharma Agreement”). AD Pharma has the right to terminate the AD Pharma Agreement for “convenience on 30 days prior written notice”. Under the AD Pharma Agreement, the required monthly license payments by AD Pharma will only continue until November 2020 if AD Pharma does not exercise their right to terminate the AD Pharma Agreement. To fund further operations, we must raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies or explore a variety of capital raising and other transactions to provide additional funding. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations and the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. Delay or cessation of the Company’s continuing product development efforts will have a material adverse effect on the Company’s financial condition and results of operations. Should AD Pharma exercise their right to terminate the AD Pharma Agreement, we would need to raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies. The Company’s ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations. In the absence of such financing or third-party license or collaboration agreements, the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. An extended delay or cessation of the Company’s continuing product development efforts will have a material adverse effect on the Company’s financial condition and results of operations.

Also included in the AD Pharma Agreement is the requirement that the NDA for LTX-03 be accepted by the FDA by November 30, 2020, or AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the LIMITx intellectual property. Importantly, such failure to meet this date will be an event of default under their \$6.0 million note to Acura. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. At this time, all auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. Acura currently expects the submission and FDA acceptance of a new drug application (“NDA”) for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. We therefore presented the \$6.0 million note as a current liability at June 30, 2020. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

In view of the matters described above, management has concluded that substantial doubt exists with respect to the Company’s ability to continue as a going concern within one year after the date the financial statements are issued. The recoverability of a major portion of the recorded asset amounts shown in the Company’s accompanying consolidated balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company’s ability to meet its funding requirements on a continuous basis, to maintain existing financing and to succeed in its future operations. The Company’s financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic (“coronavirus pandemic”), based on the rapid increase in exposure globally. The coronavirus pandemic is affecting the United States and global economies. If the outbreak continues to spread, it may affect the Company’s operations and those of third parties on which the Company relies, including causing disruptions in the supply of the Company’s product candidates and the conduct of current and planned preclinical and clinical studies and contract manufacturing operations. We may need to limit operations or implement limitations, and may experience limitations in employee resources. There are risks that it may be more difficult to contain if the outbreak reaches a larger population or broader geography, in which case the risks described herein could be elevated significantly.

The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Additionally, while the potential economic impact brought by, and the duration of, the coronavirus pandemic is difficult to assess or predict, the impact of the coronavirus on the global financial markets may reduce the Company's ability to access capital, which could negatively impact the Company's short-term and long-term liquidity and the Company's ability to complete its preclinical studies on a timely basis, or at all.

For example, as further discussed throughout the notes to financial statements, our contract manufacturer did delay the installation of the auxiliary manufacturing equipment needed for LTX-03 development for several weeks due to COVID-19 risk mitigation strategies implemented in New Jersey which is needed to further our NDA application submission for LTX-03.

The ultimate impact of coronavirus is highly uncertain and subject to change. The Company does not yet know the full extent of potential delays or impacts on its business, financing, preclinical and clinical trial activities contract manufacturing operations or the global economy as a whole. However, these effects could have a material, adverse impact on the Company's liquidity, capital resources, operations and business and those of the third parties on which we rely.

NOTE 2 – RECENT ANNOUNCING STANDARDS

New accounting standards which have been adopted

Fair Value Measurements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 eliminates certain disclosure requirements for fair value measurements for all entities, requires public entities to disclose certain new information and modifies some disclosure requirements. This standard is effective for fiscal years beginning after December 15, 2019, including interim reporting periods within those years, with early adoption permitted. The Company's adoption of ASU 2018-13 did not have a material impact on the financial statements and related footnote disclosures.

NOTE 3 – LICENSE AND COLLABORATION AGREEMENTS

The Company's revenues are comprised of amounts earned under its license and collaboration agreements and royalties. Revenue recognition occurs when a customer obtains control of promised services in an amount that reflects the consideration the Company expects to receive in exchange for those services based on a short-term credit arrangement.

AD Pharma Agreement covering LTX-03

On June 28, 2019 we entered into a License, Development and Commercialization Agreement ("the AD Pharma Agreement") with Abuse Deterrent Pharma, LLC (AD Pharma", for the development and license of LTX-03 (hydrocodone bitartrate with acetaminophen) immediate-release tablets utilizing Acura's patented LIMITx™. Acura will receive a monthly license payment of \$350 thousand by AD Pharma for 18 months until November 2020. The first license payment was received July 2, 2019. AD Pharma will pay for and reimburse Acura for all outside development costs on LTX-03. If the NDA filing for LTX-03 is not accepted by the FDA by November 30, 2020, AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the Limitx intellectual property. Should AD Pharma choose not to exercise this option to terminate and the NDA for LTX-03 is subsequently accepted by the FDA, such option expires. AD Pharma does have the right to terminate the AD Pharma Agreement anytime for "convenience on 30 days prior written notice". AD Pharma retains commercialization rights from which Acura will receive stepped royalties on sales and potential sales related milestones.

We also granted authority to MainPointe Pharmaceuticals, LLC (MainPointe) to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength). The Option Product exercise price of \$500 thousand is waived if the exercise of the option occurs by June 28, 2024 (five years from the effective date of the AD Pharma Agreement).

On June 28, 2019 Mr. John Schutte assigned and transferred to AD Pharma his \$6.0 million promissory note, the common stock purchase warrant for 10.0 million common shares, and the security agreement granting a security interest in all of the Company's assets. Mr. Schutte is our largest shareholder and directly owns approximately 45.7% of our common stock (after giving effect to the exercise of remaining common stock purchase warrants he holds). Mr. Schutte controls MainPointe and is the principal investor in AD Pharma.

Assertio Agreement covering Oxaydo

In April 2014, we terminated an agreement with Pfizer which resulted in the return to us of Aversion Oxycodone (formerly known as Oxecta®) and all Aversion product rights in exchange for a one-time termination payment of \$2.0 million. Our termination payment of \$2.0 million has been recorded in our financial statements as an intangible asset and is being amortized over the remaining useful life of the patent covering Aversion Oxycodone, which was 9.7 years as of the date the Pfizer agreement was terminated. The recoverability of the Aversion intangible asset is contingent upon future Assertio royalty revenues to us. We have recorded amortization expense of \$57 thousand and \$103 thousand in each of the six month periods ending June 30, 2020 and 2019, respectively. During the first quarter 2020 a triggering event occurred with the decline in royalty cash flows from Assertio, and we performed an impairment test which indicated that the carrying value of the intangible asset was greater than the fair value. The impairment test resulted in a \$668 thousand impairment charge against the intangible asset, which was determined using our estimate of discounted royalty cash flows remaining under our license agreement with Assertio, and recorded a like amount to general and administrative expense. Amortization of the patent for its remaining life is expected to approximate \$6 thousand per quarter.

The Aversion intangible asset is summarized as follows (in thousands):

	June 30, 2020	December 31, 2019
Intangible asset – Aversion	2,000	2,000
Less: accumulated amortization	(1,247)	(1,190)
Less: reserve for impairment	(668)	-
Net	<u>\$ 85</u>	<u>\$ 810</u>

In January 2015, we and Egalet US, Inc. and Egalet Ltd., each a subsidiary of Egalet Corporation (now known as Assertio Holdings Inc and formerly known as Zyla Life Sciences), or collectively Assertio, entered into a Collaboration and License Agreement (the "Assertio Agreement") to commercialize Aversion Oxycodone under our tradename Oxaydo. Oxaydo is approved by the FDA for marketing in the United States in 5 mg and 7.5 mg strengths. Under the terms of the Assertio Agreement, we transferred the approved New Drug Application, or NDA, for Oxaydo to Assertio and Assertio is granted an exclusive license under our intellectual property rights for development and commercialization of Oxaydo worldwide (the "Territory") in all strengths, subject to our right to co-promote Oxaydo in the United States. Egalet launched Oxaydo in the United States late in the third quarter of 2015.

In accordance with the Assertio Agreement Assertio is responsible for the fees and expenses relating to the product line extensions of Oxaydo, provided that Assertio will pay a substantial majority of the fees and expenses and we will pay for the remaining fees and expense relating to (i) annual NDA PDUFA product fees, (ii) expenses of the FDA required post-marketing study for Oxaydo and (iii) expenses of clinical studies for product line extensions (additional strengths) of Oxaydo for the United States. Assertio will bear all of the expenses of development and regulatory approval of Oxaydo for sale outside the United States. Assertio is responsible for all manufacturing and commercialization activities in the Territory for Oxaydo. Subject to certain exceptions, Assertio will have final decision making authority with respect to all development and commercialization activities for Oxaydo, including pricing, subject to our co-promotion right. Assertio may develop Oxaydo for other countries and in additional strengths, in its discretion.

Assertio paid us a \$5.0 million license fee upon signing of the Assertio Agreement and on October 9, 2015, paid us a \$2.5 million milestone in connection with the first commercial sale of Oxaydo. We will be entitled to a one-time \$12.5 million sales-based milestone payment when worldwide Oxaydo net sales reach \$150 million in a calendar year. We are entitled to receive from Assertio a stepped royalty at percentage rates ranging from mid-single digits to double-digits based on Oxaydo net sales during each calendar year (excluding net sales resulting from our co-promotion efforts). In any calendar year of the agreement in which net sales exceed a specified threshold, we will receive a double digit royalty on all Oxaydo net sales in that year (excluding net sales resulting from our co-promotion efforts). If we exercise our co-promotion rights, we will receive a share of the gross margin attributable to incremental Oxaydo net sales from our co-promotion activities. Assertio's royalty payment obligations commenced on the first commercial sale of Oxaydo and expire, on a country-by-country basis, upon the expiration of the last to expire valid patent claim covering Oxaydo in such country (or if there are no patent claims in such country, then upon the expiration of the last valid claim in the United States or the date when no valid and enforceable listable patent in the FDA's Orange Book remains with respect to Oxaydo). Royalties will be reduced upon the entry of generic equivalents, as well as for payments required to be made by Assertio to acquire intellectual property rights to commercialize Oxaydo, with an aggregate minimum floor.

The Assertio Agreement expires upon the expiration of Assertio's royalty payment obligations in all countries. Either party may terminate the Assertio Agreement in its entirety if the other party breaches a payment obligation, or otherwise materially breaches the Assertio Agreement, subject to applicable cure periods, or in the event the other party makes an assignment for the benefit of creditors, files a petition in bankruptcy or otherwise seeks relief under applicable bankruptcy laws. We also may terminate the Assertio Agreement with respect to the U.S. and other countries if Assertio materially breaches its commercialization obligations. Assertio may terminate the Assertio Agreement for convenience on 120 days prior written notice, which termination may not occur prior to the second anniversary of Assertio's launch of Oxaydo. Termination does not affect a party's rights accrued prior thereto, but there are no stated payments in connection with termination other than payments of obligations previously accrued. For all terminations (but not expiration), the Assertio Agreement provides for the transition of development and marketing of Oxaydo from Assertio to us, including the conveyance by Assertio to us of the trademarks and all regulatory filings and approvals relating to Oxaydo, and for Assertio's supply of Oxaydo for a transition period.

MainPointe Agreement covering Nexafed Products and assignment thereof to AD Pharma

In March 2017, we and MainPointe entered into the MainPointe Agreement, pursuant to which we granted MainPointe an exclusive license to our Impede Technology to commercialize both of our Nexafed and Nexafed Sinus Pressure + Pain product ("Nexafed products") in the U.S. and Canada. We also conveyed to MainPointe our existing inventory and equipment relating to our Nexafed products. MainPointe is responsible for all development, manufacturing and commercialization activities with respect to products covered by the Agreement.

On signing the MainPointe Agreement, MainPointe paid us an upfront licensing fee of \$2.5 million. The MainPointe Agreement also provides for our receipt of a 7.5% royalty on net sales of the licensed products. The royalty payment for each product will expire on a country-by-country basis when the Impede® patent rights for such country have expired or are no longer valid; provided that if no Impede patent right exists in a country, then the royalty term for that country will be the same as the royalty term for the United States. After the expiration of a royalty term for a country, MainPointe retains a royalty free license to our Impede® Technology for products covered by the Agreement in such country.

MainPointe has the option to expand the licensed territory beyond the United States and Canada to the European Union (and the United Kingdom), Japan and South Korea for payments of \$1.0 million, \$500 thousand and \$250 thousand, respectively. In addition, MainPointe has the option to add to the MainPointe Agreement certain additional products, or Option Products, containing PSE and utilizing the Impede Technology for a fee of \$500 thousand per product (for all product strengths). Such Option Products include the product candidate Loratadine with pseudoephedrine. If the territory has been expanded prior to the exercise of a product option, the option fee will be increased to \$750 thousand per product. If the territory is expanded after the payment of the \$500 thousand product option fee, a one-time \$250 thousand fee will be due for each product. If a third party is interested in developing or licensing rights to an Option Product, MainPointe must exercise its option for that product or its option rights for such product will terminate.

On June 28, 2019, we granted authority to MainPointe to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength). The Option Product exercise price of \$500 thousand is waived if the exercise of the option occurs by June 28, 2024 (five years from the effective date of the AD Pharma Agreement).

The MainPointe Agreement may be terminated by either party for a material breach of the other party, or by Acura if MainPointe challenges certain of its patents. Upon early termination of the MainPointe Agreement, MainPointe's licenses to the Impede Technology and all products will terminate. Upon termination, at Acura's request the parties will use commercially reasonable efforts to transition the Nexafed® and Nexafed® Sinus Pressure + Pain products back to Acura.

On January 1, 2020, MainPointe assigned to AD Pharma, with Acura's consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura.

KemPharm Agreement Covering Certain Opioid Prodrugs

In October 2016, we and KemPharm Inc. ("KemPharm") entered into a worldwide License Agreement (the "KemPharm Agreement") pursuant to which we licensed our Aversion® Technology to KemPharm for its use in the development and commercialization of three products using 2 of KemPharm's prodrug candidates. KemPharm has also been granted an option to extend the KemPharm Agreement to cover two additional prodrug candidates. KemPharm is responsible for all development, manufacturing and commercialization activities.

Upon execution of the KemPharm Agreement, KemPharm paid us an upfront payment of \$3.5 million. If KemPharm exercises its option to use our Aversion Technology with more than the two licensed prodrugs, then KemPharm will pay us up to \$1.0 million for each additional prodrug license. In addition, we will receive from KemPharm a low single digit royalty on commercial sales by KemPharm of products developed using our Aversion Technology under the KemPharm Agreement. KemPharm's royalty payment obligations commence on the first commercial sale of a product using our Aversion Technology and expire, on a country-by-country basis, upon the expiration of the last to expire patent claim of the Aversion Technology covering a product in such country, at which time the license for the particular product and country becomes fully paid and royalty free.

The KemPharm Agreement expires upon the expiration of KemPharm's royalty payment obligations in all countries. Either party may terminate the KemPharm Agreement in its entirety if the other party materially breaches the KemPharm Agreement, subject to applicable cure periods. Acura or KemPharm may terminate the KemPharm Agreement with respect to the U.S. and other countries if the other party challenges the patents covering the licensed products. KemPharm may terminate the KemPharm Agreement for convenience on ninety (90) days prior written notice. Termination does not affect a party's rights accrued prior thereto, but there are no stated payments in connection with termination other than payments of obligations previously accrued. For all terminations (but not expiration), the KemPharm Agreement provides for termination of our license grant to KemPharm.

NOTE 4 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized when, or as, performance obligations under terms of a contract are satisfied, which occurs when control of the promised service is transferred to a customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring services to a customer ("transaction price"). The Company will then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when, or as, the performance obligation is satisfied. When determining the transaction price of the contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. None of the Company's licenses and collaboration agreements contained a significant financing component at either June 30, 2020 or December 31, 2019.

The Company's existing license and collaboration agreements may contain a single performance obligation or may contain multiple performance obligations. Those which contain multiple performance obligations will require an allocation of the transaction price based on the estimated relative standalone selling prices of the promised services underlying each performance obligation.

The Company's existing license and collaboration agreements contain customer options for the license of additional products and territories. We determined the option's standalone selling prices based on the option product's potential market size in the option territory as compared to the currently licensed product and U.S. territory. Some of our existing license and collaboration agreements contain a license to the technology as well as licenses to tradenames or trademarks. The Company determined that the licenses to the tradenames or trademarks were immaterial in context of the contract.

Sales-based Milestones and Royalty Revenues

The commercial sales-based milestones and sales royalties earned under the license and collaboration for Oxaydo and sales royalties earned under the license for the Nexafed products, are recorded in the period of the related sales by Assertio and MainPointe. Payments of sales-based milestones are generally due within 30 days after the end of a calendar year. Payments of royalties are generally due within 45 days after the end of a calendar quarter.

License and Collaboration Agreement Revenues

The achievement of milestones under the Company's license and collaboration agreements will be recorded as revenue during the period the milestone's achievement becomes probable, which may result in earlier recognition as compared to the previous accounting standards. The license fee of an option product or option territory under the Company's license and collaboration agreements will be recorded as revenue when the option is exercised and any obligations on behalf of the Company, such as to transfer know-how, has been fulfilled. The monthly license fee under the Company's LTX-03 license and collaboration agreement will be recorded as revenue upon the fulfillment of the monthly development activities. The out-of-pocket development expenses under the license and collaboration agreements will be recorded as revenue upon the performance of the service or delivery of the material during the month.

On June 28, 2019 we entered into an agreement with AD Pharma for the development and license of LTX-03 (hydrocodone bitartrate with acetaminophen) immediate-release tablets utilizing Acura's patented LIMITx™ having a monthly license payment of \$350 thousand from AD Pharma to us for a period of up to 18 months until November 2020. AD Pharma will pay directly for or reimburse Acura to the extent Acura pay's for, all out-of-pocket development expenses. The first license payment was received July 2, 2019.

Product Sales, net of allowance

Nexafed was launched in mid-December 2012 and Nexafed Sinus Pressure + Pain was launched in February 2015. Prior to entering into the MainPointe Agreement in March 2017, we sold our Nexafed products in the United States to wholesale pharmaceutical distributors as well as directly to chain drug stores. Our Nexafed products were sold subject to the right of return usually for a period of up to twelve months after the product expiration. During the second quarter 2020, we reviewed our product sales return allowance liability and recorded a \$223 thousand favorable amount to product sales as we believe sufficient time has passed where the Nexafed product is no longer subject to right of return and we estimate no additional product will be returned. At June 30, 2020, our sales return allowance liability is \$0 thousand.

Disaggregation of Total Revenues

The Company has two license agreements for currently marketed products containing its technologies; the Oxaydo product containing the Aversion Technology has been licensed to Assertio and the Nexafed products containing the Impede Technology which have been licensed to MainPointe. The Company has a third license agreement having a product under development, LTX-03, containing its LIMITx™ technology to AD Pharma. We have recorded \$1.05 million and \$2.1 million of license fees for LTX-03 during the three and six month periods ended June 30, 2020, respectively.

On January 1, 2020, MainPointe assigned to AD Pharma, with Acura's consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura. All of the Company's royalty revenues are earned from these two license agreements by the licensee's sale of products in the United States.

Royalty revenues by licensee are summarized below:

	Three months Ended		Six months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Assertio (Oxaydo)	\$ 31	\$ 43	\$ 61	\$ 98
MainPointe (Nexafed)	3	3	6	15
Royalty revenues	\$ 34	\$ 46	\$ 67	\$ 113

Contract Balance and Performance Obligations

The Company had no contract assets and contract liability balances under the license and collaboration agreements at either June 30, 2020 or 2019. Contract assets may be reported in future periods under prepaid expenses or other current assets on the consolidated balance sheet. Contract liabilities may be reported in future periods consisting of deferred revenue as presented on the consolidated balance sheet.

NOTE 5 – RESEARCH AND DEVELOPMENT

Research and Development (“R&D”) costs include internal R&D activities, external Contract Research Organization (“CRO”) services and their clinical research and investigative sites, and other activities. Internal R&D activity costs can include facility overhead, equipment and facility maintenance and repairs, laboratory supplies, pre-clinical laboratory experiments, formulation work, depreciation, salaries, benefits, insurance and share-based compensation expenses. CRO activity costs can include preclinical laboratory experiments and clinical trial studies. Other activity costs can include regulatory consulting, regulatory legal counsel, cost of acquiring, developing and manufacturing pre-clinical trial materials, costs of manufacturing scale-up, and cost sharing expenses under license agreements. Internal R&D costs and other activity costs are charged to expense as incurred. We make payments to the CRO's based on agreed upon terms and may include payments in advance of a study starting date. Payments in advance will be reflected in the consolidated financial statements as prepaid expenses. We review and charge to expense accrued CRO costs and clinical trial study costs based on services performed and rely on estimates of those costs applicable to the stage of completion of a study as provided by the CRO. Our accrued CRO costs are subject to revisions as such studies progress towards completion. Revisions are charged to expense in the period in which the facts that give rise to the revision become known. We did not have prepaid CRO costs or prepaid clinical trial study expenses at June 30, 2020 and 2019.

In connection with our development and scale-up of LTX-03 under the AD Pharma Agreement (See Note 3) we have entered into unbilled obligations under non-cancelable arrangements at June 30, 2020 aggregating \$467 thousand.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized as follows (in thousands):

	June 30,	December 31,
	2020	2019
	(in thousands)	
Building and improvements	\$ 1,273	\$ 1,273
Scientific equipment	597	597
Computer hardware and software	106	106
Machinery and equipment	274	274
Land and improvements	162	162
Other personal property	70	70
Office equipment	27	27
Total	2,509	2,509
Less: accumulated depreciation	(1,998)	(1,969)
Net property, plant and equipment	\$ 511	\$ 540

We do not have leasehold improvements nor do we have capitalized leases. Costs of betterments are capitalized while maintenance costs and repair costs are charged to operations as incurred. When a depreciable asset is retired from service, the cost and accumulated depreciation will be removed from the respective accounts.

Depreciation expense was \$14 thousand and \$17 thousand for each of the three month periods ended June 30, 2020 and 2019, respectively. Depreciation expense was \$29 thousand and \$34 thousand for each of the six month periods ended June 30, 2020 and 2019, respectively.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses are summarized as follows (in thousands):

	June 30, 2020	December 31, 2019
	(in thousands)	
Cost sharing expenses under license agreement	\$ 428	\$ 363
Other fees and services	5	15
Payroll, payroll taxes and benefits	42	13
Professional services	120	151
Clinical, non-clinical and regulatory services	20	20
Property taxes	4	9
Franchise taxes	26	14
Total	\$ 645	\$ 585

NOTE 8 – DEBT

Related Party Convertible Loan

At December 31, 2018, we had borrowed an aggregate of \$4.350 million from Mr. Schutte, a related-party. From January 1, 2019 and through June 27, 2019, we borrowed additional amounts from Mr. Schutte for \$650 thousand and issued various promissory notes to him with the same terms and conditions from the previous loans (the Schutte Notes). The Schutte Notes bear interest at prime plus 2.0%, and were to mature on January 2, 2020, at which time all principal and interest was to be due. The Schutte Notes were unsecured until all obligations to Oxford were satisfied at which time we were required to grant a security interest to Mr. Schutte in all of our assets, including our intellectual property. Because we believed the Schutte Notes' rate of interest was below current market rates for us, we imputed interest on the below market rate element of the loans using the 10.16% interest rate under the Oxford Loan Agreement and this has aggregated to \$172 thousand as of December 31, 2018. We recorded these benefits to interest income, with a corresponding like amount as debt discount against the principal amount of the loan. The debt discount will be amortized to interest expense over the term on the loans. At December 31, 2018, the unamortized debt discount balance was \$126 thousand and the accrued interest balance was \$110 thousand. We recorded a \$13 thousand benefit to interest income during 2019 from the \$650 thousand borrowings from Mr. Schutte. At June 27, 2019, the unamortized debt discount balance was \$73 thousand and the accrued interest balance was \$275 thousand. The events of default under the Schutte Notes are limited to bankruptcy defaults and failure to pay interest and principal when due on January 2, 2020. The Schutte Notes could be prepaid at any time in whole or in part.

Included in the \$4.350 million loan outstanding from Mr. Schutte as of December 31, 2018 was a borrowing of \$1.8 million completed on October 5, 2018 of which we used \$1.5 million to fully pay-off the debt outstanding under the Oxford Loan Agreement. All our assets are pledged as collateral under the Schutte Notes, including our intellectual property.

On June 27, 2019 the aggregate amount of the loans made to the Company by Mr. Schutte aggregated \$5.0 million. On June 28, 2019 we restructured the \$5.0 million loan to borrow an additional \$725 thousand from Mr. Schutte, which was received on July 2, 2019, bringing the aggregate principal of the loans and accrued interest to \$6.0 million, and consolidated the loans into a single promissory note with a fixed interest rate of 7.5%, maturity date of July 1, 2023, granted principal and interest conversion rights into shares of our common stock at a price of \$0.16 per share, issued a warrant for 10.0 million common shares having an exercise price of \$0.01 per share, and granted a security interest in all of the Company's assets, which includes our intellectual property. The principal amount of the loan is convertible into 37.5 million shares of our common stock. The loan restructuring was accounted for as debt extinguishment. We obtained a valuation of fair value on the modified loan and warrant and the method of accounting for the loan changes resulted in a \$2.6 million loss on debt extinguishment. Of the loss on debt extinguishment, \$1.145 million was allocated to the warrant, \$1.382 million was related to the premium on the convertible loan, and \$73 thousand was assignable to write-off of the original loan's remaining unamortized debt discount. The \$6.0 million promissory note, the common stock purchase warrant and the security agreement were all assigned and transferred by Mr. Schutte to AD Pharma on June 28, 2019. The accrued interest balance at June 30, 2020 and December 31, 2019 was \$454 thousand and \$229 thousand, respectively.

The events of default under the \$6.0 million note are limited to bankruptcy defaults, failure to pay interest and principal when due on July 1, 2023 or upon failure to meet certain timelines in the AD Pharma Agreement as defined in the loan agreement. The \$6.0 million note may be prepaid at any time in whole or in part but only with the consent of the noteholder.

Included in the AD Pharma Agreement is the requirement that the NDA for LTX-03 be accepted by the FDA by November 30, 2020, or AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the LIMITx intellectual property. Importantly, such failure to meet this date will be an event of default under their \$6.0 million note to Acura. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. At this time, all auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. Acura currently expects the submission and FDA acceptance of a new drug application (“NDA”) for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. At March 31, 2020 we reclassified the \$6.0 million note as a current liability. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

Our interest expense for the three and six month months ended June 30, 2020 and 2019 consisted of the following:

	Three months Ended June 30,		Six months Ended June 30,	
	2020	2019	2020	2019
Interest expense:				
Related party term loans	\$ 113	\$ 88	\$ 225	\$ 168
Debt discount	-	34	-	66
Financed insurance premiums	-	1	-	3
Total interest expense	\$ 113	\$ 123	\$ 225	\$ 237
Less: imputed interest income on related party loan	-	(4)	-	(13)
Total interest expense, net	\$ 113	\$ 119	\$ 225	\$ 224

Paycheck Protection Program

On April 13, 2020, the Company received a loan (the “Loan”) from JP Morgan Chase Bank in the aggregate amount of \$269 thousand, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, in the form of a promissory note, matures on April 8, 2022. Under the terms of the Paycheck Protection Program (“PPP”), certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. No assurance is provided that forgiveness for any portion of the Loan will be obtained. To the extent that all or part of the Loan is not forgiven, the Company will be required to make payments, including interest accruing at an annual rate of 1.0% beginning on the date of disbursement.

NOTE 9 – RELATED PARTY TRANSACTIONS

Private Placement with Mr. John Schutte

In July 2017, we completed a \$4.0 million private placement with Mr. Schutte (sometimes referred to as the “Investor”), consisting of 8,912,655 units (“Units”) of the Company, at a price of \$0.4488 per Unit (the “Transaction”). Each Unit consists of one share of common stock and a warrant to purchase one fifth (0.2) of a share of common stock. The issue price of the Units was equal to 85% of the average last sale price of our common stock for the five trading days prior to completion of the Transaction. The warrants are immediately exercisable for 1,782,532 common shares at a price of \$0.528 per share (which equals the average last sale price of the Company’s common stock for the five trading days prior to completion of the Transaction) and expire five years after issuance (subject to earlier expiration in event of certain acquisitions). We have assigned a relative fair value of \$495 thousand to the warrants out of the total \$4.0 million proceeds from the private placement transaction and have accounted these warrants as equity. The Transaction was completed through a private placement to an accredited investor and was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended and/or Regulation D promulgated under the Securities Act of 1933.

MainPointe Pharmaceuticals LLC

Investor is a principal of MainPointe Pharmaceuticals LLC, a Kentucky limited liability company (“MainPointe”). In March 2017, we granted MainPointe an exclusive license to our Impede Technology to commercialize our Nexafed® and Nexafed® Sinus Pressure + Pain Products in the United States and Canada for an upfront licensing fee of \$2.5 million plus approximately \$309 thousand for transferred inventory and equipment. The Company is receiving a 7.5% royalty on sales of licensed products. MainPointe also has options to expand the territory and products covered for additional sums. Included in the reported royalty revenue for the six months ended 2020 and 2019 is \$6 thousand and \$15 thousand, respectively, of royalty revenue from MainPointe (See Note 3). On January 1, 2020, MainPointe assigned to AD Pharma, with Acura’s consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura.

As part of the closing of the Transaction, the Company and Essex Woodlands Health Ventures V, L.P. (“Essex”) and Galen Partners III, L.P. (“Galen”) amended and restated the existing Voting Agreement including such parties to provide for the Investor to join as a party (as so amended, the “Second Amended and Restated Voting Agreement”). The Second Amended and Restated Voting Agreement provides that our Board of Directors shall remain comprised of no more than seven members (subject to certain exceptions), (i) one of whom is the Company’s Chief Executive Officer, (ii) three of whom are independent under Nasdaq standards, and (iii) one of whom shall be designated by each of Essex, Galen and Investor, and the parties to such agreement would vote for such persons. The right of each of Essex, Galen and Investor to designate one director to our Board will continue as long as he or it and their affiliates collectively hold at least 600,000 shares of our common stock (including warrants exercisable for such shares). Immanuel Thangaraj is the designee of Essex. Investor has not designated a director as of the date of filing of this Report. Galen had not designated a director and lost that right in December 2017 when it disposed of its shares of common stock in the Company. Once such shareholder no longer holds such securities, the additional forfeited seat would become a seat for an independent director to thereafter be nominated to the Board of Directors from time to time by the then current directors and as applicable, to be elected by the directors to fill the vacancy created by the forfeited seat or submitted to the vote of shareholders at the Company’s next annual meeting. An independent director has not been named to fill the seat forfeited by Galen.

Loans with Mr. John Schutte

During the period January 1, 2019 through June 27, 2019 we borrowed an aggregate of \$650 thousand from Mr. John Schutte. On June 28, 2019 we borrowed an additional \$725 thousand from Mr. Schutte, bringing the aggregate principal of the loans and accrued interest to \$6.0 million, and consolidated the loans into a single promissory note with a fixed interest rate of 7.5%, maturity date of July 1, 2023, granted conversion rights of principal and interest into shares of our common stock at a price of \$0.16 per share, issued a warrant for 10.0 million common shares having an exercise price of \$0.01 per share, and granted a security interest in all of the Company’s assets, which includes our intellectual property. The principal amount of the note is convertible into 37.5 million shares of our common stock. The \$6.0 million promissory note, the common stock purchase warrant and the security agreement were all assigned and transferred by Mr. Schutte to AD Pharma on June 28, 2019.

AD Pharma Agreement covering LTX-03

On June 28, 2019, we entered into a License, Development and Commercialization Agreement (the "AD Pharma Agreement") with Abuse Deterrent Pharma, LLC ("AD Pharma"), a special purpose company representing a consortium of investors that will finance Acura's operations and completion of development of LTX-03 (hydrocodone bitartrate with acetaminophen) immediate-release tablets utilizing Acura's patented LIMITx™ technology which addresses the consequences of excess oral administration of opioid tablets, the most prevalent route of opioid overdose and abuse. The AD Pharma Agreement grants AD Pharma exclusive commercialization rights in the United States to LTX-03. Financial arrangements include:

- Monthly license payments to Acura by AD Pharma of \$350 thousand up to the earlier of 18 months or FDA's acceptance of a New Drug Application ("NDA") for LTX-03;
- Reimbursement by AP Pharma of Acura's LTX-03 outside development expenses;
- Upon commercialization of LTX-03, Acura receives stepped royalties on sales and is eligible for certain sales related milestones; and
- Acura authorizes MainPointe to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength).

AD Pharma may terminate the AD Pharma Agreement at any time. Additionally, if the NDA for LTX-03 is not accepted by the FDA by November 30, 2020, AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the intellectual property. Should AD Pharma choose not to exercise this option to terminate and the NDA for LTX-03 is subsequently accepted by the FDA, such option expires. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. At this time, all auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. Acura currently expects the submission and FDA acceptance of a new drug application ("NDA") for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

We also granted authority to MainPointe Pharmaceuticals, LLC (MainPointe) to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength). In March 2017, we granted MainPointe an exclusive license to our IMPEDE® Technology to commercialize our Nexafed® and Nexafed® Sinus Pressure + Pain Products in the United States and Canada. On January 1, 2020, MainPointe assigned to AD Pharma, with Acura's consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura dated March 16, 2017.

NOTE 10 – COMMON STOCK PURCHASE WARRANTS

Our warrant activity during the six month periods ended June 30, 2020 and 2019 is shown below (in thousands except price data):

	December 31,			
	2020		2019	
	Number	WAvg Exercise Price	Number	WAvg Exercise Price
Outstanding, Jan. 1	11,842	\$ 0.10	1,842	\$ 0.59
Issued	-	-	10,000	0.01
Exercised	-	-	-	-
Expired	-	-	-	-
Modification	-	-	-	-
Outstanding, Jun. 30	11,842	\$ 0.10	11,842	\$ 0.10

In connection with the issuance of the \$10.0 million secured promissory notes in December 2013, we issued common stock purchase warrants ("warrants") exercisable for 60 thousand shares of our common stock having an exercise price of \$2.52 per share (after giving effect to our one-for-five reverse stock split) with an expiration date in December 2020. These warrants contain a cashless exercise feature (See Note 8).

As part of our July 2017 private placement transaction with Mr. Schutte, we issued warrants to purchase 1,782,531 shares of our common stock. The warrants are immediately exercisable at a price of \$0.528 per share and expire five years after issuance (See Note 9). We have assigned a relative fair value of \$495 thousand to the warrants out of the total \$4.0 million proceeds from the private placement transaction and have accounted for these warrants as equity.

On June 28, 2019 as part of the changes made to the loan agreements we had with Mr. Schutte, each having an original due date of January 2, 2020, we issued to him a warrant to purchase 10.0 million shares of our common stock exercisable at a price of \$0.01 per share and expire five years after issuance. We obtained a valuation of fair value on the warrant and \$1.145 million was allocated to the warrant and accounted for as equity. (See Note 8 and Note 9). The warrant was assigned and transferred by Mr. Schutte to AD Pharma on June 28, 2019.

NOTE 11 – SHARE-BASED COMPENSATION EXPENSE

We have several share-based compensation plans covering stock options and RSUs for our employees and directors.

We measure our compensation cost related to share-based payment transactions based on fair value of the equity or liability classified instrument. For purposes of estimating the fair value of each stock option unit on the date of grant, we utilize the Black-Scholes option-pricing model. Option valuation models require the input of highly subjective assumptions including the expected volatility factor of the market price of our common stock (as determined by reviewing our historical public market closing prices). Our accounting for share-based compensation for RSUs is based on the closing market price of our common stock on the date of grant.

Our total share-based compensation expense recognized in the Company's results of operations from non-cash and cash-portioned instruments issued to our employees and directors comprised the following (in thousands):

	Three months Ended		Six months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
	(in thousands)			
Research and development costs:				
Stock options	\$ -	\$ 2	\$ -	\$ 4
Restricted stock units	-	4	-	8
Subtotal	\$ -	\$ 6	\$ -	\$ 12
General and administrative costs:				
Stock options	\$ -	\$ 4	\$ -	\$ 6
Restricted stock units	18	23	33	50
Subtotal	18	27	33	56
Total	\$ 18	\$ 33	\$ 33	\$ 68

Stock Option Plans

We maintain various stock option plans. A summary of our stock option plans as of June 30, 2020 and 2019 and for the six months then ended consisted of the following (in thousands except exercise price):

	Six Months ended June 30,			
	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, Jan. 1	1,356	\$ 4.45	1,560	\$ 7.38
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(12)	27.35	(170)	30.83
Outstanding, Jun. 30	1,344	\$ 4.24	1,390	\$ 4.44
Exercisable, Jun. 30	1,344	\$ 4.24	1,158	\$ 5.30

We estimate the option's fair value on the date of grant using the Black-Scholes option-pricing model. Black-Scholes utilizes assumptions related to expected term, forfeitures, volatility, the risk-free interest rate, the dividend yield (which is assumed to be zero, as we have not paid any cash dividends) and employee exercise behavior. Expected volatilities utilized in the Black-Scholes model are based on the historical volatility of our common stock price. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant. The expected life of the grants is derived from historical exercise activity. Historically, the majority of our stock options have been held until their expiration date.

The intrinsic value contained in the stock option awards which are vested and outstanding at June 30, 2020 was \$44 thousand.

Restricted Stock Unit Award Plans

We have two Restricted Stock Unit Award Plans for our employees and non-employee directors, a 2017 Restricted Stock Unit Award Plan (the "2017 RSU Plan") and a 2014 Restricted Stock Unit Award Plan (the "2014 RSU Plan"). Vesting of an RSU entitles the holder to receive a share of our common stock on a distribution date. Our non-employee director awards allow for non-employee directors to receive payment in cash, instead of stock, for up to 40% of each RSU award. The portion of the RSU awards subject to cash settlement are recorded as a liability in the Company's consolidated balance sheet as they vest and being marked-to-market each reporting period until they are distributed. The liability was \$15 thousand and \$29 thousand at June 30, 2020 and December 31, 2019, respectively.

The compensation cost to be incurred on a granted RSU without a cash settlement option is the RSU's fair value, which is the market price of our common stock on the date of grant, less its exercise cost. The compensation cost is amortized to expense and recorded to additional paid-in capital over the vesting period of the RSU award.

A summary of the grants under the RSU Plans as of June 30, 2020 and 2019, and for the six months then ended consisted of the following (in thousands):

	Six Months Ended June 30,			
	2020		2019	
	Number of RSUs	Number of Vested RSUs	Number of RSUs	Number of Vested RSUs
Outstanding, Jan. 1	1,017	1,017	951	459
Granted	219	-	333	-
Distributed	(397)	(397)	(267)	(267)
Vested	-	110	-	166
Forfeited	-	-	-	-
Outstanding, Jun. 30	839	730	1,017	358

2017 Restricted Stock Unit Award Plan

Our 2017 RSU Plan was approved by shareholders in November 2017 and permits the grant of up to 1.5 million shares of our common stock pursuant to awards under the 2017 RSU Plan. As of June 30, 2020, no shares remain available for award under the 2017 RSU Plan.

Information about the awards under the 2017 RSU Plan is as follows:

- In December 2017, we awarded 200 thousand RSUs to our employees. Such RSU awards vested 100% after one full year of service. Distributions of the vested RSU awards to the employees will be made in three equal installments on the first business day of each of January 2020, 2021, and 2022 or earlier upon a qualifying change of control.
- In January 2018, we awarded approximately 67 thousand RSUs to each of our four non-employee directors which also allow for them to receive payment in cash, instead of stock, for up to 40% of each RSU award. Such awards vest 25% at the end of each calendar quarter in 2018. Settlement of this RSU award occurred on January 2, 2019, the first business day of the year after vesting. The portion of the RSU awards which are subject to cash settlement are also subject to marked-to market accounting having a liability recorded on the Company's consolidated balance sheet with quarterly adjustments recorded to stock compensation expense in the general and administration operating category of our income statement.
- In December 2018, we awarded 488 thousand RSUs to our employees. Such RSU awards vested 100% after one full year of service. Distributions of the vested RSU awards to the employees will be made in three equal installments on the first business day of each of January 2021, 2022, and 2023 or earlier upon a qualifying change of control.
- In January 2019, we awarded approximately 83 thousand RSUs to each of our four non-employee directors which also allow for them to receive payment in cash, instead of stock, for up to 40% of each RSU award. Such awards vest 25% at the end of each calendar quarter in 2019. Settlement of this RSU award occurred on January 2, 2020, the first business day of the year after vesting. The portion of the RSU awards which were subject to cash settlement was also subject to marked-to market accounting having a liability recorded on the Company's consolidated balance sheet with quarterly adjustments which were recorded to stock compensation expense in the general and administration operating category of our income statement.
- In January 2020, we awarded approximately 55 thousand RSUs to each of our four non-employee directors which also allow for them to receive payment in cash, instead of stock, for up to 40% of each RSU award. Such awards vest 25% at the end of each calendar quarter in 2020. Settlement of this RSU award will occur on January 4, 2021, the first business day of the year after vesting. The portion of the RSU awards which are subject to cash settlement will also be subject to marked-to market accounting having a liability recorded on the Company's consolidated balance sheet with quarterly adjustments recorded to stock compensation expense in the general and administration operating category of our income statement.

Information about the distribution of shares under the 2017 RSU Plan is as follows:

- In January 2019, 267 thousand RSUs were distributed to our non-employee directors from their January 2018 award and settled in common stock.
- In January 2020, 333 thousand RSUs were distributed to our non-employee directors from their January 2019 award with 296 thousand RSUs settled in common stock, 4 thousand RSUs used to settle the purchase price and 33 thousand RSUs settled in cash.
- In January 2020, 64 thousand RSUs were distributed to our current and former employees representing one third of their 2017 award with 54 thousand RSUs settled in common stock and 10 thousand RSUs used to settle the purchase price and employee withholding taxes.

2014 Restricted Stock Unit Award Plan

Our 2014 RSU Plan was approved by shareholders in May 2014 and permits the grant of up to 400 thousand shares of our common stock pursuant to awards under the 2014 RSU Plan. As of December 31, 2019, there were no longer shares available for award under the 2014 RSU Plan.

NOTE 12 – INCOME TAXES

We account for income taxes under the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities and are accounted for using the enacted income tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred tax assets reflect the tax effects of net operating losses (“NOLs”), tax credit carryovers, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The most significant item of our deferred tax assets is derived from our Federal NOLs. We have approximately \$167.8 million gross Federal NOLs at June 30, 2020 (of which approximately \$160.2 million was generated prior to January 1, 2018). Because we believe the ability for us to use these NOLs generated prior to January 1, 2018 to offset any future taxable income is severely limited as prescribed under Internal Revenue Code (“IRC”) Section 382, we had estimated and recorded an amount for the likely limitation to our deferred tax asset in the fourth quarter of 2017, thereby reducing the aggregate estimated benefit of the Federal NOLs available to us of approximately \$1.0 million at December 31, 2017. We believe the gross Federal NOL benefit we generated prior to January 1, 2018 to offset taxable income is less than \$150 thousand annually. As prescribed under Internal Revenue Code, any unused Federal NOL benefit from the annual limitation can be accumulated and carried forward to the subsequent year and will expire if not used in accordance with the NOL carried forward term of 20 years or 2037, if generated before 2018 and Federal NOLs generated after 2017 can be carried forward indefinitely. Future common stock transactions, such as the exercise of common stock purchase warrants or the conversion of debt into common stock, may cause another qualifying event under IRC 382 which may further limit our utilization of our NOLs.

The realization of deferred income tax assets is dependent upon future earnings, if any, and the timing and amount of which may be uncertain. A valuation allowance is required against deferred income tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred income tax assets may not be realized. At both June 30, 2020 and December 31, 2019, all our remaining net deferred income tax assets were offset by a valuation allowance due to uncertainties with respect to future utilization of NOL carryforwards. If in the future it is determined that additional amounts of our deferred income tax assets would likely be realized, the valuation allowance would be reduced in the period in which such determination is made and an additional benefit from income taxes in such period would be recognized.

NOTE 13 – NET EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share (“EPS”) is computed by dividing net income or loss by the weighted average common shares outstanding during a period, including shares weighted related to both the vested Restricted Stock Units (“RSUs”) which settle in shares (See Note 11) and the common stock warrant exercisable for 10.0 million shares having an exercise price of \$0.01 per share (See Note 10). Diluted EPS is based on the treasury stock method and computed based on the same number of shares used in the basic share calculation and includes the effect from potential issuance of common stock, such as shares issuable pursuant to the exercise of stock options, RSUs and stock warrants, assuming complete vesting and the exercise of all in-the-money stock options, RSUs and warrants. Common stock equivalents are excluded from the computation where their inclusion would be anti-dilutive. In any reporting period the Company had a net loss, including the effects of the common stock equivalents in the diluted EPS calculations for these periods would have been antidilutive. The weighted-average common share outstanding diluted computation is not impacted during any period where the exercise price of a stock option, RSU, common stock warrant or convertible loan is greater than the average market closing price of our common stock during such period.

A reconciliation of the numerators and denominators of basic and diluted EPS consisted of the following (in thousands except per share data):

	Three months Ended June 30,		Six months Ended June 30,	
	2020	2019	2020	2019
Earnings (loss) per share – basic				
Numerator: net income (loss)	\$ 308	\$ (3,341)	\$ (287)	\$ (4,129)
Denominator (weighted):				
Common shares	21,650	21,300	21,650	21,300
RSUs - vested	654	242	637	218
Common stock purchase warrants	10,000	330	10,000	166
Basic weighted average shares outstanding	32,304	21,872	32,287	21,684
Earnings (loss) per share – basic	\$ 0.01	\$ (0.15)	\$ (0.01)	\$ (0.19)
Earnings (loss) per share – diluted				
Numerator: net income (loss)	\$ 308	\$ (3,341)	\$ (287)	\$ (4,129)
Denominator (weighted):				
Common shares	21,650	21,300	21,650	21,300
RSUs	717	242	637	218
Stock options	115	-	-	-
Common stock purchase warrants	10,000	330	10,000	166
Diluted weighted average shares outstanding	32,482	21,872	32,287	21,684
Earnings (loss) per share – diluted	\$ 0.01	\$ (0.15)	\$ (0.01)	\$ (0.19)
Excluded securities (non-weighted):				
Common shares issuable:				
RSUs	153	659	153	659
Stock options	1,121	1,390	1,344	1,390
Common stock purchase warrants	1,842	1,842	1,842	1,842
Convertible loan	37,500	37,500	37,500	37,500
Total excluded potentially dilutive shares	40,616	41,391	40,839	41,391

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

This discussion and analysis should be read in conjunction with the Company's financial statements and accompanying notes included elsewhere in this Report. Historical operating results are not necessarily indicative of results in future periods.

Forward-Looking Statements

Certain statements in this "Management 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 constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "continue," "could," "estimate," "expect," "indicate," "intend," "look forward to," "may," "plan," "potential," "predict," "project," "seek," "should," "suggest," "target," "will," "would" and similar expressions that convey the uncertainty of future events or outcomes are used to identify forward-looking statements. Forward-looking statements include, but are not necessarily limited to, those relating to:

- our ability to obtain funding for our continuing operations, including the development of our products utilizing our LIMITx™ and Impede® technologies;
- the expected results of clinical studies relating to LTX-03, a LIMITx hydrocodone bitartrate and acetaminophen combination product, or any successor product candidate, the date by which such studies will be complete and the results will be available and whether LTX-03 will ultimately receive FDA approval;
- our business could be adversely affected by health epidemics in regions where third parties for which we rely, as in CROs or CMOs, have concentrations of clinical trial sites or other business operations, and could cause significant disruption in the operations of third-party manufacturers and CROs upon whom we rely;
- whether LIMITx will retard the release of opioid active ingredients as dose levels increase;
- whether the extent to which products formulated with the LIMITx Technology deter abuse or overdose will be determined sufficient by the FDA to support approval or labelling describing safety and/or abuse deterrent features;
- whether our LIMITx Technology can be expanded into extended-release formulations;
- our and our licensee's ability to successfully launch and commercialize our products and technologies, including Oxaydo® Tablets and our Nexafed® products;
- the pricing and price discounting that may be offered by Assertio Holdings Inc for Oxaydo;

- the results and timing of our development of our LIMITx Technology, including, but not limited to, the submission of a New Drug Application;
- our or our licensees' ability to obtain necessary regulatory approvals and commercialize products utilizing our technologies;
- the market acceptance of, timing of commercial launch and competitive environment for any of our products;
- expectations regarding potential market share for our products;
- our ability to develop and enter into additional license agreements for our product candidates using our technologies;
- our exposure to product liability and other lawsuits in connection with the commercialization of our products;
- the increasing cost of insurance and the availability of product liability insurance coverage;
- the ability to avoid infringement of patents, trademarks and other proprietary rights of third parties;
- the ability of our patents to protect our products from generic competition and our ability to protect and enforce our patent rights in any paragraph IV patent infringement litigation;
- whether the FDA will agree with or accept the results of our studies for our product candidates;
- the ability to fulfill the FDA requirements for approving our product candidates for commercial manufacturing and distribution in the United States, including, without limitation, the adequacy of the results of the laboratory and clinical studies completed to date, the results of laboratory and clinical studies we may complete in the future to support FDA approval of our product candidates and the sufficiency of our development process to meet over-the-counter ("OTC") Monograph standards, as applicable;
- the adequacy of the development program for our product candidates, including whether additional clinical studies will be required to support FDA approval of our product candidates;
- changes in regulatory requirements;
- adverse safety findings relating to our commercialized products or product candidates in development;
- whether the FDA will agree with our analysis of our clinical and laboratory studies;
- whether further studies of our product candidates will be required to support FDA approval;
- whether or when we are able to obtain FDA approval of labeling for our product candidates for the proposed indications and whether we will be able to promote the features of our technologies; and
- whether Oxaydo or our Aversion, Impede and LIMITx products will ultimately deter abuse in commercial settings and whether our Nexafed products and Impede Technology product candidates will disrupt the processing of pseudoephedrine into methamphetamine.

These forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to known and unknown risks and uncertainties. Such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of Acura. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. 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 and in our Annual Report of Form 10-K for the fiscal year ended December 31, 2019. 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. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in any such forward-looking statement.

Company Overview

We are an innovative drug delivery company engaged in the research, development and commercialization of technologies and products intended to address safe use of medications. We have discovered and developed three proprietary platform technologies which can be used to develop multiple products. Our Limitx™ Technology is being developed to minimize the risk of overdose, our Aversion® Technology is intended to address methods of abuse associated with opioid analgesics while our Impede® Technology is directed at minimizing the extraction and conversion of pseudoephedrine, or PSE, into methamphetamine. Oxaydo Tablets (oxycodone HCl, CII), which utilizes the Aversion Technology, is the first approved immediate-release oxycodone product in the United States with abuse deterrent labeling.

Limitx, is designed to retard the release of active drug ingredients when too many tablets are accidentally or purposefully ingested by neutralizing stomach acid with buffer ingredients but deliver efficacious amounts of drug when taken as a single tablet with a nominal buffer dose. We have completed four clinical studies of various product formulations utilizing the Limitx Technology which have demonstrated proof-of-concept for the Limitx Technology and will allow us to advance a product to development for a New Drug Application, or NDA. Studies AP-LTX-400, or Study 400, and Study AP-LTX-401, or Study 401, both utilizing our LTX-04 hydromorphone formulation demonstrated the mean maximum drug concentration in blood, or Cmax, was reduced in healthy adult fasted subjects by 50% to 65% when excessive buffer levels were ingested or a situation consistent with over-ingestion of tablets. Study AP-LTX-301, or Study 301 demonstrated drug Cmax from LTX-03, a Limitx hydrocodone bitartrate and acetaminophen combination product, in healthy adult fasted subjects trended toward bioequivalence in test formulations A through E and showed an increasing reduction in Cmax for formulations F through H; in which formulations A through H had increasing incremental amounts of buffer starting with no buffer in formulation A. We believe the results of Study 301 demonstrated that LTX-03 is a formulation that optimizes the balance between effective blood levels of drug for pain relief at a single tablet dose while retarding bioavailability of drug when multiple tablets are ingested. The FDA designated the development program for LTX-04 as Fast Track, which is designed to facilitate the development, and expedite the review of drugs to treat serious conditions and fill an unmet medical need. However, we intend to advance LTX-03, which combines the hydrocodone micro-particles, acetaminophen and buffer ingredients into a single tablet, as our lead Limitx product candidate due to its larger market size and its known prevalence of oral excessive tablet abuse and overdose, and we voluntarily placed the Investigational New Drug Application, or IND, for LTX-04 on inactive status. We submitted an IND for LTX-03 to the FDA in the first quarter of 2018 in order to advance to NDA development, which became effective in April 2018.

On June 28, 2019, we entered into License, Development and Commercialization Agreement with Abuse Deterrent Pharma, LLC, a Kentucky limited liability company (“AD Pharma”), a special purpose company representing a consortium of investors that will finance Acura’s operations through November 2020 and reimburse us for development of LTX-03. The Agreement grants AD Pharma exclusive commercialization rights in the United States to LTX-03.

In January 2015, we and Egalet US, Inc. and Egalet Ltd., each a subsidiary of Egalet Corporation (now known as Assertio Holdings Inc and formerly known as Zyla Life Sciences), or collectively Assertio, entered into a Collaboration and License Agreement (the “Assertio Agreement”) pursuant to which we exclusively licensed to Assertio worldwide rights to manufacture and commercialize our Aversion Technology product Oxaydo. Oxaydo is currently approved by the U. S. Food and Drug Administration, or FDA, for marketing in the United States in 5mg and 7.5mg strengths. Assertio launched Oxaydo in the United States late in the third quarter of 2015. We are not actively developing product candidates utilizing our Aversion Technology.

We launched our first Impede Technology product, Nexafed, into the United States market in December 2012 and launched our Nexafed Sinus Pressure + Pain product in the United States in February 2015. On March 16, 2017, we and MainPointe Pharmaceuticals, LLC, or MainPointe, entered into a License, Commercialization and Option Agreement, or the MainPointe Agreement, pursuant to which we granted MainPointe an exclusive license to our Impede technology in the U.S. and Canada to commercialize our Nexafed products. The MainPointe Agreement also grants MainPointe the option to expand the licensed territory to the European Union, Japan and South Korea and to add additional pseudoephedrine-containing products utilizing our Impede technology. MainPointe is controlled by Mr. John Schutte, who became our largest shareholder pursuant to a private placement completed in July 2017. On January 1, 2020, MainPointe assigned to AD Pharma, with Acura’s consent, all of its right, title and interest in the Agreement between MainPointe and Acura.

According to the 2017 CDC Drug Surveillance Report, opioid analgesics are one of the largest prescription drug markets in the United States with 214 million prescriptions dispensed in 2016. Prescription opioids are also the most widely abused drugs with 12 million people abusing or misusing these products annually. Oxaydo will compete in the immediate-release opioid product segment. Because immediate-release opioid products are used for both acute and chronic pain, a prescription, on average, contains 66 tablets or capsules. According to IMS Health, in 2016, sales in the immediate-release opioid product segment were approximately 194 million prescriptions, of which approximately 95% was attributable to generic products with no known safety features. Immediate-release oxycodone tablets represent approximately 30 million of these prescriptions or almost 1.7 billion tablets. The FDA approved label for our Oxaydo product describes the unique, and we believe promotable, abuse deterrent features of our product which we believe makes prescribing our product attractive to some healthcare providers.

The CDC also reported approximately 45,000 suicide deaths in the U.S. in 2016 with poisoning being the third most prevalent route of suicide. Suicides have increased 30% in the U.S. since 1999. More than 54% of suicides had no prior indication of mental health issues. We believe a significant portion of these intentional poisonings included opioid analgesics which are known to induce respiratory depression related to overdose. An analysis of forensic data associated with hydrocodone overdose deaths suggests a median dose of sixteen 10mg hydrocodone tablets was measured in the bloodstream.

In 2014, the United States retail market for over-the-counter market, or OTC, cold and allergy products containing the pseudoephedrine oral nasal decongestant was approximately \$0.7 billion. In 2014, the DEA reported 9,339 laboratory incidents involving the illegal use of OTC pseudoephedrine products to manufacture the highly addictive drug methamphetamine, or meth. According to the Substance Abuse and Mental Health Services Administration, users of methamphetamine surged in 2016 to 774,000 people up from 440,000 people in 2012. As of March 16, 2017, sales of Nexafed and Nexafed Sinus are covered under the MainPointe Agreement, for which we receive a royalty.

We conduct research, development, laboratory, manufacturing, and warehousing activities at our operations facility in Culver, Indiana and lease an administrative office in Palatine, Illinois. In addition to internal capabilities and activities, we engage numerous clinical research organizations, or CROs, with expertise in regulatory affairs, clinical trial design and monitoring, clinical data management, biostatistics, medical writing, laboratory testing and related services. Our Supply Agreements with two third-party pharmaceutical product manufacturers and packagers to supply our commercial requirements for our Nexafed and Nexafed Sinus Pressure + Pain products were assigned to MainPointe in accordance with the MainPointe Agreement.

Misuse or Abuse of Prescription Opioid Products and Development of Risk Mitigation Formulations

Prescription opioids drugs, such as morphine and oxycodone, have a long history of use for the management of pain. Because they are highly effective, they are one of the largest prescribed drug categories in the U.S. However, a side effect of high doses of opioids is euphoria, or “a high”. For these reasons, opioids are the most misused or abused prescription drugs in the U.S. Opioids are offered in a variety of dosages including immediate-release tablets (or capsules), extended-release tablets (or capsules), patches and other formats. Those who misuse or abuse drugs will often do so in one of the following manners:

- Oral Excessive Tablet Abuse (ETA). Generally recognized as the most prevalent route of administration by abusers, the abuser simply orally ingests more tablets (or capsules) than is recommended for pain relief.
- Oral Manipulated Tablet Abuse (MTA). Extended-release tablets or patches are sometimes crushed, chewed or otherwise physically or chemically manipulated to defeat the extended-release mechanism and provide an immediate-release of the opioid for oral ingestion.
- Nasal snorting. Crushed tablets are insufflated for absorption of the drug through the nasal tissues.
- Injection. The opioid is physically or chemically removed from the dosage and injected into the vein using a syringe.
- Poly-pharmacy. Opioids are sometimes used in conjunction with alcohol, methamphetamine, or other drugs to accentuate the high.
- Overdose. Drug abusers may accidentally introduce excessive quantities of drugs in their systems or combine drugs that may heighten the chance of adverse effects of drugs. Some patients may over ingest drugs accidentally or with the express intent of suicide.

Safe use technology formulations incorporate physical and/or chemical barriers or functionality in the products to prevent or discourage a user from inappropriately administering the product. The extent and manner in which any of the features of these formulations may be described in the FDA approved label for our development products will be dependent on the results of and the acceptance by the FDA of our and our licensees' studies for each product.

Development of safe use products typically require one or more studies. These studies may include in vitro laboratory studies (which may include but not be limited to: syringeability of the formulation, extractability of the active ingredient, and particle size of the crushed product), animal studies (which may include but not be limited to: respiratory depression), and human clinical studies (which may include but not be limited to: human abuse liability, respiratory depression studies) comparing the benefits of our product candidates to currently marketed products.

Because our products use known active ingredients in approved dosage strengths, the safety and efficacy of the active ingredient(s) will need to be established by a series of pharmacokinetic studies demonstrating: (a) bioequivalence to an approved reference drug, (b) food effect of our formulations, (c) dose proportionality of our formulation, and (d) other external impacts to our unique formulations. A product candidate that does not achieve satisfactory pharmacokinetic results may require a phase III clinical efficacy study.

Further development will likely also entail additional safety and/or efficacy assessment as may be identified by the FDA for each specific formulation during the Investigational New Drug application, or IND, or NDA phase of development. In accordance with the FDA's 2015 Guidance, we will likely have a post-approval requirement for each of our opioid products, if approved, to perform an epidemiology study to assess the in-market impact on abuse of our formulation and most approved opioid products are subject to an FDA approved risk evaluation and mitigations strategy (REMS).

Overdose Risk Mitigation - Products and Development

Any drug may initiate severe unwanted side effects when overdosed. For example, a known and FDA labelled side effect of the overdose of opioids is respiratory depression. High doses of opioids can affect the respiratory center of the brain resulting in a slowing and/or shallowing of the breathing which increases carbon dioxide (CO₂) in the blood stream. Opioids also impact ancillary CO₂ monitoring of the blood preventing the body from taking corrective action. The increased CO₂ and resulting decrease in oxygen in the blood systematically shuts down body systems and may result in death.

Abusers as well as legitimate pain patients are at risk of overdose. In some cases, overdose is accidental but anecdotal reports indicate suicide rates among pain patient are increasing presumably due to their inability to access the pain medications they need to manage their condition.

In June 2019, FDA issued a draft for public comment guidance on a Benefit-Risk Assessment Framework for Opioid Analgesic Drugs. The guidance indicates FDA will "consider the public health risks of the [opioid] drug related to misuse, abuse, opioid use disorder, accidental exposure, and overdose in both patients and nonpatients, as well as any properties of the drug that may mitigate such risks". We intend to develop our LIMITx Technology products consistent with this pending guidance and perform studies to demonstrate our drug candidates have properties to mitigate the risk of overdose. Further development will likely also entail additional safety and/or efficacy assessment as may be identified by the FDA for each specific formulation during the Investigational New Drug application, or IND, or NDA phase of development.

LIMITx™ Technology

LIMITx Technology is intended to address the accidental or intentional consumption of multiple tablets and provide a margin of safety against respiratory depression. We believe these benefits for opioids are consistent with FDA's proposed direction to require all newly approved opioid products to have features of benefits that provide safety or efficacy benefits over existing available opioid therapies.

LIMITx Technology Products in Development

We have the following products in development utilizing our LIMITx Technology:

LIMITx Technology Products	Status
Immediate-release hydrocodone bitartrate with acetaminophen (LTX-03)	Initial buffer dose ranging study completed October 2017 Follow on dose ranging study completed in January 2018 Manufacturing scale-up initiated. Formulation and manufacturing process optimized for commercial scale. Ancillary manufacturing equipment installed and initial commercial scale manufacture in testing.
Immediate-release oxycodone HCl (LTX-01) & (LTX-02)	Formulation development in process
Immediate-release non-opioid drug (LTX-09)	Formulation development in process
Immediate-release hydromorphone HCl (LTX-04)	Two Phase I exploratory pharmacokinetic studies completed. IND no longer active.

Study 400

Study 400 was a two cohort, open label, crossover design pharmacokinetic study of LTX-04 in healthy adult subjects. Study 400 measured the rate and extent of absorption of the active drug ingredient into the bloodstream with the maximum concentration, or C_{max}, typically associated with an increase in drug abuse. Cohort 1 enrolled 30 subjects who were randomized into three subgroups of 10 taking either 1, 2 or 3 tablets. Each subgroup subject orally swallowed the planned number of tablets in a randomized manner taking single doses of two different test formulations of LTX-04 (designated as LTX-04P and LTX-04S and distinguished by their respective acid neutralizing capacity) and Purdue Pharma's marketed drug Dilaudid® as a comparator. The 1, 2 and 3 tablets subgroups in Cohort 1 completed 8, 10 and 8 subjects, respectively.

Cohort 2 enrolled 30 subjects who were randomized into three subgroups of 10 taking either 4, 6 or 8 tablets. Each subgroup subject orally swallowed the planned number of tablets in a randomized manner taking single doses of LTX-04P and the marketed drug Dilaudid as a comparator. The 4, 6 and 8 tablets subgroups in Cohort 2 completed 8, 9 and 8 subjects, respectively.

All tablets contained 2mg of hydromorphone hydrochloride. All subjects received doses of naltrexone and there was a one week washout between doses. Blood samples were taken at pre-designated time-points after dosing and were subsequently analyzed for the concentration of hydromorphone contained in the sample. All subjects in Cohort 1 had continuous pH (a measure of acid concentration) monitoring of their gastric fluid. The objective of Cohort 1 was to determine if adequate active drug entered the blood stream when one or two LIMITx tablets were swallowed and to begin assessing the ability of the LIMITx Technology to start retarding the release of active ingredients when three tablets are ingested. The objective of Cohort 2 was to further explore the extent the release of the hydromorphone active ingredient from LTX-04P tablets is retarded as the dose level increases to abusive levels.

The topline results from Study 400 demonstrated that a single tablet dose delivered a C_{max} of 45% and 50% lower than the reference drug for LTX-04S and LTX-04P, respectively. For an 8 tablet dose, the C_{max} for LTX-04P was 59% lower than the reference drug. Doses between 1 and 8 tablets had similar reduction in C_{max} compared to the reference. The extent of drug absorption, measure by area under the curve (AUC) was consistent between the LIMITx products and the reference.

On December 14, 2016, we announced that we had received advice from the FDA on the continued development of LTX-04 following the FDA's review of summary data from Study 400. The FDA confirmed our intention to reformulate LTX-04 to provide increased drug levels following an intended 1 or 2 tablet dose, noting that a scientific bridge of bioequivalence to the reference product will support a finding of safety and efficacy. The FDA also recommended that we identify studies to measure the clinical impact on abuser behavior and overdose outcome (such as drug liking and respiratory depression) associated with the reduction in C_{max} when three or more LTX-04 tablets were ingested. The FDA's advice also identified longer term studies necessary for submitting a NDA for LTX-04, including in vitro extraction studies, drug interaction studies, additional pharmacokinetic studies assessing the impact of food and beverages, and a category 3 abuse liability study.

Study 401

Study 401, completed in June 2017, also was a two cohort, open label, crossover design pharmacokinetic study in fasted, health adult subjects. Study 401 utilized a modified LTX-04 formulation containing micro-particles intended to improve drug delivery with one and two tablet dosing (LTX-04P3). Study 401 measured the rate and extent of absorption of the active drug ingredient into the blood stream with the Cmax typically associated with an increase in drug abuse. 27 subjects completed Cohort 1 swallowing a single dose tablet of LTX-04 compared to a generic hydromorphone tablet. 13 subjects completed Cohort 2 swallowing 7 LTX-04 and generic tablets doses. 15 subjects followed an undisclosed, exploratory protocol.

All tablets contained 2 mg of hydromorphone hydrochloride. All subjects received dosages of naltrexone and/or naloxone and there was a one week washout between dosages. Blood samples were taken at pre-designated time-points after dosing and were subsequently analyzed for the concentration of hydromorphone contained in the sample. The objective of Cohort 1 was to determine if adequate active drug entered the bloodstream when one LIMITx tablet was swallowed. The objective of Cohort 2 was to explore the extent to which the release of the hydromorphone active ingredient from LTX-04 tablets is retarded at a seven tablet dose (oral excess abuse levels). A safety assessment of LIMITx hydromorphone would be made from both study cohorts.

The topline results from Study 401 demonstrated that Cmax for a one tablet LTX-04P3 dose was approximately 50% less than the active comparator. The Cmax for the 7 tablet LTX-04P3 dose was 65% below the comparator. Study 401 also included a 7 tablet dose of LTX-04P3 taken simultaneously with an agent known to increase gastric emptying time (i.e. increase retention time of the ingredients in the stomach) which demonstrated an increase in Tmax (time of Cmax) of over 1 hour compared to LTX-04P3 taken without this agent. Since the micro-particles used in Study 401 release drug much faster than the micro-particles used in Study 400, we have concluded that the buffer levels used in both studies were excessive and is retarding the release of drug even with a single dose. Also, given that manipulating the duration of stomach acidity with a gastric emptying agent produced a significant increase in Tmax which is indicative of a delayed release of drug from LTX-04P3, we concluded the LIMITx micro-particles are working as designed in that when we neutralize the stomach acid we are slowing the release of drug and subsequent absorption of drug into the blood stream.

We believe the results from Study 400 and 401 indicate the micro-particle are working as designed but that we used too much buffer for even a single tablet and did not achieve full release of the drug at a 1 tablet dose.

Study 301

Study 301 was an open-label, parallel design pharmacokinetic study testing our LIMITx formulation LTX-03 in 72 fasted healthy adult subjects randomized into 9 groups (8 subjects per group). One group swallowed a single Norco® 10/325mg tablet, the marketed comparator or reference drug. The remaining 8 groups swallowed a single LTX-03 tablet with increasing buffering amounts starting with no buffer, LTX-03 formulations A through H, respectively. All 72 subjects completed the study and the doses were generally well tolerated with no serious adverse events. One subject in the Formulation E group was not analyzed due to emesis. LTX-03 is a combination of hydrocodone bitartrate and acetaminophen.

In Study 301 bioequivalence (BE) was examined to generate information for future registration studies. Results demonstrated a trend toward BE for both active ingredients in LTX-03 formulations A through E. Formulation E had BE ratios (log transformed) for hydrocodone of 0.89 and 0.97 for Cmax and Area Under the Curve (AUC), respectively. In this small sample size study both hydrocodone BE confidence intervals were below the acceptable lower BE range of 0.80 at 0.74 and 0.79 for Cmax and AUC, respectively. For acetaminophen, Formulation E's BE Ratios were 1.15 and 1.03 for Cmax and AUC, respectively. While the acetaminophen AUC's met the BE standards, the Cmax upper confidence interval of 1.61 was above the acceptable upper BE range of 1.25. We believe that bioequivalence of this formulation may be achieved by reducing data variability that can be achieved through an adequately powered crossover study design with sufficient numbers of subjects in the study. For LTX-03 Formulations F through H, the higher buffer level tablets, Study 301 demonstrated a progressively increasing reduction in hydrocodone Cmax culminating in a 34% Cmax reduction associated with Formulation H, the highest level evaluated. The Cmax for acetaminophen did not decline in Formulations F through H in Study 301.

We believe that Study 301 identified a formulation that optimizes the balance between providing therapeutic blood levels of drug for pain relief at a single tablet dose while retarding the bioavailability of drug when higher buffer levels are ingested.

Non-clinical Study APT-RDR-300

Study APT-RDR-300 was a non-clinical study of respiratory depression in which five groups of 11 Sprague-Dawley rats were orally administered doses of hydrocodone ranging from 100mg of drug per kg of body weight (mg/kg) up to 300 mg/kg and one group receiving placebo. 8 subjects in each group were measured for opioid induced respiratory depression (OIRD) assessing peripheral oxygen saturation (SpO₂) of the blood over a 4 hour observation period. 36 subjects were analyzed as successfully completing the dosing. The additional 3 subjects in each group provided blood samples analyzed for hydrocodone at .5, 1, 2 and 4 hours post-dosing.

In Study APT-RDR-300 all doses above 100 mg/kg demonstrated with statistical significance ($p < .05$) SpO₂ measured OIRD at all time points post-dosing. The 100 mg/kg dose was not statistically significant for OIRD at any time point post-dosing. The mortality rate was correlated with higher doses. In all animals exhibiting OIRD, OIRD was acutely evident within 30 minutes of dosing which was consistent with the C_{max} of the hydrocodone dose. Increased C_{max} was generally associated with an increased prevalence of acute OIRD (SpO₂ \leq 70%). Approximately 50% of animals reaching this acute OIRD level resulted in death. Due to a high variability in the pharmacokinetics and pharmacodynamics observed in the study, no further associations were possible. Acura believes the results of this study generally support the development of opioid products with a reduction in C_{max} in overdose situations.

We intend to advance LTX-03 to clinical development for a New Drug Application (NDA). We submitted an Investigational New Drug Application, or IND with respect to LTX-03, to the FDA in the first quarter of 2018, which became effective in April 2018. We have completed a manufacturing formulation and manufacturing process optimization study for LTX-03. We are currently conducting the scale-up of the commercial manufacturing process as to-be-marketed formulations are required for all NDA development work. Ancillary manufacturing equipment has been installed and initial commercial scale manufacture is in testing. Successful scale-up will result in supplies of LTX-03 tablets for use in human clinical studies and start our formal drug stability program for which we need a minimum of six months of data for a New Drug Application. Among other things, we believe we will also have to demonstrate a scientific link between C_{max} reductions and a reduction in the risk of respiratory depression.

AD Pharma Agreement covering LTX-03

On June 28, 2019 we announced a License, Development and Commercialization Agreement (the "Agreement") with Abuse Deterrent Pharma, LLC ("AD Pharma"), a special purpose company representing a consortium of investors that will finance Acura's operations and completion of development of LTX-03 (hydrocodone bitartrate with acetaminophen) immediate-release tablets utilizing Acura's patented LIMITx™ technology which addresses the consequences of excess oral administration of opioid tablets, the most prevalent route of opioid overdose and abuse. AD Pharma retains commercialization rights from which Acura will be entitled to receive royalties and potential sales related milestones.

The Agreement grants AD Pharma exclusive commercialization rights in the United States to LTX-03. Financial arrangements include monthly license payments by AD Pharma of \$350,000 up to the earlier of November 30, 2020 or FDA's acceptance of a New Drug Application ("NDA") for LTX-03 and reimbursement by AD Pharma of Acura's LTX-03 outside development expenses. Upon commercialization of LTX-03, Acura receives stepped royalties on sales and is eligible for certain sales related milestones.

AD Pharma may terminate the Agreement at any time. Additionally, if the NDA for LTX-03 is not accepted by the FDA by November 30, 2020, AD Pharma has the option to terminate the Agreement and take ownership of the LIMITx intellectual property. Should AD Pharma choose not to exercise this option to terminate and the NDA for LTX-03 is subsequently accepted by the FDA, such option expires. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. All auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. The ancillary manufacturing equipment has been installed and initial commercial scale manufacture is in testing. Acura currently expects the submission and FDA acceptance of a new drug application (“NDA”) for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

We also granted authority to MainPointe Pharmaceuticals, LLC (MainPointe) to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength). In March 2017, we granted MainPointe an exclusive license to our IMPEDE® Technology to commercialize our Nexafed® and Nexafed® Sinus Pressure + Pain Products in the United States and Canada. On January 1, 2020, MainPointe assigned to AD Pharma, with Acura’s consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura dated March 16, 2017. We understand that MainPointe continues to market the Nexafed products.

Mr. Schutte is our largest shareholder and directly owns approximately 45.7% of our common stock (after giving effect to the exercise of warrants he holds). Mr. Schutte also controls MainPointe and is an investor in AD Pharma.

Aversion Technology

Aversion Technology incorporates gelling ingredients and irritants into tablets to discourage abuse by snorting and provide barriers to abuse by injection. Our Aversion Technology and related opioid products, like Oxaydo, are covered by claims in six issued U.S. patents, which expire between November 2023 and March 2025. Our Aversion Technology products are intended to provide the same therapeutic benefits of the active drug ingredient as currently marketed products containing the same active pharmaceutical ingredient.

Oxaydo Tablets

Oxaydo (oxycodone HCl tablets) is a Schedule II narcotic indicated for the management of acute and chronic moderate to severe pain where the use of an opioid analgesic is appropriate. On January 7, 2015, we entered into a Collaboration and License Agreement with Assertio pursuant to which we exclusively licensed to Assertio worldwide rights to manufacture and commercialize Oxaydo. Oxaydo is approved in 5mg and 7.5mg strengths. Assertio commenced shipping Oxaydo in the United States in October 2015.

The 2017 market for immediate-release oxycodone products was approximately 30 million dispensed prescriptions or 1.7 billion tablets. The current market is predominately serviced by generic formulations that contain no abuse deterrent features and sell for approximately \$0.10 to \$0.40 per tablet, depending on strength. Immediate-release opioids are prescribed by a broad cross-section of healthcare providers including primary care physicians, surgeons and pain specialists. We believe Oxaydo, given its differentiated label compared to generic products, can offer an alternative for opioid prescribing physicians concerned with the abuse or diversion for abuse of their prescriptions even at premium pricing to generics

The safety and efficacy of Oxaydo 5mg and 7.5mg tablets was established by demonstrating bioequivalence to commercially available oxycodone immediate-release tablets in the fasted state. Oxaydo differs from oxycodone tablets when taken with a high fat meal though these differences are not considered clinically relevant, and Oxaydo can be taken without regard to food. The FDA-approved label for Oxaydo describes elements unique to our Aversion Technology, which differs from current commercially available oxycodone immediate-release tablets. The label for Oxaydo includes the results from a clinical study that evaluated the effects of nasally snorting crushed Oxaydo and commercially available oxycodone tablets, and limitations on exposing Oxaydo tablets to water and other solvents and administration through feeding tubes. The clinical study evaluated 40 non-dependent recreational opioid users, who self-administered the equivalent of 15mg of oxycodone. After accounting for a first sequence effect, the study demonstrated:

- 30% of subjects exposed to Oxaydo responded that they would not take the drug again compared to 5% of subjects exposed to immediate-release oxycodone;
- subjects taking Oxaydo reported a higher incidence of nasopharyngeal and facial adverse events compared to immediate-release oxycodone;
- a decreased ability to completely insufflate two crushed Oxaydo tablets within a fixed time period (21 of 40 subjects), while all subjects were able to completely insufflate the entire dose of immediate-release oxycodone; and
- small numeric differences in the median and mean drug liking scores, which were lower in response to Oxaydo than immediate-release oxycodone.

Although we believe these abuse deterrent characteristics differentiate Oxaydo from immediate-release oxycodone products currently on the market, consistent with FDA guidance which requires epidemiology studies to support a claim of abuse deterrence, the clinical significance of the difference in drug liking and difference in response to taking the drug again in this study has not been established. There is no evidence that Oxaydo has a reduced abuse liability compared to immediate release oxycodone. We and Assertio have a post-approval commitment with the FDA to perform an epidemiology study to assess the actual impact on abuse of Oxaydo tablets.

Further, the Oxaydo product label guides patients not to crush and dissolve the tablets or pre-soak, lick or otherwise wet the tablets prior to administration. Similarly, caregivers are advised not to crush and dissolve the tablets or otherwise use Oxaydo for administration via nasogastric, gastric or other feeding tubes as it may cause an obstruction.

Assertio Agreement Covering Oxaydo

On January 7, 2015, we and Egalet US, Inc. and Egalet Ltd., each a subsidiary of Egalet Corporation, (now known as Assertio Holdings Inc and formerly known as Zyla Life Sciences), entered into a Collaboration and License Agreement, or the Assertio Agreement, to commercialize Oxaydo tablets containing our Aversion® Technology. Oxaydo is approved by the FDA for marketing in the United States in 5 mg and 7.5 mg strengths. Under the terms of the Assertio Agreement, we transferred the approved NDA for Oxaydo to Assertio and Assertio is granted an exclusive license under our intellectual property rights for development and commercialization of Oxaydo worldwide, or the Territory, in all strengths, subject to our right to co-promote Oxaydo in the United States.

In accordance with the Assertio Agreement, we and Assertio formed a joint steering committee to oversee commercialization strategies and the development of product line extensions. Assertio pays a significant portion of the expenses relating to (i) annual NDA PDUFA program fees, (ii) expenses of the FDA required post-marketing study for Oxaydo and (iii) expenses of clinical studies for product line extensions (additional strengths) of Oxaydo for the United States and pays all of the expenses of development and regulatory approval of Oxaydo for sale outside the United States. Assertio is responsible for all manufacturing and commercialization activities in the Territory for Oxaydo. Subject to certain exceptions, Assertio has final decision making authority with respect to all development and commercialization activities for Oxaydo, including pricing, subject to our co-promotion right. Assertio may develop Oxaydo for other countries and in additional strengths, in its discretion.

Assertio paid us an upfront payment of \$5.0 million upon signing of the Assertio Agreement and a \$2.5 million milestone in October 2015 in connection with the launch of Oxaydo. In addition, we will be entitled to a one-time \$12.5 million milestone payment when worldwide Oxaydo net sales reach \$150.0 million in a calendar year. In addition, we are entitled to receive from Assertio a stepped royalty at percentage rates ranging from mid-single digits to double-digits on net sales during a calendar year based on Oxaydo net sales during such year (excluding net sales resulting from our co-promotion efforts). In any calendar year in which net sales exceed a specified threshold, we will receive a double digit royalty on all Oxaydo net sales in that year (excluding net sales resulting from our co-promotion efforts). If we exercise our co-promotion rights, we will receive a share of the gross margin attributable to incremental Oxaydo net sales from our co-promotion activities. Assertio's royalty payment obligations commenced on the first commercial sale of Oxaydo and expire, on a country-by-country basis, upon the expiration of the last to expire valid patent claim covering Oxaydo in such country (or if there are no patent claims in such country, then upon the expiration of the last valid claim in the United States or the date when no valid and enforceable listable patent in the FDA's Orange Book remains with respect to the Product). Royalties will be reduced upon the entry of generic equivalents, as well as for payments required to be made by Assertio to acquire intellectual property rights to commercialize Oxaydo, with an aggregate minimum floor.

The Assertio Agreement expires upon the expiration of Assertio's royalty payment obligations in all countries. Either party may terminate the Assertio Agreement in its entirety if the other party breaches a payment obligation, or otherwise materially breaches the Assertio Agreement, subject to applicable cure periods, or in the event the other party makes an assignment for the benefit of creditors, files a petition in bankruptcy or otherwise seeks relief under applicable bankruptcy laws. We also may terminate the Assertio Agreement with respect to the U.S. and other countries if Assertio materially breaches its commercialization obligations. Assertio may terminate the Assertio Agreement for convenience on 120 days prior written notice, which termination may not occur prior to the second anniversary of Assertio's launch of Oxaydo. Termination does not affect a party's rights accrued prior thereto, but there are no stated payments in connection with termination other than payments of obligations previously accrued. For all terminations (but not expiration), the Assertio Agreement provides for the transition of development and marketing of Oxaydo from Assertio to us, including the conveyance by Assertio to us of the trademarks and all regulatory filings and approvals relating to Oxaydo, and for Assertio's supply of Oxaydo for a transition period.

KemPharm Agreement Covering Opioid Prodrugs

On October 13, 2016, we and KemPharm Inc., or KemPharm, entered into a worldwide License Agreement, or the KemPharm Agreement, pursuant to which we licensed our Aversion® Technology to KemPharm for its use in the development and commercialization of three products using 2 of KemPharm's prodrug candidates. KemPharm has also been granted an option to extend the KemPharm Agreement to cover two additional prodrug candidates. KemPharm is responsible for all development, manufacturing and commercialization activities, although we may provide initial technical assistance.

Upon execution of the KemPharm Agreement, KemPharm paid us an upfront payment of \$3.5 million. If KemPharm exercises its option to use our Aversion Technology with more than the 2 prodrugs licensed, then KemPharm will pay us up to \$1.0 million for each additional prodrug license. In addition, we will receive from KemPharm a low single digit royalty on commercial sales by KemPharm of products developed using our Aversion Technology under the KemPharm Agreement. KemPharm's royalty payment obligations commence on the first commercial sale of a product using our Aversion Technology and expire, on a country-by-country basis, upon the expiration of the last to expire patent claim of the Aversion Technology covering a product in such country, at which time the license for the particular product and country becomes fully paid and royalty free. As of June 30, 2020 we are unaware of KemPharm's use of our Aversion technology under the KemPharm Agreement.

The KemPharm Agreement expires upon the expiration of KemPharm's royalty payment obligations in all countries. Either party may terminate the KemPharm Agreement in its entirety if the other party materially breaches the KemPharm Agreement, subject to applicable cure periods. Acura or KemPharm may terminate the KemPharm Agreement with respect to the U.S. and other countries if the other party challenges the patents covering the licensed products. KemPharm may terminate the KemPharm Agreement for convenience on ninety (90) days prior written notice. Termination does not affect a party's rights accrued prior thereto, but there are no stated payments in connection with termination other than payments of obligations previously accrued. For all terminations (but not expiration), the KemPharm Agreement provides for termination of our license grant to KemPharm.

Aversion Technology Development Opioid Products

We have suspended further development of our Aversion hydrocodone/APAP product candidate, in order to focus our time and available resources on the development of our LIMITx Technology product candidates. We currently have 6 additional opioids at various stages of formulation development using the Aversion Technology which are not being actively developed.

Abuse of Pseudoephedrine Products

The chemical structure of pseudoephedrine, or PSE, is very similar to methamphetamine, facilitating a straight-forward chemical conversion to methamphetamine. OTC PSE products are sometimes purchased and used for this conversion. There are multiple known processes to convert PSE to methamphetamine, all of which are not complex and do not require specialized equipment; however, many do require readily available but uncommon ingredients. Two of the three most popular processes follow two general processing steps: (1) dissolving the PSE tablets in a solvent to isolate, by filtration, purified PSE and (2) a chemical reduction of the PSE into methamphetamine for drying into crystals. The third method, or the "one-pot" method, involves the direct chemical reduction of the PSE to methamphetamine in the presence of the tablet's inactive ingredients. All the solvents used are ultimately dried off or otherwise removed, so a wide range of solvents are amenable to the process.

Impede Technology Products

Our initial Impede 1.0 Technology being used in Nexafed Sinus Pressure + Pain contains a proprietary mixture of inactive ingredients, prevents the extraction of PSE from tablets using known extraction methods and disrupts the direct conversion of PSE from tablets into methamphetamine.

We have developed a next generation Impede 2.0 Technology with additional inactive ingredients to improve the meth-resistance of our technology which is currently used in Nexafed Tablets. One-pot, direct conversion meth testing performed by our CRO on the following commercially available products resulted in:

Product/Formulation	Meth Resistant Technology	Meth Recovery¹	Purity²
Sudafed® 30mg Tablets	None	67%	62%
Nexafed 30mg Technology	Impede® 1.0	38%	65%
Zephrex-D® 30mg Pills	Tarex®	28%	51%
Nexafed 120mg Extended-release tablets	Impede® 2.0	17%	34%

¹ Total methamphetamine HCl recovered from the equivalent of 100 PSE 30mg tablets divided by the maximum theoretical yield of 2.7 grams.

² Total methamphetamine HCl recovered from the equivalent of 100 PSE 30mg tablets divided by the total weight of powder recovered.

We have previously demonstrated in a pilot clinical study the bioequivalence of a formulation of our Nexafed extended release tablets utilizing our Impede 2.0 Technology to Sudafed® 12-hour Tablets.

Nexafed Products and the MainPointe Agreement

Nexafed and Nexafed Sinus Pressure + Pain, consist of immediate release tablets. Nexafed is a 30mg pseudoephedrine tablet which until the third quarter of 2017 incorporated our patented Impede 1.0 Technology and commencing in such quarter incorporated our Impede 2.0 Technology. Nexafed Sinus Pressure + Pain is a 30/325mg pseudoephedrine and acetaminophen tablet which incorporates our Nexafed 1.0 Technology. PSE is a widely-used nasal decongestant available in many non-prescription and prescription cold, sinus and allergy products. While the 30mg PSE tablet is not the largest selling PSE product on the market, we believe it is the most often used product to make meth due to: (a) its relatively low selling price and (b) its simpler formulation provides better meth yields.

We have demonstrated that our Nexafed 30mg tablets are bioequivalent to Johnson & Johnson's Sudafed 30mg Tablets when a single 2 tablet dose is administered. Commencing in 2006, the CMEA, required all non-prescription PSE products to be held securely behind the pharmacy counter, has set monthly consumer purchase volume limits, and has necessitated consumer interaction with pharmacy personnel to purchase PSE-containing products.

On March 16, 2017, we and MainPointe entered into a License, Commercialization and Option Agreement, or the MainPointe Agreement, pursuant to which we granted MainPointe an exclusive license to our Impede Technology to commercialize our Nexafed products in the U.S. and Canada. We also conveyed to MainPointe our existing inventory and equipment relating to our Nexafed products. MainPointe is responsible for all development, manufacturing and commercialization activities with respect to products covered by the Agreement and controls the marketing and sale of our Nexafed products.

On signing the MainPointe Agreement, MainPointe paid us an upfront licensing fee of \$2.5 million plus approximately \$425 thousand for inventory and equipment being transferred. The MainPointe Agreement also provides for our receipt of a 7.5% royalty on net sales of licensed products. The royalty payment for each product will expire on a country-by-country basis when the Impede® patent rights for such country have expired or are no longer valid; provided that if no Impede patent right exists in a country, then the royalty term for that country will be the same as the royalty term for the United States. After the expiration of a royalty term for a country, MainPointe retains a royalty free license to our Impede® Technology for products covered by the Agreement in such country.

MainPointe has the option to expand the licensed territory beyond the United States and Canada to the European Union (and the United Kingdom), Japan and South Korea for payments of \$1.0 million, \$500 thousand and \$250 thousand, respectively. In addition, MainPointe has the option to add to the MainPointe Agreement certain additional products, or Option Products, containing PSE and utilizing the Impede Technology for a fee of \$500 thousand per product (for all product strengths), including the product candidate Loratadine with pseudoephedrine. MainPointe has assigned and transferred its option rights to a Nexafed 12-hour formulation to AD Pharma. If the territory has been expanded prior to the exercise of a product option, the option fee will be increased to \$750 thousand per product. If the territory is expanded after the payment of the \$500 thousand product option fee, a one-time \$250 thousand fee will be due for each product. If a third party is interested in developing or licensing rights to an Option Product, MainPointe must exercise its option for that product or its option rights for such product will terminate. On June 28, 2019, we granted authority to MainPointe to assign to AD Pharma the option and the right to add, as an Option Product to the Nexafed® Agreement, a Nexafed® 12-hour dosage (an extended-release pseudoephedrine hydrochloride product utilizing the IMPEDE® Technology in 120mg dosage strength) and waived the \$500 thousand option fee.

The MainPointe Agreement may be terminated by either party for a material breach of the other party, or by Acura if MainPointe challenges certain of its patents. Upon early termination of the MainPointe Agreement, MainPointe’s licenses to the Impede Technology and all products will terminate. Upon termination, at Acura’s request the parties will use commercially reasonable efforts to transition the Nexafed® and Nexafed® Sinus Pressure + Pain products back to Acura.

On January 1, 2020, MainPointe assigned to AD Pharma, with Acura’s consent, all of its right, title and interest in the MainPointe Agreement between MainPointe and Acura dated March 16, 2017.

Other Impede Technology Products

Given the fragmented nature of the PSE market with products containing multiple active ingredients, we have developed additional products for our Nexafed franchise:

Impede Technology Products	Status
Extended-release formulation utilizing Impede 2.0 Technology	Pilot pharmacokinetic testing demonstrated bioequivalence to Sudafed® 12-hour Tablets. Pre-IND meeting held with the FDA No imminent development planned
Extended-release combination products	No imminent development planned
Loratadine with pseudoephedrine	No imminent development planned

In July 2015, we had a pre-IND meeting with the FDA to discuss the results from our pharmacokinetic and meth-resistance testing studies to determine the development path for our extended-release development product. The FDA acknowledged the potential value of the development of risk-mitigating strategies for new formulations of pseudoephedrine products while also recognizing an approved “meth-deterrent” extended release pseudoephedrine product would be novel in the over-the-counter (OTC) setting. The FDA did not make a formal determination whether “meth-resistant” claims would be appropriate but is open to consider such an appropriately worded, evidence-based claim directed to the consumer and/or retailer. As recommended by the FDA, we have submitted additional “meth-resistant” testing information to the FDA for review prior to submitting an IND. In October 2016, we received FDA recommendations on our meth-resistant testing protocols for our Nexafed extended release tablets. We can now scale-up our manufacture batch size at a contract manufacturer which allows us to submit an IND to the FDA for our Nexafed extended release tablets, however, we have not yet committed to that level of development.

In March 2017, we completed a pilot pharmacokinetic study for the PSE and Loratadine combination product using our Impede 1.0 Technology. The study in 24 healthy adult subjects demonstrated sufficient, but not bioequivalent blood levels of PSE to the comparator while the second active ingredient achieved bioequivalence. Based on the product profile, we believe this formulation can be moved into final development for a 505(b)(2) NDA submission. The Company has upgraded a portion of this formulation with its Impede 2.0 Technology.

U.S. Market Opportunity for Impede PSE Products

PSE is a widely-used nasal decongestant available in many non-prescription and prescription cold, sinus and allergy products. PSE is sold in products as the only active ingredient in both immediate and extended-release products. In addition, PSE is combined with other cold, sinus and allergy ingredients such as pain relievers, cough suppressants and antihistamines. PSE also competes against phenylephrine, an alternate nasal decongestant available in non-prescription products. In 2014, a data service reported approximately \$0.7 billion in retail sales of non-prescription products containing PSE. The top retail selling PSE OTC cold/allergy products in 2014 were:

Reference Brand ¹	Brand Company	Active Ingredient(s)	2014 Retail Sales (\$ Millions)
Claritin-D	Bayer	PSE & Loratadine ²	\$ 208.0
Allegra-D	Chattem	PSE & Fexofenadine ²	\$ 101.3
Zyrtec-D	Pfizer	PSE & Ceterizine ²	\$ 101.7
Advil Sinus	Pfizer	PSE & Ibuprofen	\$ 58.4
Sudafed 12 Hour	J&J	PSE ²	\$ 82.3
Sudafed 30mg	J&J	PSE	\$ 70.4

¹ Branded product only. Does not include store brand sales.

² Extended release PSE formulations

The 2014 market for 30mg PSE tablets, including store brands was approximately 470 million tablets or 19 million boxes of 24 tablets. MainPointe controls the price of Nexafed and Nexafed Sinus under the terms of the MainPointe Agreement. The market for cold, sinus and allergy products is highly competitive and many products have strong consumer brand recognition and, in some cases, prescription drug heritage. Category leading brands are often supported by national mass marketing and promotional efforts. Consumers often have a choice to purchase a less expensive store brand. Store brands contain the same active ingredients as the more popular national brands but are not supported by large marketing campaigns and are offered at a lower price. Non-prescription products are typically distributed through retail outlets including drug store chains, food store chains, independent pharmacies and mass merchandisers. The distribution outlets for PSE products are highly consolidated. According to Chain Drug Review, the top 50 drug, food and mass merchandising chains operate approximately 40,000 pharmacies in the U.S., of which 58% are operated by the four largest chains. Stocking decisions and pharmacists recommendations for these chain pharmacies are often centralized at the corporate headquarters.

Product Labeling for Impede Technology Products

Nexafed and Nexafed Sinus Pressure + Pain products are marketed pursuant to the FDA's OTC Monograph regulations, which require that our products have labeling as specified in the regulations. Marketing for the Nexafed products includes advertising the extraction characteristics and methamphetamine-resistant benefits of these products which is supported by our published research studies.

We expect that any of our other Impede Technology products that are marketed pursuant to an NDA or ANDA will be subject to a label approved by the FDA. We expect that such a label will require submission of our scientifically derived abuse liability data and we intend to seek descriptions of our abuse liability studies in the FDA approved product label, although there can be no assurance that this will be the case.

U.S. Market Opportunity for Opioid Analgesic Products

The misuse and abuse of opioid analgesics continues to constitute a dynamic and challenging threat to the United States and is the nation's fastest growing drug problem. During 2017, the US Government declared opioid abuse as an epidemic and national health emergency. According to the 2017 Centers on Disease Control Drug Surveillance Report, 11.8 million Americans aged 12 and over abused or misused prescription opioids in 2016. Further, this Report calculates that, on average, 115 Americans die every day from an opioid overdose. The majority of drug overdose deaths (66%) involve an opioid. Immediate release, or IR, opioid products comprise the vast majority of this abuse compared with extended release, or ER, opioid products.

It is estimated that more than 75 million people in the United States suffer from pain and the FDA estimates more than 61 million people receive a prescription for the opioid hydrocodone annually. For many pain sufferers, opioid analgesics provide their only pain relief. As a result, opioid analgesics are among the largest prescription drug classes in the United States with over 214 million tablet and capsule prescriptions dispensed in 2016 of which approximately 194 million were for IR opioid products and 204 million were for ER opioid products. However, physicians and other health care providers at times are reluctant to prescribe opioid analgesics for fear of misuse, abuse, and diversion of legitimate prescriptions for illicit use.

We expect our Aversion and LIMITx Technology opioid products, to compete primarily in the IR opioid product segment of the United States opioid analgesic market. Because IR opioid products are used for both acute and chronic pain, a prescription, on average, contains 66 tablets or capsules. According to IMS Health, in 2016, sales in the IR opioid product segment were approximately \$2.7 billion, of which ~98% was attributable to generic products. Due to fewer identified competitors and the significantly larger market for dispensed prescriptions for IR opioid products compared to ER opioid products, we have initially focused on developing IR opioid products utilizing our Aversion and LIMITx Technologies. A summary of the IR opioid product prescription data for 2016 is provided below:

IR Opioid Products⁽¹⁾	2016 US Prescriptions (Millions)⁽²⁾	% of Total
Hydrocodone	90	43%
Oxycodone	55	26%
Tramadol	43	21%
Codeine	15	7%
4 Others	5	3%
Total	208	100%

¹ Includes all salts and esters of the opioid and opioids in combination with other active ingredients such as acetaminophen.

² IMS Health, 2016

Despite considerable publicity regarding the abuse of OxyContin® extended-release tablets and other ER opioid products, U.S. government statistics suggest that far more people have used IR opioid products non-medically than ER opioid products. These statistics estimate that nearly four times as many people have misused the IR opioid products Vicodin®, Lortab® and Lorcet® (hydrocodone bitartrate/acetaminophen brands and generics) than OxyContin®.

Product Labeling for Products Using Our Technologies

We or our licensee may seek to include descriptions of studies that characterize the safety features of our technologies in the label for our products in development. Asserzio has committed to undertake FDA required epidemiological studies to assess the actual consequences of abuse of Oxaydo in the market for which we share a minority portion of appropriate fees and expenses. The extent to which a description of the results of epidemiological or other studies will be added to or included in the FDA approved product label for our products in development will be the subject of our discussions with the FDA as part of the NDA review process. Further, because the FDA closely regulates promotional materials, even if FDA initially approves labeling that includes a description of the properties of the product, the FDA's Office of Prescription Drug Promotion, or OPDP, will continue to review the acceptability of promotional labeling claims and product advertising campaigns for our marketed products.

In April 2015, the FDA published guidance for industry on the evaluation and labeling of abuse-deterrent opioids and in June 2019, FDA issued a draft for public comment guidance on a Benefit-Risk Assessment Framework for Opioid Analgesic Drugs which may be beneficial to use in the development and labeling of our product candidates.

Patents and Patent Applications

We have the following issued patents covering, among other things, our LIMITx Technology:

Patent No. (Jurisdiction)	Subject matter	Issued	Expires
9,101,636 (US)	Abuse deterrent products wherein the release of active ingredient is retarded when 3 or more doses are consumed	Aug. 2015	Nov. 2033
9,320,796 (US)	Abuse deterrent products wherein the release of active ingredient is retarded when 3 or more doses are consumed	Apr. 2016	Nov. 2033
9,662,393 (US)	Abuse deterrent products wherein the release of active ingredient is retarded when 3 or more doses are consumed	May 2017	Nov. 2033
10,441,657 (US)	Abuse deterrent products wherein the release of active ingredient is retarded when 3 or more doses are consumed	Sept. 2019	Nov. 2033
2,892,908 (CAN)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Apr. 2016	Nov. 2033
5,922,851 (JAPAN)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Apr. 2016	Nov. 2033
ZL201380062421.0 (CHN)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Jul. 2018	Nov. 2033
2,925,304 (EUR)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Sept. 2018	Nov. 2033
2015124694 (RUS)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Nov. 2018	Nov. 2033
2013352162 (AUS)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Dec. 2018	Nov. 2033
366159 (MEX)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Jul. 2019	Nov. 2033
238713 (ISR)	Abuse deterrent products wherein the release of active ingredient is retarded when excessive doses are consumed	Jul. 2019	Nov. 2033

We have the following issued patents covering, among other things, Oxaydo and our Aversion Technology:

Patent No. (Jurisdiction)	Subject Matter	Issued	Expires
7,201,920 (US)	Pharmaceutical compositions including a mixture of functional inactive ingredients and specific opioid analgesics	Apr. 2007	Mar. 2025
7,510,726 (US)	A wider range of compositions than those described in the 7,201,920 Patent	Mar. 2009	Nov. 2023
7,981,439 (US)	Pharmaceutical compositions including any water soluble drug susceptible to abuse	Jul. 2011	Aug. 2024
8,409,616 (US)	Pharmaceutical compositions of immediate-release abuse deterrent dosage forms	Apr. 2013	Nov. 2023
8,637,540 (US)	Pharmaceutical compositions of immediate-release abuse deterrent opioid products	Jan. 2014	Nov. 2023
9,492,443 (US)	Pharmaceutical compositions of immediate-release abuse deterrent opioid products	Nov. 2016	Nov. 2023

We have the following additional issued patents relating to our Aversion Technology:

Patent No. (Jurisdiction)	Subject Matter	Issued	Expires
8,822,489 (US)	Pharmaceutical compositions of certain abuse deterrent products that contain polymers, surfactant and polysorb 80	Jul. 2014	Nov. 2023
2,004,294,953 (AUS)	Abuse deterrent pharmaceuticals	Apr. 2010	Nov. 2024
2,010,200,979 (AUS)	Abuse deterrent pharmaceuticals	Aug. 2010	Nov. 2024
2,547,334 (CAN)	Abuse deterrent pharmaceuticals	Aug. 2010	Nov. 2024
2,647,360 (CAN)	Abuse deterrent pharmaceuticals	May 2012	Apr. 2027
175,863 (ISR)	Abuse deterrent pharmaceuticals	Nov. 2004	Nov. 2024
221,018 (ISR)	Abuse deterrent pharmaceuticals	Nov. 2004	Nov. 2024
1694260 (EUR)	Abuse deterrent pharmaceuticals	Nov. 2004	Nov. 2024

We have the following issued patents covering, among other things, our Nexafed product line and Impede 1.0 and 2.0 technologies:

Patent No. (Jurisdiction)	Subject Matter	Issued	Expires
8,901,113 (US)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Dec. 2014	Feb. 2032
9,757,466 (US)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Sept. 2017	Feb. 2032
10,004,699 (US)	Methods and compositions for interfering with extraction or conversion of a drug susceptible to abuse	Jun. 2018	Dec. 2035
10,155,044 (US)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Dec. 2018	Feb. 2032
2010300641 (AUS)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Jun. 2016	Sept. 2030
2,775,890 (CAN)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Jun. 2016	Sept. 2030
2,488,029 (EUR)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Mar. 2016	Sept. 2030
218533 (ISR)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Jan. 2016	Sept. 2030
2015274936 (AUS)	Methods and compositions for interfering with extraction or conversion of a drug susceptible to abuse	Sept. 2018	Jun. 2035
13102020.5 (HK)	Pharmaceutical compositions suitable for reducing the chemical conversion of precursor compounds	Oct. 2016	Sept. 2030

In addition to our issued patents listed above and additional unlisted issued patents, we have filed multiple U.S. patent applications and international patent applications relating to compositions containing abusable active pharmaceutical ingredients as well as applications covering our Impede 1.0 and 2.0 Technologies and filed U.S. patent applications for our LIMITx Technology. Except for the rights granted in the Assertio Agreement, the KemPharm Agreement, the MainPointe Agreement, and the AD Pharma Agreement and in the patent infringement settlement agreements described below, we have retained all intellectual property rights to our Aversion Technology, Impede Technology, LIMITx Technology and related product candidates.

Between October, 2013 and May, 2014 we settled on an individual basis, patent infringement suits we brought against generic manufacturers Par Pharmaceuticals, Inc., Impax Laboratories, Inc. Sandoz Inc. and Ranbaxy Inc. initiated by their seeking to market generic versions of Oxaydo. Principally, the settlements grant to Par a royalty bearing license to use our Aversion Technology patents in an immediate-release oxycodone product starting in January 2022, or sooner depending on other generic competition. None of such settlements impacted the validity or enforceability of our Patents.

On May 20, 2016, we, Purdue Pharma L.P. and Assertio settled patent infringement actions initiated by Purdue against Oxaydo and an Intes Parties Review initiated by us against a Purdue patent. The parties dismissed or withdrew the actions, requested that the USPTO terminate the IPR Review and exchanged mutual releases. No payments were made by the parties under the settlement agreement. The settlement provides that Acura will not, in the future, assert certain Acura U.S. Aversion Technology patents against selected Purdue immediate and extended-release products. In addition, Purdue has certain rights to negotiate to exclusively distribute an authorized generic version of certain Assertio products, including, in some circumstances, Oxaydo® and other products using Acura's Aversion® Technology if licensed to Assertio.

Reference is made to the Risk Factors contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for a discussion, among other things, of patent applications and patents owned by third parties, including claims that may encompass our Aversion Technology and Oxaydo tablets, and the risk of infringement, interference or opposition proceedings that we may be subject to arising from such patents and patent applications.

Company's Present Financial Condition

As of June 30, 2020, we had cash of \$1.0 million, working capital deficit of \$5.6 million and an accumulated deficit of \$388.3 million. We had a loss from operations of \$62 thousand and a net loss of \$287 thousand for the six months ended June 30, 2020, and had a loss from operations of \$725 thousand and a net loss of \$3.8 million for the year ended December 31, 2019. We have suffered recurring losses and have not generated positive cash flows from operations. We anticipate operating losses to continue for the foreseeable future. As of August 13, 2020 our cash balance was approximately \$0.6 million.

Additionally, the License, Development and Commercialization Agreement dated June 28, 2019 (the "Agreement") requires AD Pharma to pay us monthly license payments of \$350,000 from July 2019 through November 2020 and pay all outside development costs for LTX-03. However, the Agreement allows AD Pharma to terminate the Agreement "for convenience". Should AD Pharma exercise their right to terminate the Agreement, we would need to raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations. In the absence of such financing or third-party license or collaboration agreements, the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. An extended delay or cessation of the Company's continuing product development efforts will have a material adverse effect on the Company's financial condition and results of operations. Our independent auditors have included in their report relating to our 2019 financial statements a "going concern" explanatory paragraph as to substantial doubt of our ability to continue as a going concern.

Also included in the AD Pharma Agreement is the requirement that the NDA for LTX-03 be accepted by the FDA by November 30, 2020, or AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the LIMITx intellectual property. Importantly, such failure to meet this date will be an event of default under their \$6.0 million note to Acura. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. At this time, all auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. Acura currently expects the submission and FDA acceptance of a new drug application ("NDA") for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. We therefore reclassified the \$6.0 million note from noncurrent to current liability at March 31, 2020. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

In view of the matters described above, management has concluded that substantial doubt exists with respect to the Company's ability to continue as a going concern within one year after the date the financial statements are issued and our independent registered public accounting firm have included in their report relating to our 2019 financial statements a "going concern" explanatory paragraph as to substantial doubt of our ability to continue as a going concern.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the Company's accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuous basis, to maintain existing financing and to succeed in its future operations. The Company's financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Our future sources of revenue, if any, will be derived from licensing fees, milestone payments and royalties under the AD Pharma Agreement, the Assertio Agreement, the KemPharm Agreement, the MainPointe Agreement and similar agreements which we may enter into for our LIMITx products in development with other pharmaceutical company partners, for which there can be no assurance.

The amount and timing of our future cash requirements will depend on regulatory and market acceptance of our product candidates and the resources we devote to the development and commercialization of our product candidates.

Six months Ended June 30, 2020 Compared to Six months Ended June 30, 2019

	June 30		Increase (decrease)	
	2020	2019	Percent	
	\$000's			
Revenues:				
Royalties	\$ 67	\$ 113	\$ (46)	(41)%
Collaboration	52	-	52	-
License fees	2,100	-	2,100	-
Product sales, net	223	-	223	-
Total revenues	2,442	113	2,329	2,061
Expenses:				
Research and development	832	575	257	45
General and administrative	1,672	843	829	98
Total operating expenses	2,504	1,418	1,086	77
Operating loss	(62)	(1,305)	(1,243)	(95)
Loss on debt extinguishment	-	(2,600)	(2,600)	(100)
Interest expense – related party	(225)	(224)	1	-
Loss before income taxes	(287)	(4,129)	(3,842)	(93)
Provision for income taxes	-	-	-	-
Net loss	\$ (287)	\$ (4,129)	\$ (3,842)	(93)%

License Fees

Under our license and development agreement with Abuse Deterrent Pharma, LLC (“AD Pharma”) for LTX-03, we recognized license fees \$2.1 million during the six months ended June 30, 2020.

Collaboration Revenue

Collaboration revenue is derived from research and development services we perform under the license and development agreement with AD Pharma for LTX-03. We recognized \$52 thousand of collaboration revenue during the six months ended June 30, 2020. We did not provide research and development services during the six months ended June 30, 2019.

Royalty Revenue

In connection with our license agreement with Assertio for Oxaydo Tablets, we earn a royalty based on product net sales. We recognized \$61 thousand and \$98 thousand of royalty revenue during the six months ended June 30, 2020 and 2019, respectively.

In connection with our license agreement with MainPointe for our Nexafed product line, we earn a royalty based on product net sales. We recognized \$6 thousand and \$15 thousand of royalty revenue during the six months ended June 30, 2020 and 2019, respectively.

Product Sales, net

Nexafed was launched in mid-December 2012 and Nexafed Sinus Pressure + Pain was launched in February 2015. In March 2017, we and MainPointe entered into the MainPointe Agreement, pursuant to which we granted MainPointe an exclusive license to our Impede Technology to commercialize both of our Nexafed and Nexafed Sinus Pressure + Pain product (“Nexafed products”) in the U.S. and Canada. Prior to entering into the MainPointe Agreement, we sold the Nexafed products in the United States to wholesale pharmaceutical distributors as well as directly to chain drug stores. The Nexafed products were previously sold by us subject to the right of return usually for a period of up to twelve months after the product expiration. During the second quarter 2020, we reviewed our product sales return allowance liability and recorded a \$223 thousand favorable amount to product sales as we believe sufficient time has passed where the Nexafed product sold by us is no longer subject to right of return and we estimate no additional product will be returned. At June 30, 2020, our sales return allowance liability is \$0 thousand.

Operating Expenses

Research and Development

Research and development expense is primarily associated with our Limitx Technology LTX-03 development activity under the AD Pharma agreement. Included in June 30, 2019 reported six month expenses are share-based compensation expenses of approximately \$12 thousand. Excluding the share-based compensation expense, our research and development expenses increased by approximately \$269 thousand between reporting periods.

General and Administrative

Our general and administrative expenses primarily consisted of legal, audit and other professional services, corporate insurance, and payroll. Included in the 2020 and 2019 six month expenses are share-based compensation expenses of approximately \$33 thousand and \$56 thousand, respectively. Excluding this share-based compensation expense, our general and administrative expenses increased approximately \$852 thousand between reporting periods, primarily due to the \$668 thousand impairment expense on the intangible asset we recorded during the first quarter 2020.

Non-Operating Expense

Interest Expense

During the six months ended June 30, 2020 and 2019, we incurred interest expense of \$225 thousand and \$224 thousand, respectively on our term loans.

Income Taxes

Our results for the six months ended June 30, 2020 and 2019 show no federal or state income tax benefit provisions due to 100% allowances placed against them for the uncertainty of their future utilization.

Three months Ended June 30, 2020 Compared to Three months Ended June 30, 2019

	June 30		Increase (decrease)	
	2020	2019		Percent
	(\$000's)			
Revenues:				
Royalties	\$ 34	\$ 46	\$ (12)	(26)%
Collaboration	44	-	44	-
License fees	1,050	-	1,050	-
Product sales, net	223	-	223	-
Total revenues	1,351	46	1,305	2,837
Expenses:				
Research and development	445	262	183	70
General and administrative	485	406	79	20
Total operating expenses	930	668	262	39
Operating income (loss)	421	(622)	(1,043)	(168)
Loss on debt extinguishment	-	(2,600)	(2,600)	(100)
Interest expense – related party	(113)	(119)	(6)	(5)
Income (loss) before income taxes	308	(3,341)	(3,649)	(109)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ 308	\$ (3,341)	\$ (3,649)	(109)%

License Fees

Under our license and development agreement with Abuse Deterrent Pharma, LLC (“AD Pharma”) for LTX-03, we received license fees \$1.05 million during the three months ended June 30, 2020.

Collaboration Revenue

Collaboration revenue is derived from research and development services we perform under the license and development agreement with AD Pharma for LTX-03. We recognized \$44 thousand of collaboration revenue during the three months ended June 30, 2020. We did not provide research and development services during the three months ended June 30, 2019.

Royalty Revenue

In connection with our license agreement with Assertio for Oxaydo Tablets, we earn a royalty based on product net sales. We recognized \$31 thousand and \$43 thousand of royalty revenue during the three months ended June 30, 2020 and 2019, respectively.

In connection with our license agreement with MainPointe for our Nexafed product line, we earn a royalty based on product net sales. We recognized \$3 thousand of royalty revenue during each of the three months ended June 30, 2020 and 2019.

Product Sales, net

Nexafed was launched in mid-December 2012 and Nexafed Sinus Pressure + Pain was launched in February 2015. In March 2017, we and MainPointe entered into the MainPointe Agreement, pursuant to which we granted MainPointe an exclusive license to our Impede Technology to commercialize both of our Nexafed and Nexafed Sinus Pressure + Pain product (“Nexafed products”) in the U.S. and Canada. Prior to entering into the MainPointe Agreement, we sold the Nexafed products in the United States to wholesale pharmaceutical distributors as well as directly to chain drug stores. The Nexafed products were previously sold by us subject to the right of return usually for a period of up to twelve months after the product expiration. During the second quarter 2020, we reviewed our product sales return allowance liability and recorded a \$223 thousand favorable amount to product sales as we believe sufficient time has passed where the Nexafed product sold by us is no longer subject to right of return and we estimate no additional product will be returned. At June 30, 2020, our sales return allowance liability is \$0 thousand.

Operating Expenses

Research and Development

Research and development expense is primarily associated with our Limitx Technology LTX-03 development activity under the AD Pharma agreement. Included in June 30, 2019 reported quarterly expenses are share-based compensation expenses of approximately \$6 thousand. Excluding the share-based compensation expense, our research and development expenses increased by approximately \$189 thousand between reporting periods.

General and Administrative

Our general and administrative expenses primarily consisted of legal, audit and other professional services, corporate insurance, and payroll. Included in the 2020 and 2019 quarterly results are share-based compensation expenses of approximately \$18 thousand and \$27 thousand, respectively. Excluding this share-based compensation expense, our general and administrative expenses increased approximately \$88 thousand between reporting periods.

Non-Operating Expense

Interest Expense

During the three months ended June 30, 2020 and 2019, we incurred interest expense of \$113 thousand and \$119 thousand, respectively on our term loans.

Income Taxes

Our results for the three months ended June 30, 2020 and 2019 show no federal or state income tax benefit provisions due to 100% allowances placed against them for the uncertainty of their future utilization.

Liquidity and Capital Resources

At June 30, 2020 we had cash of \$1.0 million and at December 31, 2019 we had cash of \$0.9 million. At August 13, 2020 our cash balance was approximately \$0.6 million. Additionally, the License, Development and Commercialization Agreement dated June 28, 2019 (the "Agreement") requires AD Pharma to pay us monthly license payments of \$350 thousand from July 2019 through November 2020 and pay all outside development costs for LTX-03.

However, the Agreement allows AD Pharma to terminate the Agreement for "convenience on 30 days prior written notice". Should AD Pharma exercise their right to terminate the Agreement, we would need to raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations. In the absence of such financing or third-party license or collaboration agreements, the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. An extended delay or cessation of the Company's continuing product development efforts will have a material adverse effect on the Company's financial condition and results of operations. In light of AD Pharma's right to terminate the Agreement for "convenience on 30 days prior written notice", our independent auditors have included in their report relating to our 2018 financial statements a "going concern" explanatory paragraph as to substantial doubt of our ability to continue as a going concern.

Also, the required monthly license payments by AD Pharma cease at November 2020 at which time the Company will need to have additional capital to fund operations until such time as LTX-03 is approved and royalty payments commence. To fund further operations beyond December 2020, we must raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies or explore a variety of capital raising and other transactions to provide additional funding. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations. In the absence of such financing or third-party license or collaboration agreements, there will be substantial doubt about the Company's ability to continue as a going concern and the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. An extended delay or cessation of the Company's continuing product development efforts will have a material adverse effect on the Company's financial condition and results of operations.

Also included in the AD Pharma Agreement is the requirement that the NDA for LTX-03 be accepted by the FDA by November 30, 2020, or AD Pharma has the option to terminate the AD Pharma Agreement and take ownership of the LIMITx intellectual property. Importantly, such failure to meet this date will be an event of default under their \$6.0 million note to Acura. The NDA acceptance date of November 30, 2020 was predicated upon a timeline prepared at June 28, 2019 which included the purchase and installation of auxiliary production manufacturing equipment. At this time, all auxiliary manufacturing equipment needed for production has been received and installed but recent COVID-19 risk mitigation strategies implemented at the New Jersey based contract manufacturer did delay the installation of the equipment for several weeks. Acura currently expects the submission and FDA acceptance of a new drug application ("NDA") for LTX-03 to occur in the second quarter of 2021, unless additional development delays are experienced. The Parties are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 which would allow for these unforeseen delays. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the Company's accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements on a continuous basis, to maintain existing financing and to succeed in its future operations. The Company's financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Our future sources of revenue, if any, will be derived from licensing fees, milestone payments and royalties under the AD Pharma Agreement, the Assertio Agreement, the KemPharm Agreement, the MainPointe Agreement and similar agreements which we may enter into for our Limitx products in development with other pharmaceutical company partners, for which there can be no assurance.

The amount and timing of our future cash requirements will depend on regulatory and market acceptance of our product candidates and the resources we devote to the development and commercialization of our product candidates.

Critical Accounting Policies

Note 1 of the Notes to Consolidated Financial Statements, in the Company's 2019 Annual Report on Form 10-K, includes a summary of the Company's significant accounting policies and methods used in the preparation of the financial statements. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. The Company's critical accounting policies described in the 2019 Annual Report are also applicable to 2020.

Item 4. Controls and Procedures

(a) ***Disclosure Controls and Procedures.*** The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined on Rules 13a – 13(e) and 15(d) – 15(e) under the Exchange Act) as of the end of the period covered by this Report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis in the Company's periodic reports filed with the SEC. Based upon such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective to provide reasonable assurance. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute assurance that it will detect or uncover failures within the Company to disclose material information otherwise require to be set forth in the Company's periodic reports.

(b) ***Changes in Internal Controls over Financial Reporting.*** There were no changes in our internal controls over financial reporting during the second fiscal quarter of 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated by reference Commitments and Contingencies, in Part I, Item 1, "Financial Statements."

Item 1A. Risk Factors

Investors in our common stock should consider the following risk factors, in addition to those risk factors set forth in our 2019 Annual Report on Form 10-K:

We will be required to raise additional funds to finance our operations and remain a going concern; we may not be able to do so when necessary, and/or the terms of any financings may not be advantageous to us; if we fail to raise additional funding we will cease operations and/or seek protection under applicable bankruptcy laws.

Our operations to date have consumed substantial amounts of cash. We have incurred negative cash flows from our operations over the last several years and we expect it may continue over the next several years. Our cash utilization amount is highly dependent on the progress of our product development programs, particularly, the results of our preclinical and clinical studies of our LIMITx product candidates and the cost, timing and outcomes of regulatory approval for our LIMITx product candidates. In addition, the further development of our ongoing clinical trials will depend on upcoming analysis and results of those studies and our financial resources at that time. As of August 13, 2020 our cash balance was approximately \$0.6 million. Additionally, the Agreement with AD Pharma calls for monthly license payments of \$350,000 from July 2019 through November 2020 and as well as their payment of all outside development costs for LTX-03. We are in negotiations to amend the AD Pharma Agreement to extend the date of the FDA acceptance of the NDA for LTX-03 beyond November 2020. AD Pharma has deferred the remittance of the required monthly license payments for May, June, July and August, 2020 pending the completion of these negotiations. To fund further operations, we must raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies.

We will require future additional capital infusions including public or private financing, strategic partnerships or other arrangements with organizations that have capabilities and/or products that are complementary to our own capabilities and/or products, in order to continue the development of our product candidates. However, there can be no assurances that we will complete any financings, strategic alliances or collaborative development agreements, and the terms of such arrangements may not be advantageous to us. Any additional equity financing will be dilutive to our current stockholders and debt financing, if available, may involve restrictive covenants or have other provisions, including possibly security interests in our assets that could be onerous. If we raise funds through collaborative or licensing arrangements, we may be required to relinquish, on terms that are not favorable to us, rights to some of our technologies or product candidates that we would otherwise seek to develop or commercialize. Our failure to raise capital when needed would materially harm our business, financial condition, results of operations and prospects. In the absence of the receipt of additional financing or payments under third-party license or collaborative agreements, we will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. This could result in a complete loss of shareholder value of the Company. Even assuming we are successful in securing additional sources of financing to fund continued operations, there can be no assurance that the proceeds of such financing will be sufficient to fund operations until such time, if at all, that we generate sufficient revenue from our products and product candidate to sustain and grow our operations.

Our ongoing capital requirements will depend on numerous factors, which likely will require that we continue to obtain capital infusions in the future. Our capital requirements, which cannot be predicted with certainty, include: the progress and results of preclinical testing and clinical trials of our LIMITx product candidates under development; the costs of complying with the FDA and other domestic regulatory agency requirements, the progress of our research and development programs and those of our partners; the time and costs expended and required to obtain any necessary or desired regulatory approvals; our ability to enter into licensing arrangements, including any unanticipated licensing arrangements that may be necessary to enable us to continue our development and clinical trial programs; the costs and expenses of filing, prosecuting and, if necessary, enforcing our patent claims, or defending against possible claims of infringement by third-party patent or other technology rights; the cost of commercialization activities and arrangements that we undertake; and the demand for our products, which demand depends in turn on circumstances and uncertainties that cannot be fully known, understood or quantified unless and until the time of approval, including the FDA approved label for any product.

Our business could be adversely affected by the effects of health epidemics, including the recent COVID-19 pandemic, in regions where third parties for which we rely, as in CROs or CMOs, have significant research, development or manufacturing facilities, concentrations of clinical trial sites or other business operations, causing disruption in supplies and services.

Our business could be adversely affected by health epidemics in regions where third parties for which we rely, as in CROs or CMOs, have concentrations of clinical trial sites or other business operations, and could cause significant disruption in the operations of third-party manufacturers and CROs upon whom we rely. On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of novel coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO declared the COVID-19 outbreak a pandemic, which continues to spread throughout the world. The spread of this pandemic has caused significant volatility and uncertainty in U.S. and international markets. This could result in an economic downturn and may disrupt our business and delay our clinical programs and timelines.

Quarantines, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases could impact personnel at third-party manufacturing facilities in the United States and other countries, or the availability or cost of materials, which would disrupt our supply chain. Any manufacturing supply interruption of materials could adversely affect our ability to conduct ongoing and future research and manufacturing activities of LTX-03.

In addition, our clinical trials may be affected by the COVID-19 pandemic. Clinical site initiation and patient enrollment may be delayed due to prioritization of hospital resources toward the COVID-19 pandemic. Some patients may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, the ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 and adversely impact our clinical trial operations.

The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business and the value of our common stock.

The global pandemic of COVID-19 continues to rapidly evolve. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, our clinical trials, healthcare systems or the global economy as a whole. However, these effects could have a material impact on our operations, and we will continue to monitor the COVID-19 situation closely.

Item 6. Exhibits

The exhibits required by this Item are listed below.

[31.1](#) [Certification of Periodic Report by Chief Executive Officer pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934.](#)

[31.2](#) [Certification of Periodic Report by Chief Financial Officer pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934.](#)

[32.1](#) [Certification of Periodic Report by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

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.

August 14, 2020

ACURA PHARMACEUTICALS, INC.

/s/ Robert B. Jones

Robert B. Jones
Chief Executive Officer

/s/ Peter A. Clemens

Peter A. Clemens
Senior VP & Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT PURSUANT TO RULES 13a-14 AND 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Robert B. Jones, the President & Chief Executive Officer of Acura Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acura Pharmaceuticals, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly 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 general 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

August 14, 2020

/s/ Robert B. Jones

Robert B. Jones
President & Chief Executive Officer

CERTIFICATION OF PERIODIC REPORT PURSUANT TO RULES 13a-14 AND 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Peter A. Clemens, the Chief Financial Officer of Acura Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acura Pharmaceuticals, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

August 14, 2020

/s/ Peter A. Clemens
Peter A. Clemens
Chief Financial Officer

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER
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 of Acura Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert B. Jones, the Chief Executive Officer of the Company, and Peter A. Clemens, Chief Financial Officer certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 14, 2020

/s/ Robert B. Jones

Robert B. Jones
Chief Executive Officer

/s/ Peter A. Clemens

Peter A. Clemens
Chief Financial Officer
