UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38599

Aquestive Therapeutics, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**30 Technology Drive, Warren, NJ 07059**	**82-3827296**
(State or other jurisdiction of Incorporation or organization)	**(908) 941-1900**	(I.R.S. Employer Identification Number)

(Address, Zip Code and Telephone Number of Registrant's Principal Executive Offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**AQST**	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of outstanding shares of the registrant's common stock, par value of $0.001 per share, as of the close of business on July 26, 2021 was 38,886,465.

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PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS *(Unaudited)*

AQUESTIVE THERAPEUTICS, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 34,234	$ 31,807
Trade and other receivables, net	12,127	6,955
Inventories, net	2,839	2,461
Prepaid expenses and other current assets	1,798	3,402
Total current assets	50,998	44,625
Property and equipment, net	5,791	6,873
Right-of-use assets, net	3,102	3,448
Intangible assets, net	76	102
Other non-current assets	6,908	7,836
Total assets	$ 66,875	$ 62,884
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 8,100	$ 7,089
Accrued expenses	6,583	8,569
Lease liabilities, current	823	728
Deferred revenue, current	642	693
Liability related to the sale of future revenue, current	1,737	1,450
Loans payable, current	5,150	2,575
Total current liabilities	23,035	21,104
Loans payable, net	34,070	34,329
Liability related to the sale of future revenue, net	53,003	47,524
Lease liabilities	2,415	2,846
Deferred revenue	6,351	3,633
Other non-current liabilities	1,770	1,945
Total liabilities	120,644	111,381
Contingencies (Note 19)		
Stockholders' deficit:		
Common stock, $0.001 par value. Authorized 250,000,000 shares; 38,568,242 and 34,569,254 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	39	35
Additional paid-in capital	159,488	137,725
Accumulated deficit	(213,296)	(186,257)
Total stockholders' deficit	(53,769)	(48,497)
Total liabilities and stockholders' deficit	$ 66,875	$ 62,884

See accompanying notes to the condensed consolidated financial statements.

AQUESTIVE THERAPEUTICS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	$ 15,345	$ 21,675	$ 26,467	$ 30,440
Costs and expenses:				
Manufacture and supply	4,466	3,539	7,223	7,198
Research and development	4,262	3,847	7,921	8,201
Selling, general and administrative	13,134	13,894	26,365	28,507
Total costs and expenses	21,862	21,280	41,509	43,906
(Loss) income from operations	(6,517)	395	(15,042)	(13,466)
Other income/(expenses):				
Interest expense	(2,757)	(2,747)	(5,518)	(5,518)
Interest expense related to the sale of future revenue, net	(3,466)	—	(6,800)	—
Interest income and other income, net	373	18	321	120
Net loss before income taxes	(12,367)	(2,334)	(27,039)	(18,864)
Income taxes	—	—	—	—
Net loss	$ (12,367)	$ (2,334)	$ (27,039)	$ (18,864)
Comprehensive loss	$ (12,367)	$ (2,334)	$ (27,039)	$ (18,864)
Net loss per share - basic and diluted	$ (0.33)	$ (0.07)	$ (0.74)	$ (0.56)
Weighted-average number of common shares outstanding - basic and diluted	37,065,300	33,589,174	36,318,437	33,579,434

See accompanying notes to the condensed consolidated financial statements.

AQUESTIVE THERAPEUTICS, INC.
Condensed Consolidated Statements of Changes in Stockholders' Deficit
(In thousands, except share amounts)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity/Deficit
Balance at December 31, 2020	34,569,254	$ 35	$ 137,725	$ (186,257)	$ (48,497)
Common Stock issued under public equity offering	1,672,104	1	10,196	—	10,197
Costs of common stock issued under public equity offering	—	—	(306)	—	(306)
Share-based compensation expense	—	—	1,507	—	1,507
Other	—	—	(27)	—	(27)
Net loss	—	—	—	(14,672)	(14,672)
Balance at March 31, 2021	36,241,358	36	149,095	(200,929)	(51,798)
Common Stock issued under public equity offering	2,304,949	3	9,238	—	9,241
Costs of common stock issued under public equity offering	—	—	(627)	—	(627)
Shares issued under employee stock purchase plan	19,270	—	76	—	76
Share-based compensation expense	—	—	1,710	—	1,710
Vested restricted stock units	2,665	—	(4)	—	(4)
Net loss	—	—	—	(12,367)	(12,367)
Balance at June 30, 2021	38,568,242	$ 39	$ 159,488	$ (213,296)	$ (53,769)
Balance at December 31, 2019	33,562,885	$ 34	$ 124,318	$ (130,474)	$ (6,122)
Share-based compensation expense	—	—	1,860	—	1,860
Vested restricted stock units	19,811	—	(37)	—	(37)
Net loss	—	—	—	(16,530)	(16,530)
Balance at March 31, 2020	33,582,696	34	126,141	(147,004)	(20,829)
Shares issued under employee stock purchase plan	14,961	—	73	—	73
Share-based compensation expense	—	—	1,754	—	1,754
Vested restricted stock units	18,944	—	(52)	—	(52)
Net loss	—	—	—	(2,334)	(2,334)
Balance at June 30, 2020	33,616,601	34	127,916	(149,338)	(21,388)

See accompanying notes to the condensed consolidated financial statements.

AQUESTIVE THERAPEUTICS, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2021	**2020**
Operating activities:		
Net loss	$ (27,039)	$ (18,864)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation, amortization, and impairment	1,497	1,684
Share-based compensation	3,228	3,625
Amortization of debt issuance costs and discounts	2,388	1,167
Interest expense related to the sale of future revenue, net	6,729	—
Other, net	(125)	(139)
Changes in operating assets and liabilities:		
Trade and other receivables, net	(5,392)	354
Inventories, net	(378)	(314)
Prepaid expenses and other assets	2,532	(6,426)
Accounts payable	1,011	(3,388)
Accrued expenses and other liabilities	(2,971)	(849)
Deferred revenue	2,667	(484)
Net cash used for operating activities	(15,853)	(23,634)
Investing activities:		
Capital expenditures	(297)	(243)
Net cash used for investing activities	(297)	(243)
Financing activities:		
Proceeds from issuance of common stock, net	18,505	—
Proceeds from shares issued under employee stock purchase plan	76	62
Payments for taxes on share-based compensation	(4)	(89)
Net cash provided by/(used for) financing activities	18,577	(27)
Net increase (decrease) in cash and cash equivalents	2,427	(23,904)
Cash and cash equivalents at beginning of period	31,807	49,326
Cash and cash equivalents at end of period	$ 34,234	$ 25,422
Supplemental disclosures of cash flow information:		
Cash payments for interest	$ 3,219	$ 4,375

See accompanying notes to the condensed consolidated financial statements.

AQUESTIVE THERAPEUTICS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited, in thousands, except share and per share information)

Note 1. Corporate Organization and Company Overview

(A) Company Overview

Aquestive Therapeutics, Inc., (together with its subsidiary, "Aquestive" or "the Company") is a pharmaceutical company focused on identifying, developing and commercializing differentiated products which leverage its proprietary PharmFilm® technology to meet patients' unmet medical needs and solve patients' therapeutic problems. The Company has five products approved by the U.S. Food and Drug Administration (FDA), both proprietary and out-licensed, as well as a late-stage proprietary product pipeline focused on the treatment of diseases of the central nervous system, or CNS, and an earlier stage pipeline including for treatment of anaphylaxis. The Company's licensees market their products in the U.S. and in some instances outside the U.S. The Company markets its proprietary product in the U.S. The Company believes that its proprietary and licensed products address the needs of these patient populations and the shortcomings of available treatments create opportunities for the development and commercialization of meaningfully differentiated medicines. Production facilities are located in Portage, Indiana, and corporate headquarters, sales and commercialization operations and primary research laboratory facilities are based in Warren, New Jersey.

(B) Equity Transactions

Equity Offering of Common Stock

On September 11, 2019, the Company established an "At-The-Market" (ATM) facility pursuant to which the Company may offer up to $25,000 of shares of common stock. On November 20, 2020, the Company began utilizing the ATM facility and through December 31, 2020 sold 930,993 shares which provided net proceeds of approximately $6,055 after deducting commissions and other transaction costs of $473.

On March 26, 2021, the Company filed a prospectus supplement to offer up to an additional $50,000 of shares of common stock under the ATM facility. For the six months ended June 30, 2021, the Company sold 3,977,053 shares which provided net proceeds of approximately $18,505 after deducting commissions and other transaction costs of $933. This ATM facility has approximately $49,038 available at June 30, 2021.

Note 2. Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and with Article 10 of Regulation S-X for interim financial reporting. In compliance with those rules, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the fiscal year ended December 31, 2020 included in the Company's Annual Report on Form 10-K filed with the SEC on March 9, 2021 (the "2020 Annual Report on Form 10-K"). As included herein, the condensed consolidated balance sheet as of December 31, 2020 is derived from the audited consolidated financial statements as of that date. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of the results of interim periods have been included. The accompanying financial statements reflect certain reclassifications from previously issued financial statements to conform to the current presentation. The Company has evaluated subsequent events for disclosure through the date of issuance of the accompanying unaudited condensed financial statements.

Any reference in these notes to applicable guidance refers to the authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

Note 3. Summary of Significant Accounting Policies

(A) Recent Accounting Pronouncements

As an emerging growth company, the Company has elected to take advantage of the extended transition period afforded by the Jumpstart Our Business Startups Act for the implementation of new or revised accounting standards and, as a result, the Company will comply with new or revised accounting standards no later than the relevant dates on which adoption of such standards is required for emerging growth companies. The Company believes that the impact of recently issued accounting standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

Recent Accounting Pronouncements Not Adopted as of June 30, 2021:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, amending existing guidance on the accounting for credit losses on financial instruments within its scope. The guidance provides for use of a forward-looking expected loss model for estimating credit losses, replacing the incurred loss model that is based on past events and current conditions. The new guidance also changes the impairment model for available-for-sale debt securities, requiring the use of an allowance to record estimated credit losses (and subsequent recoveries). The new guidance is effective for the Company beginning after December 15, 2022. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*, which amends accounting for income taxes during interim periods and makes changes to certain income tax classifications. The new standard allows exceptions to the use of the incremental approach for intra-period tax allocation, when there is a loss from continuing operations and income or a gain from other items, and to the general methodology for calculating income taxes in an interim period, when a year-to-date loss exceeds the anticipated loss for the year. The standard also requires franchise or similar taxes partially based on income to be reported as income tax and the effects of enacted changes in tax laws or rates to be included in the annual effective tax rate computation from the date of enactment. The standard will be effective for the Company beginning January 1, 2022, with early adoption of the amendments permitted. The Company is currently evaluating the impact from the adoption of ASU 2019-12 on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This Accounting Standards Update was issued to address the complexity in accounting for certain financial instruments with characteristics of liabilities and equity. Among other provisions, the amendments in this ASU significantly change the guidance on the issuer's accounting for convertible instruments and the guidance on the derivative scope exception for contracts in an entity's own equity such that fewer conversion features will require separate recognition, and fewer freestanding instruments, like warrants, will require liability treatment. More specifically, the ASU reduces the number of models that may be used to account for convertible instruments from five to three, amends diluted EPS calculations for convertible instruments, modifies the requirements for a contract that may be settled in an entity's own shares to be classified in equity and requires expanded disclosures intended to increase transparency. These amendments will be effective for the Company beginning January 1, 2024, with early adoption of the amendments permitted. The Company is currently evaluating the impact from the adoption of ASU 2020-06 on its consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. The accounting standard update was issued to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification
or exchange. The new accounting guidance is effective for the Company beginning after December 15, 2022. Early adoption is permitted. The Company does not expect the new accounting guidance to have a material impact on the Company's consolidated financial statements.

Note 4. Risks and Uncertainties

The Company assesses liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. The Company's cash requirements for 2021 and beyond include expenses related to continuing development and clinical evaluation of its products, manufacture and supply costs, costs of regulatory filings, patent prosecution expenses and

litigation expenses, expenses related to commercialization of its products, as well as costs to comply with the requirements of being a public company operating in a highly regulated industry. As of June 30, 2021, the Company had $34,234 of cash and cash equivalents.

The Company has experienced a history of net losses. The Company's accumulated deficits totaled $213,296 as of June 30, 2021. The net losses and accumulated deficits were partially offset by gross margins from sales of commercialized licensed and proprietary products, license fees, milestone and royalty payments from commercial licensees and co-development parties. The Company's funding requirements are met by its cash and cash equivalents, as well as its existing equity and debt offerings, including the Senior Secured Notes due 2025 (the "12.5% Notes").

The Company began utilizing its ATM facility in November 2020. Since inception to June 30, 2021, the Company sold 4,907,986 shares which generated net cash proceeds of approximately $24,560, net of commissions and other transaction costs of $1,406. For the six months ended June 30, 2021, the Company sold 3,977,053 shares which provided net proceeds of approximately $18,505, net of commissions and other transaction costs of $933. This ATM facility has approximately $49,038 available at June 30, 2021.

While the Company’s ability to execute its business objectives and achieve profitability over the longer term cannot be assured, the Company’s anticipated revenues from licensed and proprietary products, available cash and cash equivalents, expense management initiatives, and access to equity markets, including through its ATM facility, under the shelf registration statement will enable the Company to fund its operating needs for at least the next twelve months as it continues to execute its business strategy.

Note 5. Revenues and Trade Receivables, Net

The Company’s revenues include (i) sales of manufactured products pursuant to contracts with commercialization licensees, (ii) sales of its proprietary clobazam-based Sympazan oral film product, (iii) license and royalty revenues and (iv) co-development and research fees generally in the form of milestone payments. The Company recognizes revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, a five-step model is applied that includes (1) identifying the contract with a customer, (2) identifying the performance obligation in the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing when, or as, an entity satisfies a performance obligation.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the current revenue recognition standard. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. At contract inception, the Company assesses the goods promised in its contracts with customers and identify a performance obligation for each promise to transfer to the customer a distinct good. When identifying performance obligations, the Company considers all goods or services promised in a contract regardless of whether explicitly stated in the contract or implied by customary business practice. The Company's performance obligations consist mainly of transferring of goods and services identified in the contracts, purchase orders or invoices.

Manufacture and supply revenue – this revenue is derived from products manufactured exclusively for specific customers according to their strictly-defined specifications, subject only to specified quality control inspections. Accordingly, at the point in time when quality control requirements are satisfied, revenue net of related discounts is recorded.

Proprietary product sales, net - this net revenue is recognized when product is shipped and title passes to the customer, typically at time of delivery. At the time of sale, estimates for various revenue allowances are recorded based on historical trends and judgmental estimates. For sales of Sympazan, returns allowances and prompt pay discounts are estimated based on contract terms and historical return rates, if available, and these estimates are recorded as a reduction of receivables. Similarly determined estimates are recorded relating to wholesaler service fees, co-pay support redemptions, Medicare, Medicaid and other rebates, and these estimates are reflected as a component of accrued liabilities. Once all related variable considerations are resolved and uncertainties as to collectable amounts are eliminated, estimates are adjusted to actual allowance amounts. Provisions for these estimated amounts are reviewed and adjusted on no less than a quarterly basis.

License and Royalty Revenue – license revenues are determined based on an assessment of whether the license is distinct from any other performance obligations that may be included in the underlying licensing arrangement. If the customer

is able to benefit from the license without provision of any other performance obligations by the Company and the license is thereby viewed as a distinct or functional license, the Company then determines whether the customer has acquired a right to use the license or a right to access the license. For functional licenses that do not require further development or other ongoing activities by the Company, the customer is viewed as acquiring the right to use the license as, and when, transferred and revenues are generally recorded at a point in time, subject to contingencies or constraints. For symbolic licenses providing substantial value only in conjunction with other performance obligations to be provided by the Company, revenues are generally recorded over the term of the license agreement. Such other obligations provided by the Company generally include manufactured products, additional development services or other deliverables that are contracted to be provided during the license term. Payments received in excess of amounts ratably or otherwise earned are deferred and recognized over the term of the license or as contingencies or other performance obligations are met.

Royalty revenue is estimated and recognized when sales under supply agreements with commercial licensees are recorded, absent any contractual constraints or collectability uncertainties.

Co-development and Research Fees – co-development and research fees are earned through performance of specific tasks, activities or completion of stages of development defined within a contractual development or feasibility study agreement with a customer. The nature of these performance obligations, broadly referred to as milestones or deliverables, are usually dependent on the scope and structure of the project as contracted, as well as the complexity of the product and the specific regulatory approval path necessary for that product. Accordingly, the duration of the Company's research and development projects may range from several months to approximately three years. Although each contractual arrangement is unique, common milestones included in these arrangements include those for the performance of efficacy and other tests, reports of findings, formulation of initial prototypes, production of stability clinical and/or scale-up batches, and stability testing of those batches. Additional milestones may be established and linked to clinical results of the product submission and/or approval of the product by the FDA and the commercial launch of the product.

Revenue recognition arising from milestone payments is dependent upon the facts and circumstances surrounding the milestone payments. Milestone payments based on a non-sales metric such as a development-based milestone (e.g., an NDA filing or obtaining regulatory approval) represent variable consideration and are included in the transaction price subject to any constraints. If the milestone payments relate to future development, the timing of recognition depends upon historical experience and the significance a third party has on the outcome. For milestone payments to be received upon the achievement of a sales threshold, the revenue from the milestone payments is recognized at the later of when the actual sales are incurred or the performance obligation to which the sales relate to has been satisfied.

Contract Assets - in certain situations, customer contractual payment terms provide for invoicing in arrears. Accordingly, some, or all performance obligations may be completely satisfied before the customer may be invoiced under such agreements. In these situations, billing occurs after revenue recognition, which results in a contract asset supported by the estimated value of the completed portion of the performance obligation. These contract assets are reflected as a component of other receivables within Trade and other receivables within the Condensed Consolidated Balance Sheet. As of June 30, 2021, and December 31, 2020, such contract assets were $3,177 and $3,081, respectively, consisting primarily of products and services provided under specific contracts to customers for which earnings processes have been met prior to shipment of goods or full delivery of completed services.

Contract Liabilities - in certain situations, customer contractual payment terms are structured to permit invoicing in advance of delivery of a good or service. In such instances, the customer's cash payment may be received before satisfaction of some, or any, performance obligations that are specified. In these situations, billing occurs in advance of revenue recognition, which results in contract liabilities. These contract liabilities are reflected as deferred revenue within the Condensed Consolidated Balance Sheet. As remaining performance obligations are satisfied, an appropriate portion of the deferred revenue balance is credited to earnings. As of June 30, 2021, and December 31, 2020, such contract liabilities were $6,993 and $4,326, respectively.

The Company's revenues were comprised of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Manufacture and supply revenue	$ 10,665	$ 7,259	$ 17,176	$ 14,175
License and royalty revenue	2,311	12,928	4,672	13,354
Co-development and research fees	456	266	894	529
Proprietary product sales, net	1,913	1,222	3,725	2,382
Total revenues	$ 15,345	$ 21,675	$ 26,467	$ 30,440

Disaggregation of Revenue

The following table provides disaggregated net revenue by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	$ 13,107	$ 21,423	$ 22,957	$ 28,929
Ex-United States	2,238	252	3,510	1,511
Total revenues	$ 15,345	$ 21,675	$ 26,467	$ 30,440

Ex-United States revenues are derived primarily from Indivior for product manufactured for markets outside of the United States.

Trade and other receivables, net consist of the following:

	June 30, 2021	December 31, 2020
Trade receivables	$ 9,626	$ 4,330
Contract and other receivables	3,177	3,081
Less: allowance for doubtful accounts	(40)	(40)
Less: sales-related allowances	(636)	(416)
Trade and other receivables, net	$ 12,127	$ 6,955

The following table presents the changes in the allowance for doubtful accounts:

	June 30, 2021	December 31, 2020
Allowance for doubtful accounts at beginning of the period	$ 40	$ 124
Additions charged to expense	—	198
Write-downs charged against the allowance	—	(282)
Allowance for doubtful accounts at end of the period	$ 40	$ 40

Sales Related Allowances and Accruals

Revenues from sales of products are recorded net of prompt payment discounts, wholesaler service fees, returns allowances, rebates and co-pay support redemptions. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. These amounts are treated as variable consideration, estimated and recognized as a reduction of the transaction price at the time of the sale. The Company includes these estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for such transaction will not occur, or when the uncertainty associated with the variable consideration is resolved. The calculation of some of these items requires management

to make estimates based on sales data, historical return data, contracts and other related information that may become known in the future. The adequacy of these provisions is reviewed on a quarterly basis.

The following table provides a summary of activity with respect to sales related allowances and accruals for the six months ended June 30, 2021:

	Total Sales Related Allowances
Balance at December 31, 2020	$ 2,138
Provision	4,422
Payments / credits	(3,771)
Balance at June 30, 2021	$ 2,789

Total reductions of gross product sales from sales-related allowances and accruals were $4,422 for the six months ended June 30, 2021. Accruals for returns allowances and prompt pay discounts are reflected as a direct reduction of trade receivables and accruals for wholesaler service fees, co-pay support redemptions and rebates as current liabilities. The accrued balances relative to these provisions included in Trade and other receivables, net and Accounts payable and accrued expenses were $636 and $2,153, respectively, as of June 30, 2021 and $416 and $1,722 , respectively, as of December 31, 2020.

Concentration of Major Customers

Customers are considered major customers when net revenue exceeds 10% of total revenue for the period or outstanding receivable balances exceed 10% of total receivables. For the six months ended June 30, 2021, Indivior Inc. ("Indivor") exceeded the 10% threshold for revenue and represented approximately 68% of total revenue. As of June 30, 2021, Indivior and AmerisourceBergen Corporation ("AmerisourceBergen") exceeded the 10% threshold for outstanding receivables and represented 68% and 10%, respectively, of outstanding receivables. For the six months ended June 30, 2020, Indivior and Sunovion Pharmaceuticals, Inc. (“Sunovion”) represented approximately 48% and 39%, respectively of total revenue. As of December 31, 2020, Indivior, AmerisourceBergen, Sunovion, and Cardinal Health Inc. represented 53%, 14%, 13%, and 10%, respectively of outstanding receivables.

Note 6. Material Agreements

Commercial Exploitation Agreement with Indivior

In August 2008, the Company entered into a Commercial Exploitation Agreement with Reckitt Benckiser Pharmaceuticals, Inc. (with subsequent amendments collectively, the “Indivior License Agreement”). Reckitt Benckiser Pharmaceuticals, Inc. was later succeeded to in interest by Indivior Inc. Pursuant to the Indivior License Agreement, the Company agreed to manufacture and supply Indivior’s requirements for Suboxone, a sublingual film formulation, both inside and outside the United States on an exclusive basis.

Under the terms of the Indivior License Agreement, the Company is required to manufacture Suboxone in accordance with current Good Manufacturing Practice standards and according to the specifications and processes set forth in the related quality agreements with Indivior. Additionally, the Company is required to obtain active pharmaceutical ingredients ("API") for the manufacture of Suboxone directly from Indivior. The Indivior License Agreement specifies a minimum annual threshold quantity of Suboxone that the Company is obligated to fill and requires Indivior to provide the Company with a forecast of its requirements at various specified times throughout the year.

The Indivior License Agreement provides for payment by Indivior of a purchase price per unit that is subject to adjustment based on the Company’s ability to satisfy minimum product thresholds. In addition to the purchase price for the Suboxone supplied, Indivior is required to make certain single digit percentage royalty payments tied to net sales (as provided for in the Indivior License Agreement) in each of the United States and in the rest of the world subject to annual maximum amounts and limited to the life of the related United States or international patents. In 2012, Indivior exercised its right to buy out its future royalty obligations in the United States under the Indivior License Agreement. Indivior remains obligated to pay royalties for all sales outside the United States.

The Indivior License Agreement contains customary contractual termination provisions, including with respect to a filing for bankruptcy or corporate dissolution, an invalidation of the intellectual property surrounding Suboxone, and

commission of a material breach of the Indivior License Agreement by either party. Additionally, Indivior may terminate the Indivior License Agreement if the FDA or other applicable regulatory authority declares the Company's manufacturing site to no longer be suitable for the manufacture of Suboxone or Suboxone is no longer suitable to be manufactured due to health or safety reasons. The initial term of the Indivior License Agreement was seven years from the commencement date. Thereafter, the Indivior License Agreement automatically renews for successive one-year periods, unless either party provides the other with written notice of its intent not to renew at least one year prior to the expiration of the initial or renewal term.

Supplemental Agreement with Indivior

On September 24, 2017, the Company entered into an agreement with Indivior (the "Indivior Supplemental Agreement"). Pursuant to the Indivior Supplemental Agreement, the Company conveyed to Indivior all existing and future rights in the settlement of various ongoing patent enforcement legal actions and disputes related to the Suboxone product. The Company also conveyed to Indivior the right to sublicense manufacturing and marketing capabilities to enable an Indivior licensed generic buprenorphine product to be produced and sold by parties unrelated to Indivior or Aquestive. Under the Indivior Supplemental Agreement, the Company is entitled to receive certain payments from Indivior commencing on the date of the agreement through January 1, 2023. Once paid, all payments made under the Indivior Supplemental Agreement are non-refundable. Through February 20, 2019, the at-risk launch date of the competing generic products of Dr. Reddy's Labs and Alvogen, the Company received an aggregate of $40,750 from Indivior under the Indivior Supplemental Agreement. Further payments under the Indivior Supplemental Agreement are suspended until adjudication of related patent infringement litigation is finalized. If such litigation is successful, in addition to the amounts already received as described in the foregoing, the Company may receive up to an additional $34,250, consisting of (i) up to $33,000 in the aggregate from any combination of (a) performance or event-based milestone payments and (b) single digit percentage royalties on net revenue earned by Indivior on sales of Suboxone and (ii) an additional $1,250 that was earned through the issuance of additional process patent rights to the Company. The aggregate payments under this Indivior Supplemental Agreement are capped at $75,000.

All payments made by Indivior to the Company pursuant to the Indivior Supplemental Agreement are in addition to, and not in place of, any amounts owed by Indivior to the Company pursuant to the Indivior License Agreement. Indivior's payment obligations under the Indivior Supplemental Agreement are subject to certain factors affecting the market for Suboxone and may terminate prior to January 1, 2023 in the event certain contingencies relating to that market occur.

License Agreement with Sunovion Pharmaceuticals, Inc.

On April 1, 2016, the Company entered into a license agreement with Cynapsus Therapeutics Inc. (which was later succeeded to in interest by Sunovion Pharmaceuticals, Inc.), referred to as the Sunovion License Agreement, pursuant to which Sunovion obtained an exclusive, worldwide license (with the right to sub-license) to certain intellectual property, including existing and future patents and patent applications, covering all oral films containing apomorphine for the treatment of off episodes in Parkinson's disease patients. Sunovion used this intellectual property to develop its apomorphine product KYNMOBI®, which was approved by the FDA on May 21, 2020 and commercially launched by Sunovion in September 2020. The FDA approval triggered Sunovion's obligation to remit a payment of $4,000 which was received in September 2020 and was included in License and royalty revenues for the year ended December 31, 2020.

In consideration of the rights granted to Sunovion under the Sunovion License Agreement, the Company received aggregate payments totaling $22,000 to date. In addition to the upfront payment of $5,000, the Company has also earned an aggregate of $17,000 in connection with specified regulatory and development milestones in the United States and Europe (the "Initial Milestone Payments"). As a result of the Monetization Agreement, the Company is no longer entitled to receive the remaining contingent royalty or milestone payments related to net sales thresholds of KYNMOBI. During the second quarter of 2020, the Company recorded minimum royalty revenue of $8,000 for minimum royalties which was reflected in License and royalty revenue.

Effective March 16, 2020, the Company entered into a first amendment (the "First Amendment") to the Sunovion License Agreement. The First Amendment provides for the following: (i) inclusion of the United Kingdom and any other country currently in the European Union (EU) that later withdraws as a member country of the EU for purpose of determining the satisfaction of the condition triggering the obligation to pay the third milestone due under the Sunovion License Agreement, (ii) extension of the date after which Sunovion has the right to terminate the Sunovion License Agreement for convenience from December 31 2024 to March 31, 2028, (iii) modification of the effective inception date of the first minimum annual royalty due from Sunovion to the Company from January 1, 2020 to April 1, 2020, and (iv) modification of the termination provisions to reflect the Company's waiver of the right to terminate the Sunovion License Agreement in the event that KYNMOBI was not commercialized by January 1, 2020. The Sunovion License Agreement will continue until terminated by Sunovion in accordance with the termination provisions of the First Amendment. The Sunovion License Agreement continues (on a country-by-country basis) until the expiration of all applicable licensed patents. Upon termination of the Sunovion

License Agreement, all rights to intellectual property granted to Sunovion to develop and commercialize apomorphine-based products will revert to the Company.

On October 23, 2020, the Company entered into a Second Amendment to the Sunovion License Agreement for the purpose of clarifying the rights and obligations of Sunovion and the Company with respect to the prosecution and maintenance of the patents covered under the Sunovion License Agreement and to provide that, on and after March 31, 2028, in respect of any jurisdiction or jurisdictions covered under the Sunovion License Agreement, Sunovion may terminate its rights to the licensed Patents under the Sunovion License Agreement upon 180 days prior written notice.

Purchase and Sale Agreement with an affiliate of Marathon Asset Management ("Marathon")

On November 3, 2020, the Company entered into a Purchase and Sale Agreement (the "Monetization Agreement") with MAM Pangolin Royalty, LLC, an affiliate of Marathon Asset Management ("Marathon"). Under the terms of the Monetization Agreement, the Company sold all of its contractual rights to receive royalties and milestone payments due under the Sunovion License Agreement related to Sunovion's apomorphine product, KYNMOBI. KYNMOBI, an apomorphine film therapy for the treatment of off episodes in Parkinson’s disease patients, received approval from the FDA on May 21, 2020. In exchange for the sale of these rights, the Company received an upfront payment of $40,000 and an additional payment of $10,000 through the achievement of the first milestone. The Company has received an aggregate amount of $50,000 through June 30, 2021 under the Monetization Agreement.

Under the Monetization Agreement, additional aggregate contingent payments of up to $75,000 may be due to us upon the achievement of worldwide royalty and other commercial targets within a specified timeframe, which could result in total potential proceeds of $125,000. See Note 15 Sale of Future Revenue for further details on the accounting for the Monetization Agreement.

Agreement to Terminate CLA with KemPharm

In March 2012, the Company entered into an agreement with KemPharm, Inc. (“KemPharm”), to terminate a Collaboration and License Agreement entered into by the Company and KemPharm in April 2011. Under the termination arrangement, the Company has the right to participate in any and all value that KemPharm may derive from the commercialization or any other monetization of KP-415 and KP-484 compounds or their derivatives. Among these monetization transactions are those related to any business combinations involving KemPharm and collaborations, royalty arrangements, or other transactions from which KemPharm may realize value from these compounds. The Company has received payment of $500 under this arrangement during June 2020 in connection with the FDA's acceptance of a New Drug Application ("NDA") filing for KP-415. On March 2, 2021 KemPharm announced FDA approval of KP 415 (AZTARYS™) a new once-daily treatment for ADHD. During the second quarter of 2021, the Company received $2,000 of milestone payments in connection with the FDA approval and other regulatory activities.

Note 7. Financial Instruments – Fair Value Measurements

Certain assets and liabilities are reported on a recurring basis at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 — Observable quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity, such as pricing models, discounted cash flow methodologies and similar techniques.

The carrying amounts reported in the balance sheets for trade and other receivables, prepaid and other current assets, accounts payable and accrued expenses, and deferred revenue approximate their fair values based on the short-term maturity of these assets and liabilities.

The Company granted warrants to certain note holders in connection with its debt repayment and debt refinancing during 2020 and 2019, respectively. Those warrants were valued based on Level 3 inputs and their fair value was based primarily on

an independent third-party appraisal prepared as of the grant date consistent with generally-accepted valuation methods of the Uniform Standards of Professional Appraisal Practice, the American Society of Appraisers and the American Institute of Certified Public Accountants' Accounting and Valuation Guide, Valuation of Privately-Held Company Equity Securities Issued as Compensation. See Note 14 Warrants for further information on these warrants.

The Company's 12.5% Senior Secured Notes contain a repurchase offer or put option which gives holders of the option the right, but not the obligation, to require the Company to redeem on the Notes up to a capped portion of milestone payments resulting from the Monetization Agreement. This put option was valued based on Level 3 inputs and its fair value was based primarily on an independent third-party appraisal consistent with generally accepted valuation methods of the Uniform Standards of Professional Appraisal Practice, the American Society of Appraisers and the American Institute of Certified Public Accountants Accounting and Valuation Guide. See Note 13 12.5% Senior Secured Notes and Loans Payable for further discussion.

Note 8. Inventories, Net

The components of Inventory, net are as follows:

	June 30, 2021	December 31, 2020
Raw material	$ 811	$ 789
Packaging material	1,130	1,128
Finished goods	898	544
Total inventory, net	$ 2,839	$ 2,461

Note 9. Property and Equipment, Net

	Useful Lives	June 30, 2021	December 31, 2020
Machinery	3-15 years	$ 18,879	$ 21,333
Furniture and fixtures	3-15 years	769	1,209
Leasehold improvements	(a)	21,265	21,333
Computer, network equipment and software	3-7 years	2,402	2,999
Construction in progress		991	877
		44,306	47,751
Less: accumulated depreciation and amortization		(38,515)	(40,878)
Total property and equipment, net		$ 5,791	$ 6,873

(a) Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives.

Total depreciation, amortization, and impairment related to property and equipment was $728 and $700 for the three-month periods ended June 30, 2021 and 2020, respectively. For the respective six-month periods, these expenses totaled $1,471 and $1,414.

Note 10. Right-of-Use Assets and Lease Obligations

The Company leases all realty used as its production and warehouse facilities, corporate headquarters, commercialization operations center and research and laboratory facilities. None of its three leases include the characteristics specified in ASC 842, *Leases*, that require classification as financing leases and, accordingly, these leases are accounted for as operating leases. These leases provide remaining terms between 1.8 and 5.3 years, including renewal options expected to be exercised to extend the lease periods.

The Company does not recognize a right-to use asset and lease liability for short-term leases, which have terms of 12 months or less on its consolidated balance sheet. For longer-term lease arrangements that are recognized on the Company's

consolidated balance sheet, the right-of-use asset and lease liability is initially measured at the commencement date based upon the present value of the lease payments due under the lease. These payments represent the combination of the fixed lease and fixed non-lease components that are due under the arrangement. The costs of associated with the Company's short-term leases, as well as variable costs relating to the Company's lease arrangements, are not material to the consolidated financial results.

The implicit interest rates of the Company's lease arrangements are generally not readily determinable and as such, the Company applies an incremental borrowing rate, which is established based upon the information available at the lease commencement date, to determine the present value of lease payments due under an arrangement. Measurement of the operating lease liability reflects an estimated discount rate of 16.9% applied to minimum lease payments, including expected renewals, based on the incremental borrowing rate experienced in the Company's collateralized debt refinancing.

Right-of-use assets recorded upon adoption of ASC 842 totaled $4,048. The Company's lease costs are recorded manufacture and supply, research and development and selling, general and administrative expenses in its consolidated statements of income. For the three and six-months ended June 30, 2021, total operating lease expenses totaled $430 and $863, respectively, including variable lease expenses such as common area maintenance and operating costs of $116 and $235, respectively. For the three and six-months ended June 30, 2020, total operating lease expenses totaled $377 and $819, respectively, including variable lease expenses such as common area maintenance and operating costs of $60 and $166, respectively.

Maturities of the Company's operating lease liabilities are as follows:

Remainder of 2021	$ 644
2022	1,295
2023	944
2024	565
2025	565
2026	424
Total future lease payments	4,437
Less: imputed interest	(1,199)
Total operating lease liabilities	$ 3,238

Note 11. Intangible Assets, Net and Other non-current Assets

The following table provides the components of identifiable intangible assets, all of which are finite lived:

	June 30, 2021	December 31, 2020
Purchased technology-based intangible	$ 2,358	$ 2,358
Purchased patent	509	509
	2,867	2,867
Less: accumulated amortization	(2,791)	(2,765)
Intangible assets, net	76	102
Royalty receivable	6,000	7,000
Other	908	836
Total other non-current assets	$ 6,908	$ 7,836

Amortization expense was $12 and $12 for each of the three-month periods ended June 30, 2021 and 2020. For the corresponding six-month periods, these expenses totaled $25 and $25, respectively. During the remaining life of the purchased patent, estimated annual amortization expense is $50 for each of the years from 2021 to 2022.

During the second quarter of 2020, under the Sunovion License Agreement, the Company recognized $8,000 of royalty revenue and corresponding royalty receivable, related to the $1,000 annual minimum guaranteed royalty that is due in each of the next eight years. In connection with the Monetization Agreement, the Company performed an assessment under ASC 860

Transfer and Servicing to determine whether the existing receivable was transferred to Marathon and concluded it was not transferred. Royalty receivable consists of seven annual minimum payments due from Sunovion, the last of which is due in March 2028. The current portion of the royalty receivable is included in Trade and other receivables, net. See Note 15 Sale of Future Revenue for further details on how this receivable relates to the Monetization transaction.

Note 12. Accrued Expenses

Accrued expenses consisted of the following:

	June 30, 2021	December 31, 2020
Accrued compensation	$ 4,082	$ 6,330
Accrued distribution expenses	2,153	1,722
Other	348	517
Total accrued expenses	$ 6,583	$ 8,569

Note 13. 12.5 % Senior Secured Notes and Loans Payable

12.5% Senior Secured Notes

On July 15, 2019, the Company completed the private placement of up to $100,000 aggregate principal of its 12.5% Senior Secured Notes due 2025 (the “12.5% Notes”) and issued warrants for 2,000,000 shares of common stock (the “Warrants”), at $0.001 par value per share.

Upon closing of the indenture for the 12.5% Notes (the "Base Indenture"), the Company issued $70,000 of the 12.5% Notes (the “Initial Notes”) along with the Warrants and rights of first offer (the “First Offer Rights”) to the noteholders participating in this transaction. Issuance of the Initial Notes and Warrants provided net proceeds of $66,082.

On November 3, 2020, the Company entered into the First Supplemental Indenture (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture") by and among the Company and U.S. Bank National Association, as Trustee (the "Trustee") and Collateral Agent thereunder to the Base Indenture, by and between the Company and the Trustee. Under the Supplemental Indenture, the Company repaid $22,500 of its $70,000 outstanding 12.5% Notes from the upfront proceeds received under the Monetization Agreement. Further, the Company entered into an additional Purchase Agreement with its lenders whereby the Company issued in aggregate $4,000 of additional 12.5% Notes (the "Additional Notes") in lieu of paying a prepayment premium to two lenders on the early repayment of the 12.5% Notes discussed above. The result of these two transactions reduced the net balance of the Company's 12.5% Senior Notes outstanding in the aggregate to $51,500 at December 31, 2020, and such aggregate principal amount remains outstanding as of June 30, 2021. The $4,000 principal issuance will be repaid proportionally over the same maturities as the other 12.5% Notes. The Company also paid to one of its lenders a $2,250 premium as result of the early retirement of debt.

The Company accounted for the $22,500 debt repayment as a debt modification of the 12.5% Notes. The fees paid to lenders inclusive of (i) $2,250 early premium prepayment and (ii) $4,000 issuance of Additional Notes in lieu of paying a prepayment penalty were recorded as additional debt discount, amortized over the remaining life of the 12.5% Notes using the effective interest method. Loan origination costs of $220 associated with the Additional Notes were expensed as incurred. Existing deferred discounts and loan origination fees on the 12.5% Notes are amortized as an adjustment of interest expense over the remaining term of modified debt using the effective interest method.

The First Supplemental Indenture contains a provision whereby, as the Company receives any cash proceeds from the Monetization Agreement, each noteholder has the right to require the Company to redeem all or any part of such noteholder's outstanding 12.5% Notes at a repurchase price in cash equal to 112.5% of the principal amount, plus accrued and unpaid interest. This repurchase offer is capped at 30% of the cash proceeds received by the Company as the contingent milestones are attained, if any, up through June 30, 2025. A valuation study was performed by an independent third party appraiser and updated as of June 30, 2021. Based on the valuation study, the put option was valued at $221, of which $66 has been recorded in Accrued expenses and $155 has been recorded in Other non-current liabilities. The embedded put option is deemed to be a derivative under *ASC 815 Derivatives and Hedging*, which requires the recording of the embedded put option at fair value and subject to remeasurement at each reporting period.

In addition, the holders of the 12.5% Notes have extended to December 31, 2021 from March 31, 2021, the Company's ability to access, at the Company's option, $30,000 of 12.5% Notes re-openers under the Indenture. The first $10,000 of 12.5% Notes represents a commitment of such amount by current holders of 12.5% Notes, at the option of the Company, contingent upon FDA approval of the Company's product candidate Libervant (diazepam) Buccal Film for the management of seizure clusters. A second $20,000 12.5% Notes re-opener represents a right, at the Company's option, to market to current holders of the Company's 12.5% Notes, and or other lenders, additional 12.5% Notes up to such amount, contingent upon FDA approval of Libervant for U.S. market access. If and to the extent that the Company accesses these re-openers, it will grant warrants to purchase up to 714,000 shares of common stock, with the strike price calculated based on the 30-day volume weighted average closing price of the Company's common stock at the warrant grant date. In addition, as of the closing of this transaction, the Company issued to the holders of the 12.5% Notes warrants to purchase 143,000 shares of its common stock.

The 12.5% Notes provide a stated fixed interest rate of 12.5%, payable quarterly in arrears, with the initial quarterly principal repayment of 12.5% Notes due on September 30, 2021 and the final quarterly payment due at maturity on June 30, 2025. The Company has recorded $5,150 as Loan Payable, Current to reflect this obligation in its Consolidated Balance Sheet. Principal payments are scheduled to increase annually from 10% of the face amount of the debt then outstanding during the first four quarters to 40% of the 12.5% Notes during the final four quarters.

A debt maturity table is presented below:

Remainder of 2021	$	2,575
2022		7,725
2023		12,875
2024		18,025
2025		10,300
Total	$	51,500

The Company may elect, at its option, to redeem the 12.5% Notes at any time at premiums that range from 101.56% of outstanding principal if prepayment occurs on or after the fifth anniversary of the issue date of the Initial Notes to 112.50% if payment occurs during the third year after the issuance of the Notes. The Indenture also includes change of control provisions under which the Company may be required to redeem the 12.5% Notes at 101% of the remaining principal plus accrued interest at the election of the noteholders.

The Company capitalizes legal and other third-party costs incurred in connection with obtaining debt as deferred debt issuance costs and applies the unamortized portion as a reduction of the outstanding face amount of the related loan. Similarly, the Company amortizes debt discounts, such as those represented by warrants issued to its lenders, and offsets those as a direct reduction of its outstanding debt. Amortization expense arising from deferred debt issuance costs and debt discounts related to the 12.5% Notes for the three and six months ended June 30, 2021 were $1,165 and $2,317, respectively, while comparative amortization expenses for the three and six months ended June 30, 2020 were $583 and $1,167, respectively. Unamortized deferred debt issuance costs and deferred debt discounts totaled $12,280 and $14,596 as of June 30, 2021 and December 31, 2020, respectively.

Collateral for the loan under the 12.5% Notes consists of a first priority lien on substantially all property and assets, including intellectual property of the Company. This secured obligation provides payment rights that are senior to all existing and future subordinated indebtedness of the Company and provides Lenders with perfected security interests in substantially all of the Company’s assets.

Note 14. Warrants

Warrants were issued in conjunction with the Initial Notes (the “Initial Warrants”) and Additional Notes (the “Additional Warrants”) expire on June 30, 2025 and entitle the noteholders to purchase up to 2,143,000 shares of the Company's common stock at $0.001 per share and included specified registration rights. Management estimated the fair value of the Initial Warrants to be $6,800 and the Additional Warrants to be $735, each based on an assessment by an independent third-party appraiser.

The fair value of the respective warrants is treated as a debt discount, amortizable over the term of the respective warrants, with the unamortized 12.5% Notes portion applied to reduce the aggregate principal amount of the 12.5% Notes in the Company’s unaudited condensed balance sheet. Additionally, since the warrants issued do not provide warrant redemption or

put rights within the control of the holders that could require the Company to make a payment of cash or other assets to satisfy the obligations under the warrants, except in the case of a "cash change in control", the fair value attributed to the warrants is presented in Additional Paid-in Capital in Company's unaudited condensed balance sheet. There were no warrants exercised during the six-months ended June 30, 2021 or 2020, respectively.

Note 15. Sale of Future Revenue

On November 3, 2020, the Company entered into the Monetization Agreement with Marathon. Under the terms of the Monetization Agreement, the Company sold all of its contractual rights to receive royalties and milestone payments due under the Sunovion License Agreement related to Sunovion's apomorphine product, KYNMOBI®. KYNMOBI, an apomorphine film therapy for the treatment of off episodes in Parkinson's disease patients, received approval from the FDA on May 21, 2020. In exchange for the sale of these rights, the Company received an upfront payment of $40,000 and an additional payment of $10,000 through the achievement of the first milestone. The Company has received an aggregate amount of $50,000 through June 30, 2021 under the Monetization Agreement.

Under the Monetization Agreement, additional aggregate contingent payments of up to $75,000 may be due to the Company upon the achievement of worldwide royalty and other commercial targets within a specified timeframe, which could result in total potential proceeds of $125,000.

The Company recorded the upfront proceeds of $40,000 and subsequent first milestone of $10,000, reduced by $2,909 of transaction costs, as a liability related to the sale of future revenue that will be amortized using the effective interest method over the life of the Monetization Agreement. As future contingent payments are received, they will increase the balance of the liability related to the sale of future revenue. Although the Company sold all of its rights to receive royalties and milestones, as a result of ongoing obligations related to the generation of these royalties, the Company will account for these royalties as revenue. Its ongoing obligations include the maintenance and defense of the intellectual property and to provide assistance to Marathon in executing a new license agreement for KYNMOBI in the event Sunovion terminates the Sunovion License Agreement in one or more jurisdictions of the licensed territory under the Sunovion License Agreement. The accounting liabilities, as adjusted over time, resulting from this transaction and any non-cash interest expenses associated to those liabilities do not and will not represent any obligation to pay or any potential future use of cash.

During the second quarter of 2020, under the Sunovion License Agreement, the Company recognized $8,000 of royalty revenue and corresponding royalty receivable, related to the $1,000 annual minimum guaranteed royalty that is due in each of the next eight years. In connection with the Monetization Agreement, the Company performed an assessment under ASC 860, *Transfer and Servicing* to determine whether the existing receivable was transferred to Marathon and concluded that the receivable was not transferred.

As royalties are remitted to Marathon from Sunovion, the collection of the royalty receivable and balance of the liability related to the sale of future revenue will be effectively repaid over the life of the agreement. In order to determine the amortization of the liability related to the sale of future revenue, the Company is required to estimate the total amount of future royalty and milestone payments to Marathon over the life of the Monetization Agreement and contingent milestone payments from Marathon to the Company. The sum of future royalty payments less the $50,000 in proceeds received and future contingent payments will be recorded as interest expense over the life of the Monetization Agreement. At execution, the estimate of this total interest expense resulted in an effective annual interest rate of approximately 24.9%. This estimate contains significant assumptions that impact both the amount recorded at execution and the interest expense that will be recognized over the life of the Monetization Agreement. The Company will periodically assess the estimated royalty and milestone payments to Marathon from Sunovion and contingent milestone payments from Marathon to the Company. To the extent the amount or timing of such payments is materially different from the original estimates, an adjustment will be recorded prospectively to increase or decrease interest expense. There are a number of factors that could materially affect the amount and timing of royalty and milestone payments to Marathon from Sunovion, and correspondingly, the amount of interest expense recorded by the Company, most of which are not under the Company's control. Such factors include, but are not limited to, changing standards of care, the initiation of competing products, manufacturing or other delays, generic competition, intellectual property matters, adverse events that result in government health authority imposed restrictions on the use of products, significant changes in foreign exchange rates as the royalties remitted to Marathon are made in U.S. dollars (USD) while a portion of the underlying sales of KYNMOBI will be made in currencies other than USD, and other events or circumstances that are not currently foreseen. Changes to any of these factors could result in increases or decreases to both royalty revenue and interest expense related to the sale of future revenue.

The following table shows the activity of the liability related to the sale of future for the six months ended June 30, 2021:

Liability related to the sale of future revenue, net at December 31, 2020	$	48,974
Royalties related to the sale of future revenue		(1,034)
Amortization of issuance costs		71
Interest expense related to the sale of future revenue		6,729
Liability related to the sale of future revenue, net (includes current portion of $1,737)	$	54,740

Note 16. Net Loss Per Share

Basic net loss per share is calculated by dividing net loss by the weighted-average number of common shares.

As a result of the Company's net loss incurred for the three and six months ended June 30, 2021 and 2020, all potentially dilutive instruments outstanding would have anti-dilutive effects on per-share calculations for the periods. Therefore, basic and diluted net loss per share were the same for all periods presented as reflected below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net loss	$ (12,367)	$ (2,334)	$ (27,039)	$ (18,864)
Denominator:				
Weighted-average number of common shares – basic	37,065,300	33,589,174	36,318,437	33,579,434
Loss per common share – basic and diluted	$ (0.33)	$ (0.07)	$ (0.74)	$ (0.56)

As of June 30, 2021 and 2020, respectively, the Company's potentially dilutive instruments included 4,431,267 and 3,167,192 options to purchase common shares and 7,757 and 14,233 unvested restricted stock units that were excluded from the computation of diluted weighted average shares outstanding because these securities had an antidilutive impact due to the losses reported. Similarly excluded as of June 30, 2021 and 2020, were potentially dilutive warrants for the purchase of 1,571,429 for both periods.

Note 17. Share-Based Compensation

The Company recognized share-based compensation in its Condensed Consolidated Statements of Operations and Comprehensive Loss during 2021 and 2020 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Manufacture and supply	$ 71	$ 72	$ 153	$ 135
Research and development	208	183	440	365
Selling, general and administrative	1,442	1,510	2,635	3,125
Total share-based compensation expenses	$ 1,721	$ 1,765	$ 3,228	$ 3,625
Share-based compensation from:				
Restricted stock units	$ 43	$ 309	$ 81	$ 773
Stock options	1,667	1,445	3,136	2,841
Employee stock purchase plan	11	11	11	11
Total share-based compensation expenses	$ 1,721	$ 1,765	$ 3,228	$ 3,625

Share-Based Compensation Equity Awards

The following tables provide information about the Company's restricted stock unit and stock option activity during the six-month period ended June 30, 2021:

Restricted Stock Unit Awards (RSUs):	Number of Units	Weighted Average Grant Date Fair Value
	(in thousands)	
Unvested as of December 31, 2020	14	$ 11.38
Granted	—	—
Vested	(4)	$ 7.54
Forfeited	(2)	$ 13.00
Unvested as of June 30, 2021	8	$ 13.00
Grant date fair value of shares vested during the period	$ 30	
Unrecognized compensation costs as of June 30, 2021	$ 1	

Unrecognized compensation costs related to awards of RSUs are expected to be recognized over a weighted-average period of less than one year.

Stock Option Awards:	Number of Options	Weighted Average Exercise Price
	(in thousands)	
Outstanding as of December 31, 2020	3,259	$ 8.14
Granted	1,211	$ 4.73
Exercised, Forfeited, Expired	(39)	$ 5.63
Outstanding as of June 30, 2021	4,431	$ 7.23
Vested and expected to vest as of June 30, 2021	4,246	$ 7.34
Exercisable as of June 30, 2021	1,824	$ 9.92

The fair values of stock options granted during the six months ended June 30, 2021 were estimated using the Black-Scholes pricing model based on the following assumptions:

Expected dividend yield	— %
Expected volatility	95% - 100%
Expected term (years)	6.1
Risk-free interest rate	1.0 %

The weighted average grant date fair value of stock options granted during the six months ended June 30, 2021 was $3.61. During the six-month period ended June 30, 2021, stock options were granted with an exercise price ranging from $3.76 to $5.30 and accordingly, given the Company's share price of $3.97 at June 30, 2021, certain shares granted during this period provided intrinsic value at that date totaling $1.

As of June 30, 2021, $6,653 of unrecognized compensation expense related to non-vested stock options is expected to be recognized over a weighted average period of 1.9 years from the date of grant.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP"), as amended and restated effective as of January 1, 2019, features two six-month offering periods per year, running from January 1 to June 30 and July 1 to December 31. Under the ESPP, employees may elect to purchase the Company's common stock at the lower of 85% of the fair value of shares on either the

first or last day of the offering period. During the six-month periods ended June 30, 2021 and 2020, respectively, 19,270 and 14,961 shares were purchased and issued through the ESPP at total discounts of $11 and $11.

Note 18. Income Taxes

The Company has accounted for income taxes under the asset and liability method, which requires deferred tax assets and liabilities to be recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts and respective tax bases of existing assets and liabilities, as well as net operating loss carryforwards and research and development credits. Valuation allowances are provided if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company has considered the impact of the CARES Act in relation to the 2021 income tax provision. However, due to the full valuation allowance and no ability or intent to carryback the 2021 net operating loss, no impact is expected.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items. For the three months ended June 30, 2021 and 2020, the Company recorded no income tax benefit from its pretax losses of $12,367 and $2,334. Similarly for the six months ended June 30, 2021 and 2020, the Company recorded no income tax benefit from its pretax loss of $27,039 and $18,864, respectively, due to realization uncertainties.

The primary factor impacting the effective tax rate for the three and six months ended June 30, 2021 is the anticipated full year operating loss which will require full valuation allowances against any associated net deferred tax assets.

Note 19. Contingencies

Litigation and Contingencies

From time to time, the Company has been and may again become involved in legal proceedings arising in the course of its business, including product liability, intellectual property, commercial litigation, or environmental or other regulatory matters.

Patent-Related Litigation

Indivior Inc., Indivior UK Ltd., and Aquestive Therapeutics, Inc. v. Dr. Reddy's Labs. S.A. and Dr. Reddy's Labs., Inc.,

On February 7, 2018, the Company and Indivior Inc. and Indivior UK Ltd. (collectively, "Indivior") initiated a lawsuit against Dr. Reddy's Laboratories S.A. and Dr. Reddy's Laboratories, Inc. (collectively, "Dr. Reddy's") asserting infringement of U.S. Patent No. 9,855,221 (the "221 patent"). On April 3, 2018, the Company and Indivior initiated a separate lawsuit against Dr. Reddy's asserting infringement of U.S. Patent No. 9,931,305 (the "'305 patent"). On May 29, 2018, the lawsuits regarding the '221 and '305 patents were consolidated which was originally initiated by Indivior against Dr. Reddy's asserting infringement of U.S. Patent No. 9,687,454 (the "'454 patent"). On February 19, 2019, the court granted the parties' agreed stipulation to drop the '221 patent from the case. On January 8, 2020, the court entered a stipulated order of non-infringement of the '305 patent based on the court's claim construction ruling. The Company and Indivior preserved the rights to appeal the claim construction ruling. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or losses, if any, in this matter.

Indivior Inc., Indivior UK Ltd., and Aquestive Therapeutics, Inc. v. Teva Pharmaceuticals USA, Inc.,

On February 7, 2018, the Company and Indivior initiated a lawsuit against Teva Pharmaceuticals USA, Inc. ("Teva") asserting infringement of the '221 patent. On April 3, 2018, the Company and Indivior initiated a separate lawsuit against Teva asserting infringement of the '305 patent. On May 29, 2018, the lawsuits regarding the '221 and '305 patents were consolidated which was originally initiated by Indivior against Teva asserting infringement of the '454 patent. The parties agreed that the case would be governed by the final judgment against Dr. Reddy's (described above). The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or losses, if any, in this matter.

Indivior Inc., Indivior UK Ltd., and Aquestive Therapeutics, Inc. v. Alvogen Pine Brook LLC,

On September 14, 2017, Indivior initiated a lawsuit against Alvogen Pine Brook LLC ("Alvogen") asserting infringement of the '454 patent. On February 7, 2018, the Company and Indivior filed an Amended Complaint, adding us as a plaintiff and asserting infringement of U.S. Patent No. 9,855,221 (the "'221 patent"). On April 3, 2018, the Company and

Indivior initiated a separate lawsuit against Alvogen asserting infringement of the ’305 patent. On May 29, 2018, the cases were consolidated. On February 26, 2019, the court granted the parties’ agreed stipulation to drop the ’221 patent from the case. On January 9, 2020, the court entered a stipulated order of non-infringement of the ’305 patent based on the court’s claim construction ruling. The Company and Indivior preserved the rights to appeal the claim construction ruling.

On November 21, 2019, Alvogen filed an amended answer and counterclaims asserting monopolization, attempted monopolization, and conspiracy to monopolize against us and Indivior under federal and New Jersey antitrust laws. The court denied the Company's motion to dismiss Alvogen’s counterclaims on August 24, 2020. On November 2, 2020, Alvogen filed a second amended answer and counterclaims, removing its allegations of monopolization and attempted monopolization against us and asserting only conspiracy to monopolize against us. Fact discovery on Alvogen’s antitrust counterclaims concluded on January 29, 2021. Expert discovery is ongoing and is scheduled to continue through the end of September 2021. Dispositive motions are currently due October 15, 2021. There is no trial date set. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or losses, if any, in this matter.

Reckitt Benckiser Pharmaceuticals, Inc. and MonoSol Rx, LLC v. BioDelivery Sciences International, Inc. and Quintiles Commercials US, Inc.,

On September 22, 2014, the Company and RB initiated a lawsuit against BioDelivery Sciences International, Inc. ("BDSI") and Quintiles Commercial US, Inc. (“Quintiles”) asserting infringement of U.S. Patent No. 8,765,167 (the "’167 patent”) in the District of New Jersey (Civil Action No. 3:14-cv-5892). On July 22, 2015, the case was transferred to the Eastern District of North Carolina (Civil Action No. 5:15-cv-00350). BDSI filed requests for *inter partes* review (“IPR”) of the ’167 patent before the Patent Trial and Appeal Board (“PTAB”), and on May 6, 2016, the court stayed the case pending the outcome and final determination of the IPR proceedings. On March 24, 2016, the PTAB issued final written decisions finding the ’167 patent was not unpatentable, and the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) remanded those decisions for further proceedings before the PTAB. Following the PTAB’s February 7, 2019 decision on remand denying institution, BDSI appealed that decision to the Federal Circuit. The Federal Circuit granted the Company's motion to dismiss the appeal, and denied BDSI’s request for rehearing *en banc*. BDSI filed a petition for writ of certiorari to the Supreme Court of the United States (“Supreme Court”), which the Supreme Court denied on October 5, 2020. On January 4, 2021, the parties submitted a joint status report to the Eastern District of North Carolina stating their agreement that all proceedings and appeals of the IPR on the ’167 patent are complete and that, as a result, the stay of the matter may be lifted. On April 15, 2021, the court lifted the stay. On April 29, 2021, BDSI filed a renewed motion to dismiss the complaint. In response, the Company and RB filed an amended complaint on May 18, 2021, which, among other things, removed Quintiles as a defendant. On June 3, 2021, BDSI filed a notice withdrawing its motion to dismiss the original complaint. On May 25, 2021, the parties submitted a proposed schedule and joint discovery plan, and the parties are awaiting further action from the court. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or losses, if any, in this matter.

Aquestive Therapeutics, Inc. v. BioDelivery Sciences International, Inc.,

On November 11, 2019, the Company initiated a lawsuit against BDSI asserting infringement of the ’167 patent in the Eastern District of North Carolina. On April 1, 2020, the court denied BDSI’s motion to stay and its motion to dismiss the complaint. On April 16, 2020, BDSI filed its Answer and Counterclaims to the complaint, including counterclaims for non-infringement, invalidity, and unenforceability of the ’167 patent. On May 7, 2020, the Company filed a Motion to Dismiss BDSI’s unenforceability counterclaim and a Motion to Strike BDSI’s corresponding affirmative defenses. On May 28, 2020, BDSI amended its counterclaims and filed an Answer and Amended Counterclaims, which included additional allegations in support of BDSI’s unenforceability counterclaim. On June 25, 2020, the Company filed a Motion to Dismiss BDSI’s Amended Counterclaim for unenforceability and a Motion to Strike BDSI’s corresponding affirmative defense of unenforceability. BDSI filed its opposition to the Company's Motion to Dismiss and Strike on July 16, 2020, and the Company filed its Reply on July 30, 2020. On March 16, 2021, the court issued an order granting-in-part and denying-in-part Aquestive’s motion to dismiss BDSI’s counterclaims asserting unenforceability of the ’167 patent. Aquestive filed its answer to the remaining portions of BDSI’s counterclaims on April 6, 2021. BDSI also filed on April 6, 2021 a renewed motion to dismiss Aquestive’s complaint. Aquestive filed its opposition to BDSI’s renewed motion to dismiss on April 27, 2021, and BDSI filed its reply on May 11, 2021. The parties are awaiting the court’s ruling on the motion. Also, on April 6, 2021, the court issued an order requiring the parties to conduct a Rule 26(f) conference by May 6, 2021, and to submit a joint discovery plan. The parties submitted a proposed schedule and joint discovery plan on May 25, 2021, and the parties are awaiting further action from the court. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or losses, if any, in this matter.

Antitrust Litigation

State of Wisconsin, et al. v. Indivior Inc., Reckitt Benckiser Healthcare (UK) Ltd., Indivior PLC, and MonoSol Rx, LLC,

On September 22, 2016, forty-one states and the District of Columbia, or the States, brought a lawsuit against Indivior and us in the U.S. District Court for the Eastern District of Pennsylvania alleging violations of federal and state antitrust statutes and state unfair trade and consumer protection laws relating to Indivior's launch of Suboxone Sublingual Film in 2010 and seeking an injunction, civil penalties, and disgorgement. After filing the lawsuit, the case was consolidated for pre-trial purposes with the In re Suboxone (Buprenorphine Hydrochloride and Naloxone) Antitrust Litigation, MDL No. 2445, or the Suboxone MDL, a multidistrict litigation relating to putative class actions on behalf of various private plaintiffs against Indivior relating to its launch of Suboxone Sublingual Film. While the Company was not named as a defendant in the original Suboxone MDL cases, the action brought by the States alleges that the Company participated in an antitrust conspiracy with Indivior in connection with Indivior's launch of Suboxone Sublingual Film and engaged in related conduct in violation of federal and state antitrust law. The Company moved to dismiss the States' conspiracy claims, but by order dated October 30, 2017, the court denied the Company's motion to dismiss. The Company filed an answer denying the States' claims on November 20, 2017. Daubert motions were filed on September 28, 2020, and oppositions were filed on October 19, 2020. On February 19, 2021, the court issued an order denying all Daubert motions. On March 8, 2021, Aquestive filed a motion for summary judgment. Briefing on summary judgment motions was completed on May 28, 2021. There is no date set for a hearing on the motions for summary judgment and no trial date has yet been set. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Humana and Centene Actions

Humana Inc. v. Indivior Inc, Indivior Solutions Inc., Indivior PLC, Reckitt Benckiser Healthcare (UK) Ltd., and Aquestive Therapeutics, Inc.,

Centene Corporation, Wellcare Health Plans, Inc., New York Quality Healthcare Corporation d/b/a Fidelis Care, and Health Net, LLC v. Indivior Inc, Indivior Solutions Inc., Indivior PLC, Reckitt Benckiser Healthcare (UK) Ltd., and Aquestive Therapeutics, Inc.,

On September 18, 2020, Humana, Inc. ("Humana"), a health insurance payor, filed a lawsuit against us and Indivior in the Eastern District of Pennsylvania alleging facts similar to those at issue in the Antitrust Case and the Suboxone MDL described above, which lawsuit was assigned to the same judge that is presiding over Antitrust Case and Suboxone MDL. Humana's Complaint alleges five causes of action against us, including conspiracy to violate the RICO Act, fraud under state law, unfair and deceptive trade practices under state law, insurance fraud, and unjust enrichment.

On September 21, 2020, Centene Corporation ("Centene") and other related insurance payors filed a similar lawsuit against us and Indivior in the Eastern District of Missouri. The counsel representing Humana is also representing Centene. On September 21, 2020, the Centene action was provisionally transferred to the Eastern District of Pennsylvania by the United States Judicial Panel on Multidistrict Litigation. On January 15, 2021, the Company filed a motion to dismiss the Centene and Humana complaints. The other defendants in the actions also filed motions to dismiss on the same date. Centene and Humana filed their oppositions to the motions to dismiss on February 22, 2021, and Aquestive and the other defendants filed reply briefs on March 16, 2021. The court held an in-person oral argument on the motions to dismiss on June 9, 2021. The court dismissed all complaints against the defendants in these matters on July 22, 2021.

California Litigation

Neurelis, Inc. v. Aquestive Therapeutics, Inc.,

On December 5, 2019, Neurelis filed a lawsuit against us in the Superior Court of California, County of San Diego alleging the following three causes of action: (1) Unfair Competition under California Business and Professional Code § 17200; (2) Defamation; and (3) Malicious Prosecution. The Company filed a Motion to Strike Neurelis's Complaint under California's anti-SLAPP ("strategic lawsuit against public participation") statute on January 31, 2020, which Neurelis opposed. On August 6, 2020, the court issued an order granting in part and denying in part the Company's anti-SLAPP motion. The Company filed a notice of appeal to the California Court of Appeal on September 1, 2020, and Neurelis filed a notice of cross-appeal on October 5, 2020. The Company filed its opening appeal brief on January 27, 2021, and Neurelis filed its combined opening and responsive appeal brief on March 30, 2021. Aquestive filed its combined response and reply brief on June 1, 2021 and briefing on the appeal is anticipated to end in July 2021. There is no date yet set for a hearing on the appeal. The trial court proceedings remain stayed while the appeal is pending. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Neurelis IPR Infringement Litigation

In the first quarter of 2019, Aquestive requested institution of three Inter Partes Reviews ("IPRs") against Neurelis' Orange Book method of treatment patent, US Patent No. 9,763,876 ('876 Patent) for nasal administration of benzodiazepines (diazepam). The PTAB denied two of the requests and instituted the third request, which challenged all claims of the Neurelis '876 Patent. The Oral Hearing at the PTAB was conducted on May 14, 2020. On August 6, 2020, the PTAB issued its final written decision finding all challenged claims of the '876 Patent to be unpatentable. Neurelis appealed the decision to the U.S. Court of the Federal Circuit, and the appeal was docketed on October 9, 2020. Neurelis filed its opening appeal brief on February 2, 2021. Aquestive filed its response brief on March 31, 2021. Neurelis filed its Reply Brief on May 5, 2021. There is no date yet set for a hearing on the appeal. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Stockholder Class Action

Deanna Lewakowski v. Aquestive Therapeutics, Inc.

On March 1, 2021, a securities class action lawsuit was filed in the United States District Court of the District of New Jersey alleging that the Company and certain of its officers engaged in violations of the federal securities laws relating to public statements made by the Company regarding the FDA approval of Libervant. Following the court's appointment of a lead plaintiff, an amended complaint was filed by the plaintiffs on July 25, 2021. Dispositive motions must be filed with the court by August 16, 2021. The Company is not able to determine or predict the ultimate outcome of this proceeding or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

Note 20. Subsequent Events

Continued Utilization of the At-The-Market Facility

The Company continued utilization of its At-The-Market facility from July 1 through July 31, 2021 and sold 380,071 shares which generated net proceeds of approximately $1,318.

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

You should read this section in conjunction with our unaudited condensed interim consolidated financial statements and related notes included in Part I Item 1 of this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2020 and 2019 included in our 2020 Annual Report on Form 10-K. All dollar amounts are stated in thousands except for share data.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and certain other communications made by us include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believe," "anticipate," "plan," "expect," "estimate," "intend," "may," "will," or the negative of those terms, and similar expressions are intended to identify forward-looking statements.

These forward-looking statements include, but are not limited to, statements regarding the advancement and related timing of Libervant™, AQST-108 and AQST-109 through the regulatory and development pipeline; the focus on growing our commercial sales of Sympazan® and continuing to manufacture Suboxone®, Exservan® and other licensed products; the ability to address the concerns identified in the FDA's Complete Response Letter dated September 25, 2020 regarding the New Drug Application ("NDA") for Libervant and obtain FDA approval of Libervant for U.S. market access; clinical trial timing and plans for AQST-108 and AQST-109; the ability to fund our operations for the next twelve months; and business strategies, market opportunities, and other statements that are not historical facts. These forward-looking statements are also subject to the uncertain impact of the COVID-19 global pandemic on our business including with respect to our clinical trials including site initiation, patient enrollment and timing and adequacy of clinical trials; on regulatory submissions and regulatory reviews and approvals of our product candidates; pharmaceutical ingredients and other raw materials supply chain, manufacture and distribution; sale of and demand for our products; our liquidity and availability of capital resources, customer demand for our products and services; customers' ability to pay for goods and services; and ongoing availability of an appropriate labor force and skilled professionals. Given these uncertainties, we are unable to provide assurance that operations can be maintained as planned prior to the COVID-19 pandemic.

These forward-looking statements are also based on our current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Such risks and uncertainties include, but are not limited to, risks associated with our development work, including any delays or changes to the timing, cost and success of our product development activities and clinical trials; risk of delays in regulatory advancement through the FDA of Libervant and our other drug candidates or failure to receive approval, including the failure to receive orphan drug exclusivity; risk of our ability to demonstrate to the FDA “clinical superiority” within the meaning of the FDA regulations of Libervant relative to FDA-approved diazepam rectal gel and nasal spray products including by establishing a major contribution to patient care within the meaning of FDA regulations relative to the approved products as well as risks related to other potential pathways or positions which are or may in the future be advanced to the FDA to overcome the seven year orphan drug exclusivity granted by the FDA for the approved nasal spray product of a competitor in the U.S. and there can be no assurance that we will be successful; risk that a competitor obtains FDA orphan drug exclusivity for a product with the same active moiety as any of our other drug products for which we are seeking FDA approval and that such earlier approved competitor orphan drug blocks such other product candidates in the U.S. for seven years for the same indication; risk in obtaining market access for Libervant and our other product candidates for other reasons; risk inherent in commercializing a new product (including technology risks, financial risks, market risks and implementation risks and regulatory limitations) and the related risk of the failure to obtain such approval on our ability to access additional funding under the 12.5% Notes; risks and uncertainties concerning the revenue stream from the monetization of our royalty rights for the product KYNMOBI®, as well as the achievement of royalty targets worldwide or in any jurisdiction and certain other commercial targets required for contingent payments under the KYNMOBI monetization transaction; risk of development of our sales and marketing capabilities; risk of sufficient capital and cash resources, including access to available debt and equity financing and revenues from operations, to satisfy all of our short-term and longer-term cash requirements and other cash needs, at the times and in the amounts needed; risk of failure to satisfy all financial and other debt covenants and of any default; short-term and long-term liquidity and cash requirements, cash funding and cash burn; risk related to government claims against Indivior for which we license, manufacture and sell Suboxone® and which accounts for the substantial part of our current operating revenues; risks related to the outsourcing of certain marketing and other operational and staff functions to third parties; risk of the rate and degree of market acceptance of our product and product candidates; the success of any competing products including generics, risk of the size and growth of our product markets; risk of compliance with all FDA and other governmental and customer requirements for our manufacturing facilities; risks associated with intellectual property rights and infringement claims relating to our products; risk of unexpected patent developments; risk of legislation and regulatory actions and changes in laws or regulations affecting our business including relating to our products and products candidates and product pricing, reimbursement or access therefore; risk of loss of significant customers; risks related to claims and legal proceedings including patent infringement, securities, investigative, product safety or efficacy and antitrust litigation matters; risk of product recalls and withdrawals; the COVID-19 pandemic and its impact on our business; uncertainties related to general economic, political, business, industry, regulatory and market conditions and other unusual items; and other uncertainties affecting us including those described in the "Risk Factors" section and in other sections included in this Annual Report on Form 10-K, in our Quarterly Reports on Form 10-Q, and in our Current Reports on Form 8-K filed with the Securities and Exchange Commission (SEC). Given these uncertainties, you should not place undue reliance on these forward-looking statements, which speak only as the date made. All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We assume no obligation to update forward-looking statements, or outlook or guidance after the date of this Annual Report whether as a result of new information, future events or otherwise, except as may be required by applicable law. Readers should not rely on the forward-looking statements included in this Quarterly Report on Form 10-Q as representing our views as of any date after the date of the filing of this Quarterly Report on Form 10-Q whether as a result of new information, future events or otherwise, except as may be required by applicable law.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these statements. These factors include the matters discussed and referenced in the risk factors of our 2020 Annual Report on Form 10-K.

Overview

We are a pharmaceutical company focused on developing and commercializing differentiated products which leverage our proprietary PharmFilm® technology to meet patients' unmet medical needs and to solve patients' therapeutic problems. We have five products approved by the U.S. Food and Drug Administration (FDA), both proprietary and out-licensed, as well as a late-stage proprietary product pipeline focused on the treatment of central nervous system, or CNS, diseases and an earlier stage pipeline including treatment of anaphylaxis. Our licensees market their products in the U.S. and in some instances outside the U.S. We market our proprietary product in the U.S. We believe that our proprietary and licensed products address the needs of these patient populations and the shortcomings of available treatments create opportunities for the development and commercialization of meaningfully differentiated medicines.

Proprietary CNS Product Portfolio

We have initially focused our proprietary product pipeline on certain difficult to treat CNS diseases. Our two most advanced assets within our proprietary CNS portfolio, focused on epilepsy, are as follows:

- **Sympazan®** – an oral soluble film formulation of clobazam used for the treatment of seizures associated with a rare, intractable form of epilepsy known as Lennox-Gastaut syndrome, or LGS, was approved by the FDA on November 1, 2018. We commercially launched Sympazan in December 2018. Sympazan was launched as a precursor and complement to our product candidate Libervant™ and continues to progress on key performance metrics including prescriber growth, repeat prescribers, quarterly growth in retail shipments and pharmacy claims reimbursements.

- **Libervant™** – a buccally, or inside of the cheek, administered soluble film formulation of diazepam is our most advanced proprietary investigational product candidate, which we intend to self-commercialize, subject to FDA approval for U.S. market access. Aquestive is developing Libervant as an alternative to device-dependent rescue therapies currently available to patients with refractory epilepsy, which are a rectal gel and nasal sprays. In late September 2020, we received a complete response letter ("CRL") from the FDA focusing on doses tested in certain weight groups. At a Type A meeting with the FDA in November 2020, the FDA confirmed that the issues identified in the CRL may be addressed by utilizing modeling and simulations for an updated dosing regimen. We submitted a revised weight-based dosing regimen with modeling and simulations in December 2020. In February 2021, the FDA provided feedback on the December 2020 submission which provided clarity regarding the information that the Agency expected to see in our population pharmacokinetic model and safety data as it relates specifically to the patient population included in the studies. In June 2021, we resubmitted our NDA to the FDA. In July 2021, the FDA accepted our resubmission filing of the NDA and assigned a Prescription Drug User Fee Act ("PDUFA") target goal date of December 23, 2021. Based upon the FDA's feedback at the Type A meeting as well as further guidance from the Agency, we continue to believe that no further clinical studies are necessary. We have started to prepare for a commercial launch of Libervant, if approved for U.S. market access, as soon as possible after approval. Upon FDA approval for U.S. market access, if granted, we expect to launch with the existing sales force and then plan to expand in 2022. We anticipate that capital available within our existing debt facility will be available, if we choose, to support the launch of this product in 2021. We are seeking to demonstrate that Libervant will, if approved by the FDA, represent a "major contribution to patient care" within the meaning of FDA regulations and guidance, as compared to available treatment options, as the first, non-device delivered, oral diazepam-based product available to manage seizure clusters in epilepsy patients. However, overcoming the orphan drug marketing exclusivity is difficult to establish, with limited precedent, and there can be no assurance that the FDA will agree with our position seeking to overcome such marketing exclusivity and approve Libervant for U.S. market access. Further, there can be no assurance that a competitor will not obtain other FDA marketing exclusivity that blocks U.S. market access for Libervant. Any failure to obtain FDA approval to demonstrate clinical superiority for or get U.S. market access for Libervant would have a material adverse effect on our business, financial condition and results of operations in 2021 and later. More details on this product approval are described in the "Competition" section of Item I. Business of our 2020 Annual Report on Form 10-K.

Complex Molecule Portfolio

We have also developed a proprietary pipeline of complex molecule-based products as alternatives to invasively administered standard of care injectable therapeutics addressing large market opportunities beyond CNS indications.

The active programs in our complex molecule portfolio are:

- **AQST-108-Sublingual Film (or SF)** – is a "first of its kind" oral sublingual film formulation delivering systemic epinephrine that is in development for the treatment of anaphylaxis as well additional alternate indications. AQST-108 is composed of the prodrug dipivefrin, which is contained within a unique polymeric matrix of Aquestive's Pharmfilm® technology. Dipivefrin is currently available outside of the U.S. for ophthalmic indications. Dipivefrin is enzymatically cleaved systemically into epinephrine after administration. We submitted an IND for AQST-108 to the FDA on June 23, 2020. The FDA confirmed that the drug candidate has the potential to be reviewed under the 505(b)(2) regulatory approval pathway. We expect that this pathway will provide the means to more expedient and less costly development and filing. We recently completed a second pharmacokinetic (PK) trial for AQST-108. The Phase 1 study featured a 4-treatment crossover design that compared the pharmacokinetics, safety and pharmacodynamics of epinephrine administered in a sublingual film to that of epinephrine administered via both subcutaneous and intramuscular injections in 28 healthy adult subjects. Based on top-line results, AQST-108 was generally well-

tolerated, with adverse events observed that are consistent with the known adverse events profile for epinephrine. AQST-108 also achieved a similar time to maximal concentrations, or Tmax, when compared to both the subcutaneous and intramuscular injections of epinephrine. The first PK trial for AQST-108 was a single ascending dose study that compared pharmacokinetics, safety and pharmacodynamics of epinephrine administered in a sublingual film at ascending dose levels in 6-12 healthy adult subjects per dose level. In this study AQST-108 was generally well tolerated, with adverse events observed that are consistent with the known adverse events profile for epinephrine. The data from both this Phase 1 PK trial and the previous trials collectively demonstrate that AQST-108 can consistently deliver epinephrine. sublingually and, after receiving AQST-108, all subjects had measurable plasma concentrations of epinephrine. We are preparing to request a meeting with the FDA in the second half of 2021 to review these results and discuss next steps in the development of AQST-108, as well as potential application beyond the treatment of anaphylaxis. Epinephrine is the standard of care in the treatment of anaphylaxis and is currently administered via subcutaneous or intramuscular injection. The current market leader is a single-dose, pre-filled automatic injection device. As a result of administration via subcutaneous or intramuscular injection, many patients and their caregivers are reluctant to use currently available products, resulting in increased hospital visits and overall cost of care to treat anaphylactic events. The data from our previously completed Phase 1 dose escalation study demonstrated that AQST-108 achieved similar ranges of mean values of maximum concentration (Cmax) and time to reach maximum concentration (Tmax) to that reported for injectables provided a greater total exposure (AUC0-t; area under the curve) than that reported for the injectables and had less interpatient variability when compared to the degree of variation (CV%) data reported for injectables, and was well tolerated, with no study participants discontinuing participation due to an adverse event. We believe that, as a result of its sublingual administration, AQST-108 will improve patient adherence and lower the total cost of care.

- **AQST-109** – is a next generation prodrug sublingual film formulation of epinephrine that Aquestive intends to develop for treatment of allergic reactions including anaphylaxis. In vitro tests and preclinical studies indicate that AQST-109 has the potential to absorb more extensively, convert more rapidly to systemic epinephrine, utilize less drug and provide a unique profile when compared to AQST-108. In March 2021, Health Canada approved our first in human study dossier. We are conducting a two part Phase 1 PK trial of AQST-109 in Canada and are on track to report top-line data from this study in the second half of 2021. We intend to request a pre-IND meeting with the FDA once study results are available.

- **AQST-305** – is a sublingual film formulation of octreotide, a small peptide that has a similar pharmacological profile to natural somatostatin, for the treatment of acromegaly, as well as severe diarrhea and flushing associated with carcinoid syndrome. Acromegaly is a hormone disorder that results in the overproduction of growth hormone in middle-aged adults. Octreotide is the standard of care for the treatment of acromegaly. The current market leader, Sandostatin®, is administered via deep subcutaneous or intramuscular injections once a month. This monthly treatment regimen can result in loss of efficacy toward the end of the monthly treatment cycle. We are developing AQST-305 as a non-invasive, pain-free alternative to Sandostatin to reduce treatment burden, healthcare costs and the potential loss of efficacy in the treatment cycle. AQST-305 has shown promising preclinical and human proof of concept results. While we focus our efforts on Libervant, AQST-108 and AQST-109 in the short-term, we have taken the necessary steps to prepare AQST-305 for additional research trials.

Licensed Commercial Products and Product Candidates

Our portfolio also includes products and product candidates that we have licensed, or will seek to license, or for which we have licensed our intellectual property for commercialization. In the years ended December 31, 2020 and 2019, our licensed product portfolio generated $40.2 million and $49.7 million in revenue to Aquestive, respectively. Those products include:

- **Suboxone®** – a sublingual film formulation of buprenorphine and naloxone, respectively an opioid agonist and antagonist, that is marketed in the United States and internationally for the treatment of opioid dependence. Suboxone Sublingual Film was launched by our licensee, Indivior Inc., or Indivior, in 2010. Suboxone Sublingual Film is the most prescribed branded product in its category and was the first sublingual film product for the treatment of opioid dependence. We are the sole and exclusive supplier and manufacturer of Suboxone Sublingual Film and have produced over 2.2 billion doses of Suboxone since its launch in 2010. As of June 30, 2021, Suboxone branded products retain approximately 40% film market share as generic film-based products have penetrated this market. We have filed patent infringement lawsuits against certain companies relating to generic film-based products for buprenorphine-naloxone. More details regarding these lawsuits are described in the unaudited financial statements, Note 19. Contingencies, contained herein.

- **Exservan™** (riluzole) – has been developed, utilizing our proprietary PharmFilm technology, for the treatment of amyotrophic lateral sclerosis (ALS). We believe that Exservan, via our orally administered dosage form, can bring meaningful assistance to patients who are diagnosed with ALS and face difficulties swallowing traditional forms of medication. Exservan was approved by the FDA on November 22, 2019. During the fourth quarter of 2019, we announced the grant of a license to Zambon S.p.A. ("Zambon") for the development and commercialization of Exservan Oral Film in the European Union (EU) for the treatment of ALS. Zambon is a multinational pharmaceutical company with a focus on the CNS therapeutic area. Under the terms of the license agreement with Zambon, an upfront payment was paid to Aquestive for the development and commercialization rights of Exservan in the EU, and Aquestive will be paid development and sales milestone payments and low double-digit royalties on net sales of the product in the EU. Zambon is responsible for the regulatory approval and marketing of Exservan in the countries where Zambon seeks to market the product, and Aquestive will be responsible for the development and manufacture of the product.

  In January 2021, we announced our exclusive license to Mitsubishi Tanabe Pharma Holdings America, Inc. ("MTHA") for the commercialization in the United States of Exservan. MTHA is a multinational pharmaceutical company with a focus on patients with ALS. Under the terms of the MTHA license agreement, upfront payments were paid to Aquestive with additional payments due upon the occurrence of certain milestone events in advance of launch. Aquestive will also be paid double-digit royalties on net sales of the product in the United States and will earn revenue pursuant to the exclusive supply agreement. The product launched in June 2021. Exservan may potentially fulfill a critical need for ALS patients, given it can be administered safely and easily, twice daily, without water.

- **KYNMOBI®**– a sublingual film formulation of apomorphine, which is a dopamine agonist developed to treat episodic off-periods in Parkinson’s disease. We licensed our intellectual property to Cynapsus Therapeutics, Inc., a company that was acquired by Sunovion Pharmaceuticals Inc., or Sunovion, for the commercialization of KYNMOBI under an Agreement dated April 1, 2016, as amended (the "Sunovion License Agreement"). KYNMOBI was approved by the FDA on May 21, 2020 and commercially launched by Sunovion in September 2020. On November 3, 2020, we entered into a Purchase and Sale Agreement (the "Monetization Agreement") with MAM Pangolin Royalty, LLC, an affiliate of Marathon Asset Management ("Marathon"). Under the terms of the Monetization Agreement, we sold all of our contractual rights to receive royalties and milestone payments due under the Sunovion License Agreement related to Sunovion's apomorphine product, KYNMOBI. We received an aggregate amount of $50,000 through June 30, 2021 under the Monetization Agreement. Under the Monetization Agreement, additional aggregate contingent payments of up to $75.0 million may be due us upon the achievement of worldwide royalty and other commercial targets within a specified timeframe, which could result in total potential gross proceeds under the Monetization Agreement of $125.0 million.

- **Zuplenz** – an oral soluble film formulation of ondansetron, a 5-HT antagonist approved for the treatment of nausea and vomiting associated with chemotherapy and post-operative recovery. Ondansetron is available as branded and generic products as intravenous injections, intramuscular injections, orally dissolving tablets, oral solution tablets, and film. We licensed commercial rights for Zuplenz to Fortovia Therapeutics Inc. (previously Midatech Pharma PLC, "Fortovia") in the United States, Canada, and China. Fortovia launched Zuplenz in the United States in 2015. We had been the sole and exclusive manufacturer of Zuplenz for Fortovia. On August 31, 2020 Fortovia filed a Chapter 11 bankruptcy proceeding in the Bankruptcy Court for the Eastern District of North Carolina. On January 29, 2021, the Bankruptcy Court approved an agreement pursuant to which the license and supply agreement between Aquestive and Fortovia was terminated, and all rights to commercialize Zuplenz returned to us, effective January 30, 2021. While not expected to be a material product for us, we are seeking a new partner to commercialize Zuplenz in the United States.

Business Update Regarding COVID-19

The current COVID-19 pandemic has continued to present substantial health and economic risks, uncertainties and challenges to our business, the U.S. and global economies and financial markets. It is not currently possible to predict how long the pandemic will last or the time it will take for the economy to return to prior levels. The extent to which COVID-19 impacts our business, operations, clinical trials, regulatory approval process, capital, financial and monetization markets, financial results and financial condition, and those of our suppliers, distributors, customers and other third parties necessary to our business including those involved in the regulatory approval process, will depend on future developments, which are highly uncertain and cannot be predicted with certainty or clarity, including the duration and continuing severity of the outbreak, resurgence of the outbreak, continued or additional government actions to contain COVID-19, timing or efficacy of any vaccine, and new information that will emerge concerning the short-term and long-term impact of COVID-19.

To date, we have been able to continue to manufacture and supply our products and currently do not anticipate any significant interruption in supply, although we continue to monitor this situation closely and there is no assurance that disruptions or delay will not occur as a result of COVID-19. We are also monitoring demand for our products, which could be negatively impacted during the COVID-19 pandemic, as well as the financial condition of our customers and licensees, one of whom delayed remittance of certain payments due to us for development services provided but ultimately made such payments.

Our office-based colleagues have generally been working from home since March 2020. With additional protections and protocols, we have maintained appropriate and necessary staffing levels at both our laboratory and manufacturing sites. While we previously suspended in-person interactions by our sales and marketing personnel and engaged remotely to support our commercialization efforts, our sales and marketing practices continue to evolve in accordance with changing local rules and regulations. We believe the opportunity for in-person interactions with healthcare providers should increase as the vaccination rate continues to grow. The landscape continues to evolve as localities reestablish and or ease restrictions, as the case may be, with the rise and fall of new case rates and the pace of vaccinations.

Critical Accounting Policies and Use of Estimates

There have been no material changes to our critical accounting policies and use of estimates as previously disclosed in our 2020 Annual Report on Form 10-K.

JOBS Act

On April 5, 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was enacted. The JOBS Act provides that, among other things, an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. As an emerging growth company, we have elected to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards and, as a result, we will comply with new or revised accounting standards not later than on the relevant dates on which adoption of such standards is required for emerging growth companies.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act, subject to certain conditions contained therein and, as a result, we are not required to, among other things, (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or (iii) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation. These exemptions will apply for a period of five

years following the consummation of our IPO or until we no longer meet the requirements of being an emerging growth company, whichever is earlier.

We are also a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a “smaller reporting company,” and have either: (i) a public float of less than $250 million or (ii) annual revenues of less than $100 million during the most recently completed fiscal year and (A) no public float or (B) a public float of less than $700 million. As a “smaller reporting company,” we are subject to reduced disclosure obligations in our SEC filings compared to other issuers, including with respect to disclosure obligations regarding executive compensation in our periodic reports and proxy statements and certain reduced financial disclosures in our periodic reports.

Financial Operations Overview

Revenues

Our revenues to date have been earned from our manufactured products made to order for licensees as well as revenue from our self-developed, self-commercialized proprietary product, Sympazan®. Revenues are also earned from our product development services provided under contracts with customers, and from the licensing of our intellectual property. These activities generate revenues in four primary categories: manufacture and supply revenue, co-development and research fees, license and royalty revenue, and proprietary product sales, net.

Manufacture and Supply Revenue

We manufacture based on receipt of purchase orders from our licensees, and our licensees have an obligation to accept these orders once quality assurance validates the quality of the manufactured product with agreed upon technical specifications. Our licensees are responsible for all other aspects of commercialization of these products and we have no role, either direct or indirect, in our customers' commercialization activities, including those related to marketing, pricing, sales, payor access and regulatory operations.

We expect future manufacture and supply revenue from licensed products to be based on volume demand for existing licensed products, and for manufacturing and supply rights under license and supply agreements for existing or new agreements for successful product development collaborations.

Co-development and Research Fees

We work with our licensees to co-develop pharmaceutical products. In this regard, we earn fees through performance of specific tasks, activities, or completion of stages of development defined within a contractual arrangement with the relevant licensee. The nature and extent of these performance obligations, broadly referred to as milestones or deliverables, are usually dependent on the scope and structure of the project as contracted, as well as the complexity of the product and the specific regulatory approval path necessary for that product.

License and Royalty Revenue

We realize revenue from licenses of our intellectual property. For licenses that do not require further development or other ongoing activities by us, our licensee has acquired the right to use the licensed intellectual property for self-development of their product candidate, for manufacturing, commercialization or other specified purposes, upon the effective transfer of those rights, and related revenues are generally recorded at a point in time, subject to contingencies or constraints, if any. For licenses that may provide substantial value only in conjunction with other performance obligations to be provided by us, such as development services or the manufacture of specific products, revenues are generally recorded over the term of the license agreement. We also earn royalties based on our licensees' sales of products that use our intellectual property that are marketed and sold in the countries where we have patented technology rights. Royalty revenue related to the sale of future revenue is described further in this section under Critical Accounting Policies and Use of Estimates "Royalty Revenue and Interest Expense related to Sale of Future Revenue".

Proprietary Product Sales, Net

We commercialized our first proprietary CNS product, Sympazan, in December 2018. We currently sell Sympazan through wholesalers for distribution through retail and specialty pharmacies. Revenues from sales of proprietary product are recorded net of prompt payment discounts, wholesaler service fees, returns allowances, rebates and co-pay support

redemptions, each of which are described in more detail below. These reserves are based on estimates of the amounts earned or to be claimed on the related sales. These amounts are treated as variable consideration, estimated and recognized as a reduction of the transaction price at the time of the sale. We include these estimated amounts in connection with the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized for such transaction will not occur, or when the uncertainty associated with the variable consideration is resolved. The calculation of some of these items requires management to make estimates based on sales data, historical return data, contracts and other related information that may become known in the future. The adequacy of these provisions is reviewed on a quarterly basis.

Costs and Expenses

Our costs and expenses are primarily the result of the following activities: generation of manufacture and supply revenues; development of our pipeline of proprietary product candidates; and selling, general and administrative expenses, including pre-launch and post-launch commercialization efforts, intellectual property procurement, protection, prosecution and litigation expenses, corporate management functions, medical and clinical affairs administration; public company costs, share-based compensation expenses and interest on our corporate borrowings. We primarily record our costs and expenses in the following categories:

Manufacture and Supply Costs and Expenses

Manufacture and supply costs and expenses are primarily incurred from the manufacture of our commercialized licensed pharmaceutical products and for our self-developed, self-commercialized, approved proprietary product, including raw materials, direct labor and overhead costs principally in our Portage, Indiana facilities. Our material costs include the costs of raw materials used in the production of our proprietary dissolving film and primary packaging materials. Direct labor costs consist of payroll costs (including taxes and benefits) of employees engaged in production activities. Overhead costs principally consist of indirect payroll, facilities rent, utilities and depreciation for leasehold improvements and production machinery and equipment. These costs can increase, or decrease, based on the costs of materials, purchased at market pricing, and the amount of direct labor required to produce a product, along with the allocation of fixed overhead, which is dependent on production volume.

Our manufacture and supply costs and expenses are impacted by our customers' supply requirements. Costs of production reflect the costs of raw materials that are purchased at market prices and production efficiency (measured by the cost of a salable unit). These costs can increase or decrease based on the amount of direct labor and materials required to produce a product and the allocation of fixed overhead, which is dependent on the levels of production.

We expect to continue to seek to rationalize and manage costs to reflect the declining production volumes of Suboxone. We reduced the cost of manufacturing and supply in late 2019 and continued throughout 2020 in order to recognize the declining volume of Suboxone that will continue declining in 2021. We expect our manufacture and supply costs and expenses to decrease over the next several years due to the decline in Suboxone volumes as the generics in that market continue to take market share, modestly offset by the commercialization of our proprietary products, starting with Sympazan launched in December 2018. In addition to our proprietary products coming online, we may add licensee products which may need additional resources to manufacture. If such growth should occur for higher volume product opportunities such as Suboxone, we would incur increased costs associated with hiring additional personnel to support the increased manufacturing and supply costs arising from higher manufactured volumes from proprietary and licensed products.

Research and Development Expenses

Since our inception, we have focused significant resources on our research and development activities. Research and development expenses primarily consist of:

- employee-related expenses, including compensation, benefits, share-based compensation and travel expense;
- external research and development expenses incurred under arrangements with third parties, such as contract research organizations, investigational sites and consultants;
- the cost of acquiring, developing and manufacturing clinical study materials; and
- costs associated with preclinical and clinical activities and regulatory operations.

We expect our research and development expenses to continue to be significant over the next several years as we continue to develop existing product candidates such as AQST-108, AQST-109, AQST-305 and others, and we identify and develop or acquire additional product candidates and technologies. We may hire or engage additional skilled colleagues or third parties to perform these activities, conduct clinical trials and ultimately seek regulatory approvals for any product candidate that successfully completes those clinical trials.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries, benefits, share-based compensation, commercialization and marketing costs and other related costs for executive, finance, selling and operational personnel. Other costs include facility and related costs not otherwise included in research and development expenses such as: professional fees for patent-related and other legal expenses, consulting, tax and accounting services; insurance; selling; market research; advisory board and key opinion leaders; depreciation; and general corporate expenses, inclusive of IT systems related costs.

A significant portion of selling, general and administrative expenses relates to the sale and marketing of our proprietary product, Sympazan. Sympazan is the precursor and complement to the launch of Libervant, assuming that it is approved and granted U.S. market access by the FDA. We believe there is a very high degree of overlap and correlation between prescribers of Sympazan and the likely prescribers of an approved Libervant. While Sympazan continues to grow, we will continue to rationalize its contribution to move towards profitability while continuing to introduce epilepsy prescribers and patients to Aquestive and PharmFilm technology in advance of the anticipated launch of Libervant, assuming FDA approval for U.S. market access, which cannot be assured. The current commercial organization would begin the launch of Libervant, subject to its approval for U.S. market access, shortly after its approval. Until a Libervant launch is certain, we do not plan to increase the costs of our commercial organization and expect to continue to improve the efficiency of the Sympazan commercial investments.

Our general and administrative costs include costs related to accounting, audit, legal regulatory, and tax-related services required to maintain compliance with exchange listing and SEC regulations, director and officer insurance costs, and investor and public relations costs. We continue to incur significant costs in seeking to protect our intellectual property rights, including significant litigation costs in connection with seeking to enforce our rights concerning third parties' at-risk launch of generic products.

We continue to manage business costs to appropriately reflect the declining state of Suboxone revenue, the marketing and sales costs related to Sympazan and other external factors affecting our business, including the continuing impact of the COVID-19 pandemic, as we continue to focus on our core business:

- Seeking to obtain the approval and subsequent launch of Libervant, subject to approval by the FDA for U.S. market access, which cannot be assured;
- Continuing the development of AQST-108 and AQST-109 along the 505(b)(2) pathway; and
- Growing the revenue contribution from Sympazan as a first step to position Aquestive in the epilepsy community.

Interest Expense

Interest expense consists of interest costs on our 12.5% Notes at a fixed rate of 12.5%, payable quarterly, as well as amortization of loan costs and the debt discount. The 12.5% Notes are discussed in Note 13, 12.5% Senior Secured Notes due 2025, to our consolidated financial statements. See Liquidity and Capital Resources below for further detail on our 12.5% Notes.

Royalties and Interest Expense related to the Sale of Future Revenue

On November 3, 2020, we entered into a Purchase and Sale Agreement (the "Monetization Agreement") with MAM Pangolin Royalty, LLC, an affiliate of Marathon Asset Management ("Marathon"). Under the terms of the Monetization Agreement, we sold all of our contractual rights to receive royalties and milestone payments due under the Sunovion License Agreement related to Sunovion's apomorphine product, KYNMOBI®. KYNMOBI, an apomorphine film therapy for the treatment of off episodes in Parkinson's disease patients, received approval from the U.S. FDA on May 21, 2020. In exchange for the sale of these rights, we received an upfront payment of $40,000 and an additional payment of $10,000 through the achievement of the first milestone, and recorded these payments as a liability related to the sale of future revenue that will be amortized using the effective interest method over the life of the Monetization Agreement.. Although we sold all of our rights to

receive royalties and milestones, as a result of our ongoing obligations related to the generation of these royalties, we will account for these royalties as revenue. We have received an aggregate amount of $50,000 through June 30, 2021 under the Monetization Agreement.

Under the Monetization Agreement, additional aggregate contingent payments of up to $75,000 may be due to us upon the achievement of worldwide royalty and other commercial targets within a specified timeframe, which could result in total potential proceeds of $125,000.

During the second quarter of 2020, under the Sunovion License Agreement, we recognized $8,000 of royalty revenue and corresponding royalty receivable, related to the $1,000 annual minimum guaranteed royalty that is due in each of the next eight years. In connection with the Monetization Agreement, we performed an assessment under ASC 860, *Transfer and Servicing* to determine whether the existing receivable was transferred to Marathon and concluded that the receivable was not transferred. See Note 15 for further detail on the sale of future revenue.

Interest Income and other income (expense), net

Interest income and other income (expense), net consists of earnings derived from an interest-bearing account and other miscellaneous income and expense items. The interest-bearing account has no minimum amount to be maintained in the account nor any fixed length of period for which interest is earned.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2021 and 2020

Revenues:

The following table sets forth our revenue data for the periods indicated.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(In thousands, except %)	2021	2020	$	%	2021	2020	$	%
Manufacture and supply revenue	$ 10,665	$ 7,259	$ 3,406	47 %	$ 17,176	$ 14,175	$ 3,001	21 %
License and royalty revenue	2,311	12,928	(10,617)	(82)%	4,672	13,354	(8,682)	(65)%
Co-development and research fees	456	266	190	71 %	894	529	365	69 %
Proprietary product sales, net	1,913	1,222	691	57 %	3,725	2,382	1,343	56 %
Total revenues	$ 15,345	$ 21,675	$ (6,330)	(29)%	$ 26,467	$ 30,440	$ (3,973)	(13)%

For the three months ended June 30, 2021, total revenues decreased 29% or $6,330 compared to same period in the prior year. For the six months ended June 30, 2021, total revenues decreased 13% or $3,973 compared to the same period in the prior year. The decrease was due to lower license and royalty revenue, partly offset by higher Sympazan and manufacture and supply revenue.

Manufacture and supply revenue increased 47% or $3,406 for the three months ended June 30, 2021 compared to the same period in the prior year. Manufacture and supply revenue increased 21% or $3,001 for the six months ended June 30, 2021 compared to the same period in the prior year. This increase was due to higher Suboxone manufacturing volume.

License and royalty revenue decreased 82% or $10,617 to $2,311 for the three months ended June 30, 2021 compared to the same period in the prior year. License and royalty revenue decreased 65% or $8,682 for the six months ended June 30, 2021 compared to the same period in the prior year. This decrease was due to a milestone earned of $4,000 as well as royalty revenue of $8,000 recognized upon the FDA approval of Sunovion's KYNMOBI ™ product during the second quarter of 2020 that did not occur in 2021. This was partly offset by an increase in milestones earned from KemPharm, Inc. of $1,500 and the recognition of remaining deferred revenue associated with the license and supply agreement with Fortovia Therapeutics Inc. which was terminated in the first quarter of 2021.

Co-development and research fees increased 71% or $190 for the three months period ended June 30, 2021 compared to the same period in the prior year. Co-development and research fees increased 69% or $365 for the six months ended June 30,

2021 compared to the same period in the prior year. The increase was driven by the timing of the achievement of research and development performance obligations and are expected to fluctuate from one reporting period to the next.

Proprietary product sales, net increased 57% or $691 for the three months ended June 30, 2021 compared to the same period in the prior year. Proprietary product sales, net increased 56% or $1,343 for the six months ended June 30, 2021 compared to the same period in the prior year. The increase was due to a steady rise in acceptance with the medical and patient communities over time which led to increased prescriptions and improved payor approval rates for Sympazan.

Expenses and Other:

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(In thousands, except %)	2021	2020	$	%	2021	2020	$	%
Manufacture and supply	$ 4,466	$ 3,539	$ 927	26 %	$ 7,223	$ 7,198	$ 25	— %
Research and development	4,262	3,847	415	11 %	7,921	8,201	(280)	(3)%
Selling, general and administrative	13,134	13,894	(760)	(5)%	26,365	28,507	(2,142)	(8)%
Interest expense	(2,757)	(2,747)	(10)	— %	(5,518)	(5,518)	—	— %
Interest expense related to the sale of future revenue, net	(3,466)	—	(3,466)	100 %	(6,800)	—	(6,800)	100 %
Interest income and other income, net	373	18	355	1,972 %	321	120	201	168 %

Manufacture and supply costs and expenses increased 26% or $927 for the three months ended June 30, 2021 compared to the same period in the prior year. The increase was due to higher manufacture and supply costs to support volume growth. Manufacture and supply costs and expenses remained flat for the six months ended June 30, 2021 compared to the same period in the prior year.

Research and development expenses increased 11% or $415 for the three months ended June 30, 2021 compared to the same period in the prior year. Research and development expenses decreased 3% or $280 for the six months ended June 30, 2021 compared to the same period in the prior year. Research and development expenses are driven primarily by the timing of clinical trial and other product development activities associated with our pipeline.

Selling, general and administrative expenses decreased 5% or $760 for the three months ended June 30, 2021 as compared to the same period in the prior year. Selling, general and administrative expenses decreased 8% or $2,142 for the six months ended June 30, 2021 as compared to the same period in the prior year. The decrease was driven by our continued expense management efforts.

Interest expense remained flat for the three and six months ended June 30, 2021 compared to the same period in the prior year.

Interest expense related to the sale of future revenue, net was $3,466 and $6,800 for the three and six months ended June 30, 2021, respectively. This amount is due to the accounting associated with the sale of future revenue related to KYNMOBI® sold to Marathon on November 3, 2020 and does not represent a monetary obligation or cash outflow at any time during the life of the transaction. See note 15 for details.

Interest income and other income, net increased $355 and $201, respectively, for the three and six months ended June 30, 2021 compared to the same periods in the prior year. This was due to the fair value adjustment of the put option related to the 12.5% Notes. See note 13 for details.

Liquidity and Capital Resources

Sources of Liquidity

We have experienced a history of net losses. Our accumulated deficits totaled $213,296 as of June 30, 2021. The net losses and accumulated deficits were partially offset by gross margins from sales of commercialized licensed and proprietary products,

license fees, milestone and royalty payments from commercial licensees and co-development parties. Our funding requirements are met by our cash and cash equivalents, as well as our existing equity and debt offerings, including the Senior Secured Notes due 2025 (the "12.5% Notes").We had $34,234 in cash and cash equivalents as of June 30, 2021.

On November 3, 2020, we entered into a Purchase and Sale Agreement (the "Monetization Agreement") with MAM Pangolin Royalty, LLC, an affiliate of Marathon Asset Management ("Marathon"). Under the terms of the Monetization Agreement, we sold all of our contractual rights to receive royalties and milestone payments due under the Sunovion License Agreement related to Sunovion's apomorphine product, KYNMOBI®. KYNMOBI, an apomorphine film therapy for the treatment of off episodes in Parkinson's disease patients, received approval from the FDA on May 21, 2020. In exchange for the sale of these rights, we received an upfront payment of $40,000 and an additional payment of $10,000 through the achievement of the first milestone. We have received an aggregate amount of $50,000 through June 30, 2021 under the Monetization Agreement.

Under the Monetization Agreement, additional aggregate contingent payments of up to $75,000 may be due to us upon the achievement of worldwide royalty and other commercial targets within a specified timeframe, which could result in total potential proceeds of $125,000.

With the upfront proceeds of the monetization, we repaid $22,500 of the 12.5% Notes, and issued $4,000 of new 12.5% Notes in lieu of paying a prepayment premium on the early repayment of the 12.5% Notes, reducing the aggregate principal balance of 12.5% Notes outstanding to $51,500. In addition, the holders of the 12.5% Notes agreed to extend to December 31, 2021 our ability to access, at our option, and additional $30,000 of 12.5% Notes re-openers under the Indenture. The first $10,000 12.5% Notes re-opener represents a commitment of such amount by current holders of 12.5% Notes, at our option, contingent upon FDA approval of our product candidate Libervant. A second $20,000 12.5% Notes re-opener represents a right, at our option, to market to current holders of our 12.5% Notes, and/or other lenders, additional senior notes up to such amount, contingent upon FDA approval of Libervant for U.S. market access. If and to the extent that we access these re-openers, we will grant warrants to purchase up to 714,000 shares of common stock, with the strike price calculated based on the 30-day volume weighted average closing price of our common stock at the warrant grant date. In addition, as of the closing of this transaction, we issued to the holders of the 12.5% Notes warrants to purchase 143,000 shares of our common stock.

In 2019, we established an "At-The-Market" (ATM) facility pursuant to which we may offer up to $25,000 of shares of common stock. In the first quarter of 2021, we filed a prospectus supplement to offer up to an additional $50,000 of shares of common stock under the ATM facility. Since inception to June 30, 2021, we sold 4,907,986 shares which generated net cash proceeds of approximately $24,560, net of commissions and other transaction costs of $1,406. For the six months ended June 30, 2021, we sold 3,977,053 shares which provided net proceeds of approximately $18,505, net of commissions and other transaction costs of $933. This ATM facility has approximately $49,038 available at June 30, 2021.

Cash Flows

Six Months Ended June 30, 2021 and 2020

(in thousands)	**2021**	**2020**
Net cash (used for) operating activities	$ (15,853)	$ (23,634)
Net cash (used for) investing activities	(297)	(243)
Net cash provided (used for) by financing activities	18,577	(27)
Net increase (decrease) in cash and cash equivalents	$ 2,427	$ (23,904)

Net Cash (Used for) Operating Activities

Net cash used for operating activities for the six months ended June 30, 2021 decreased by $7,781 compared to the same period in the prior year. The decrease was related to changes in operating assets and liabilities of $8,576, higher non-cash operating expenses of $7,380, partially offset by a higher net loss of $8,175. The change in operating assets and liabilities was primarily due to the $8,000 of royalty revenue and corresponding royalty receivable recognized in second quarter of 2020 related to the $1,000 annual minimum guaranteed royalty due in each of the next eight years. The higher non-cash operating expenses were primarily due to increases in interest expense related to sale of future revenue ($6,729) and amortization of debt issuance costs ($1,221), partially offset by decreases in share-based compensation expense ($397) and depreciation, amortization and impairment ($187).

Net Cash (Used for) Investing Activities

Net cash used for investing activities for the six months ended June 30, 2021 increased by $54 compared to the same period in the prior year. The use of cash was related to capital expenditures.

Net Cash Provided by/(Used for) Financing Activities

Net cash provided for financing activities for the six months ended June 30, 2021 increased by $18,604 compared to the same period in the prior year. The increase was primarily related to net proceeds from the sale of shares under the ATM facility.

Funding Requirements

Based on our current operating plan, we believe that our existing cash and cash equivalents, revenue from our on-going business, continued business development activities, expense management actions, and our ability to access funds under our existing equity facility and debt offering will enable us to fund our expected cash requirements for the next 12 months. We can provide no assurance that any of these sources of funding, either individually or in combination, will be available on reasonable terms, if at all. In addition, we may be required to utilize available financial resources sooner than expected. We have based our expectation on assumptions that could change or prove to be inaccurate, either due to the impact of COVID-19 or to unrelated factors including factors arising in the capital markets, asset monetization markets, regulatory approval process, including the approval of Libervant, and regulatory oversight and other factors. Key factors and assumptions inherent in our planned continued operations and anticipated growth include, without limitation, those related to the following:

- the effects of the COVID-19 pandemic on our operations, operations of our key suppliers and third-party clinical and other service providers, our colleagues and contractors and debt equity and other capital markets;
- continued ability of our customers to pay, in a timely manner, for presently contracted and future anticipated orders for our manufactured goods, Suboxone and Sympazan, including effects of generics and other competitive pressures as currently envisioned;
- continued ability of our customers to pay, in a timely manner, for presently contracted and future anticipated orders for provided co-development and feasibility services, as well as regulatory support services for recently licensed products, such as Exservan;
- access to debt or equity markets if, and at the time, needed for any necessary future funding;
- FDA approval of our key new drug candidate, Libervant, for U.S. market access;
- our ability to issue up to $30,000 in additional 12.5% Notes, which is contingent upon FDA product approval and U.S. market access for Libervant;
- continuing review and appropriate adjustment of our cost structure consistent with our anticipated revenues and funding;
- continued growth and market penetration of Sympazan within expected commercialization cost levels for this product, including anticipated patient and physician acceptance and our ability to obtain adequate price and payment support from government agencies and other private medical insurers;
- effective commercialization within anticipated cost levels and expected ramp-up timeframes of our product candidate Libervant, if approved for U.S. market access by the FDA;
- infrastructure and administrative costs at expected levels to support operations as an FDA and highly regulated public company;
- a manageable level of costs for ongoing efforts to protect our intellectual property rights, including litigation costs in connection with seeking to enforce our rights concerning third parties' "at-risk" launch of generic products;
- continued compliance with all covenants under our 12.5% Notes; and
- absence of significant unforeseen cash requirements.

We expect to continue to manage business costs to appropriately reflect the potential declining state of Suboxone revenue, the marketing and sales costs related to Sympazan, the proceeds from the KYNMOBI Monetization Agreement, and other external resources or factors affecting our business including, if available, any future potential issuances of additional 12.5% Notes under the Indenture, net proceeds or future equity financing, other future access to the capital markets or other potential available sources of liquidity, as well as the uncertainties associated with the coronavirus pandemic. In doing so, we plan to continue to focus on the core drivers of value for our stockholders, including, more importantly, continued investments in our ongoing product development and planned commercialization activities in support of Libervant, AQST-108 and AQST-109. Until profitability is achieved, if at all, additional capital and/or other financing or funding will be required, which could be material, to further advance the development and commercialization of Libervant, AQST-108 and AQST-109, if approved by the FDA for U.S. market access, and to meet our other cash requirements, including debt service. We plan to conservatively manage our pre-launch spending as both timing and level relating to Libervant, including cost rationalization associated with marketing and selling Sympazan. In this regard, absent spending on launch activities for Libervant, we expect to continue to spend less on commercialization in 2021 compared to 2020. Even as such, we expect to incur losses and negative cash flows for the foreseeable future and therefore we expect to be dependent upon external financing and funding to achieve our operating plan.

The sufficiency of our short-term and longer-term liquidity is directly impacted by our level of operating revenues and our ability to achieve our operating plan for revenues, regulatory approval in the time period planned for our late-stage proprietary products and our ability to monetize other royalty streams or other licensed rights within planned timeframes. Although we may also be entitled to further potential milestones, royalty and other payments under our Indivior Supplemental Agreement, which are suspended and may only be reinstated if Indivior successfully adjudicates or settles the related patent infringement litigation, and under the Monetization Agreement, there can be no assurance when, or if, any such payments may be realized. Our operating revenues have fluctuated in the past and can be expected to fluctuate in the future. We expect to incur significant operating losses and negative operating cash flows for the foreseeable future, and we have a significant level of debt on which we have substantial ongoing debt repayment and debt service obligations and have principal repayments aggregating $2,575 related to our 12.5% Notes due in the second half of 2021. A substantial portion of our current and past revenues has been dependent upon our licensing, manufacturing and sales with one customer, Indivior, which is expected to continue while we commercialize our own proprietary products and it could take significantly longer than planned to achieve anticipated levels of cash flows to help fund our operations and cash needs from sales of our proprietary products.

To the extent that we raise additional funds by issuance of equity securities, our stockholders would experience further dilution and the terms of these securities could include liquidation or other preferences (if and to the extent permitted under the Indenture) that would adversely affect our stockholders' rights. Our ability to secure additional equity financing could be significantly impacted by numerous factors including our operating performance and prospects, positive or negative developments in the regulatory approval process for our proprietary products, timely achievement of regulatory approval of our late-stage proprietary products, our existing level of debt which is secured by substantially all of our assets, restriction under the Indenture, and general market conditions, and there can be no assurance that we will continue to be successful in raising capital or that any such needed financing will be available, available on favorable or acceptable terms or at the times, or in the amounts needed, if at all. Additionally, while the potential economic impact brought on by and the duration of the coronavirus pandemic is difficult to assess or predict, the significant impact of the coronavirus pandemic on the global financial markets, and on our own stock trading price, may reduce our ability to access additional capital, which would negatively impact our short-term and longer-term liquidity.

If adequate funds are not available for our short-term or longer-term liquidity needs and cash requirements as and when needed, we would be required to engage in expense management activities such as reducing staff, delaying, significantly scaling back, or even discontinuing some or all of our current or planned research and development programs and clinical and other product development activities, or reducing our planned commercialization efforts and otherwise significantly reducing our other spending and adjusting our operating plan, and we would need to seek to take other steps intended to improve our liquidity. We also may be required to evaluate additional licensing opportunities, if any become available, of our proprietary product candidate programs that we currently plan to self-commercialize or explore other potential liquidity opportunities or other alternatives or options or strategic alternatives, although we cannot assure that any of these actions would be available or available on reasonable terms.

See also the risk factors below concerning the significant risks and uncertainties concerning our business, operations, financial results and capital resources associated with the impact of the global coronavirus pandemic.

Off-Balance Sheet Arrangements

During the period presented, we did not have any material off-balance sheet arrangements, nor do we have any relationships with unconsolidated entities or financial partnerships, such as entries often referred to as structured finance or special purpose entities.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

As a "smaller reporting company" as defined by Item 10 of Regulation S-K promulgated by the SEC under the U.S. Securities Act of 1933, as amended, we are not required to provide the information required by this Item 3.

Item 4. *Controls and Procedures*

Management's Evaluation of our Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including to our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

As of June 30, 2021, our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(b) and 13a-15(e) under the Exchange Act). Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our principal executive officer and principal financial officer have concluded based upon the evaluation described above that, as of June 30, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act), identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For more information on Legal Proceedings, see Part I Item I. Financial Statements (Unaudited), Note 19. Contingencies.

Item 1A. Risk Factors

You should carefully review and consider the information regarding certain risks and uncertainties facing the Company that could have a material adverse effect on the Company's business prospects, financial condition, results of operations, liquidity and available capital resources set forth in Part I, Item 1A of the Company's 2020 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed below are filed or furnished as part of this report.

Number	Description
10.1	Letter Agreement between the Company and A. Ernest Toth, Jr. , effective on June 15, 2021.
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a), as amended, under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a), as amended, under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Somerset, State of New Jersey.

Aquestive Therapeutics, Inc.
(REGISTRANT)

Date: August 3, 2021

/s/ Keith J. Kendall
Keith J. Kendall
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2021

/s/ A. Ernest Toth, Jr.
A. Ernest Toth, Jr.
Chief Financial Officer
(Principal Financial Officer)

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into effective as of June 15, 2021 (the "Effective Date") by and between Aquestive Therapeutics, Inc. (the "Company"), and A. Ernest Toth, Jr. (the "Executive").

WITNESSETH:

WHEREAS, the Executive is currently engaged by the Company as its Interim Chief Financial Officer pursuant to a consulting agreement between the Company and Danforth Advisors, LLC dated as of December 16, 2019, as amended; and

WHEREAS, the parties desire that the Executive be employed as a full-time employee of the Company as its Senior Vice President and Chief Financial Officer upon the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment. During the Employment Term (as hereinafter defined), the Executive agrees to be employed by and to serve the Company as its Senior Vice President and Chief Financial Officer, and the Company agrees to employ and retain Executive in such capacity. The Executive shall report directly to the Chief Executive Officer of the Company (the "CEO"). The Executive shall: (i) devote the Executive's entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of Senior Vice President and Chief Financial Officer, as well as any other duties consistent with the stature and responsibility of the Executive's position as may from time to time be assigned by the CEO; and (iii) comply with the Company's policies in effect from time to time. Notwithstanding any provision herein to the contrary, Executive shall not be precluded from devoting reasonable periods of time required for serving as a member of one or more advisory boards or boards of directors of companies or organizations or engaging in other minor business activities, so long as such memberships or activities do not interfere with the performance of Executive's duties hereunder and are not directly or indirectly competitive with, nor contrary to, the business or other interests of the Company, subject to prior approval by the CEO.

2. Employment Term. The term of this Agreement shall begin on the Effective Date and continue until terminated in accordance with this Agreement (the "Employment Term").

3. Compensation.

A. Base Salary. The Company shall pay Executive a base salary (the "Base Salary") at a rate of $396,000 per annum, payable in accordance with the standard payroll practices of the Company. The Board of Directors of the Company (the "Board") and/or the

Compensation Committee of the Board (the "Compensation Committee") will review Executive's Base Salary at least annually and, with recommendations from the CEO, may increase but not decrease the then current annual rate.

B. Annual Bonus. Executive shall be eligible for a target annual performance bonus (the "Annual Bonus") of at least fifty percent (50%) of Executive's Base Salary for each calendar year, provided the Company and Executive each achieves performance targets established by the Board or the Compensation Committee, with recommendations from the CEO. The Annual Bonus amount, if any, for a calendar year will be determined by the Board or the Compensation Committee with recommendations from the CEO and paid by the Company by March 15th of the following calendar year, unless it is administratively impracticable to determine and/or make the payment by such date. Except as otherwise provided by this Agreement, the Executive must be employed by the Company on the day any Annual Bonus payment is due and payable in order to receive said bonus payment. If the Company exceeds established performance targets, the Board or the Compensation Committee may, in its sole discretion, with recommendations from the CEO, increase the amount of the Annual Bonus. For clarity, Executive shall be eligible for an Annual Bonus for the calendar year 2021 in accordance with the provisions of this Section 3(C) as if the Executive's employment had commenced on January 1, 2021.

C. Stock Options. Executive shall receive an award of One Hundred Twenty Thousand (120,000) stock options granted under the Company's Equity Incentive Plan or similar benefit plan, effective as the first day of Executive's employment. These stock options will have an exercise price equal to the fair market value of the Company's stock on the first day of Executive's employment and will vest Twenty-five Percent (25%) on the first and second anniversaries of the grant with the remaining Fifty Percent (50%) vesting on the third anniversary of the grant. The Executive shall be eligible to participate in other employee incentive plans and equity-based compensation awards of the Company during the Employment Term at the times and in the amounts as the Board in its sole discretion, with recommendations from the CEO, shall determine.

4. Additional Benefits.

A. Executive Benefits. During the Employment Term, Executive shall be eligible to participate in such employee benefit plans as are generally available to other senior executives of the Company.

B. Paid Time Off. The Executive will be allowed to take up to four weeks of vacation each year, and shall be eligible for such sick leave and other paid time off in accordance with the Company' policies applicable to other executives generally.

C. Expense Reimbursement. The Company will pay or reimburse Executive for reasonable expenses incurred by Executive in connection with the performance of the Executive's duties and responsibilities under this Agreement, subject to presentation of vouchers and compliance with generally applicable business expense reimbursement policies of the Company.

5. Termination.

A. Termination for Cause. The Company may terminate Executive's employment for "Cause" if Executive:

(i) is convicted of or pleads nolo contendre to a felony (or its equivalent under applicable state law);

(ii) commits fraud or a material act or omission involving dishonesty with respect to the Company or any of its respective employees, customers or affiliates;

(iii) willfully and repeatedly fails or refuses to carry out the material responsibilities of Executive's employment by the Company (except where due to physical or mental incapacity);

(iv) engages in willful misconduct or a pattern of behavior which in either case has had or is reasonably likely to have a significant adverse effect on the Company;

(v) willfully engages in any act or omission which is in material violation of the Company's policy, including but not limited to engaging in insider trading transactions or disseminating inside information; or

(vi) commits a material breach of Executive's material obligations under this Agreement, including but not limited to Section 8.

A decision to terminate the Executive's employment for Cause shall be made, if at all, by the CEO, after consultation with the Board, upon reasonable notice to Executive and an opportunity for Executive, together with counsel, to be heard by the CEO, and the CEO finding that, in his good faith opinion, Executive engaged in conduct set forth above and specifying the particulars thereof in reasonable detail. If the act or omission giving rise to the termination for Cause is curable by Executive, the Company will provide thirty (30) days' written notice to Executive of the Company's intent to terminate the Executive for Cause, with an explanation of the reason(s) for the termination for Cause and, if Executive cures the act or omission within the 30-day notice period, the Company will rescind the notice of termination and Executive's employment will not be terminated for Cause at the end of the 30-day notice period. If Executive has previously been afforded the opportunity to cure particular behavior and successfully cured under this provision, the Company will have no obligation to provide Executive with notice and an opportunity to cure a recurrence of that behavior prior to a termination for Cause. For purposes of this Section 5(A), an action or inaction shall not be treated as "willful misconduct" if authorized by the CEO or the Board, or taken by Executive in the good faith belief that it was in, or not opposed to, the best interests of the Company.

B. Termination by Reason of Permanent Disability. In a manner consistent with the Americans with Disabilities Act and the Family and Medical Leave Act, this Agreement may be terminated at the Company's option immediately upon notice to Executive if Executive shall suffer a Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of the Executive's job under this Agreement, with or without reasonable accommodation, for a period of 150 consecutive days or for an aggregate of 180 days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a duly licensed physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Voluntary Resignation. Executive may terminate this Agreement at any time, subject to providing thirty (30) days' written notice to the Company. The Company may waive such notice and/or set an earlier termination date, without pay in lieu of notice.

E. Termination without Cause. The Company may terminate Executive's employment under this Agreement at any time without Cause upon ninety (90) days' prior written notice to Executive. The Company, at its sole discretion, may relieve Executive of the Executive's active duties during the notice period. Executive's termination without Cause will be effective upon the expiration of the 90-day notice period. For purposes of this Agreement, a termination of employment by the Company that purports to be for Cause, but is not in full compliance with all of the substantive and procedural requirements relating to a termination for Cause under this Agreement, shall be treated as a termination of employment without Cause.

F. Termination for Good Reason. The Executive may terminate the Executive's employment under this Agreement at any time for Good Reason upon the occurrence (or within 180 days following the occurrence, provided that the Executive furnishes the Company with written notice of the Executive's belief that grounds for a Good Reason termination by the Executive exists no later than sixty (60) days after becoming aware of the occurrence) of any one or more of the following acts or omissions which, if curable, is not cured within thirty (30) days after notice of the occurrence is provided by Executive: (1) any action by the Company which results in a material diminution in Executive's position, authority, duties or responsibilities as Senior Vice President and Chief Financial Officer of the Company (including status, offices, titles and reporting requirements contemplated by this Agreement); (2) a material breach by the Company of its obligations under this Agreement, including, without limitation, a reduction of Executive's Base Salary or target bonus opportunity in violation of this Agreement; or (3) the Company requiring the Executive to be based at any office location that is more than fifty (50) miles from its current headquarters in Warren, New Jersey, except for travel reasonably required in connection with the performance of the Executive's responsibilities hereunder. Notwithstanding the foregoing, if a "Change in Control" (as hereinafter defined) occurs, the Executive will not have "Good Reason" to terminate the

Executive's employment under this Agreement merely because the Executive reports to a senior executive officer of a company that acquires the Company.

6. Obligations of the Company Upon Termination.

A. Termination for Cause. In the event that the Executive's employment under this Agreement is terminated for Cause, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement, to or for the benefit of the Executive, for any period after the effective date of such termination, or to pay the Target Annual Bonus or any other bonus or incentive compensation for the fiscal year in which such termination occurs; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the effective date of such termination; (ii) any unpaid Annual Bonus earned by the Executive for the year preceding the year in which the Executive's employment terminates; and (iii) any benefits under any plans of the Company in which the Executive is a participant, consistent with the Executive's (or the Executive's beneficiaries') rights under such plans.

B. Termination by Reason of Death or Permanent Disability. In the event that the Executive's employment under this Agreement terminates due to the Executive's death or is terminated by the Company due to the Executive's Permanent Disability, the Company shall, within five (5) business days following such termination, provide to the Executive (or the Executive's estate or other beneficiaries, as the case may be): (i) a cash payment consisting of the sum of any previously unpaid Base Salary earned by the Executive through the date on which the Executive's employment terminates, any unpaid Annual Bonus earned by the Executive for the year preceding the year in which the Executive's employment terminates, and any accrued and unused vacation pay for the year in which the Executive's employment terminates; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's (or the Executive's beneficiaries') rights under such plans; (iii) a cash payment consisting of the Executive's Target Annual Bonus for the year of termination, pro-rated for the number of days the Executive is employed during the calendar year in which the Executive's employment terminates ("Pro Rata Bonus"); and (iv) accelerated vesting of all outstanding stock options, restricted stock units ("RSUs"), stock appreciation rights ("SAR"), restricted stock ("Restricted Stock") and other equity-based compensation awards as if the Executive's employment had continued through the end of the year in which the Executive's employment terminates or, in the case of any such award that is subject to "cliff vesting," on a pro rata basis determined by a fraction the numerator of which is the number of days during such vesting period, and the denominator of which is the total number of days in the vesting period that have elapsed as of the date the Executive's employment terminates. Notwithstanding the immediately preceding sentence, with respect to any unvested stock options, RSUs, SARs, Restricted Stock and other equity-based compensation that are unvested at the time of termination of employment under this Section 6(B), and which are subject to a performance condition or performance period that ends at or after the date of employment termination, such awards will be assumed to have been achieved at "target", and the Executive will be entitled to receive a pro rata share of such awards, determined by a fraction the numerator of which is the number of days during the performance period in

which Executive was employed, and the denominator of which is the total number of days in the performance period. Stock options, SARs and other equity-based compensation awards that are or become vested upon termination of the Executive's employment due to death or Permanent Disability will be exercisable (if applicable) for at least one year after the date of such termination or, if earlier, until the expiration of the stated term of the award.

C. Voluntary Resignation. In the event that the Executive voluntarily resigns from the Executive's employment with the Company, the Company may, at its discretion, continue the Executive's employment with the Company for any part or the full duration of the 30-day notice period required under Section 5(D). In the event of said termination, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement to or for the benefit of the Executive for any period after such termination; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the date of such termination; and (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's (or the Executive's beneficiaries') rights under such plans.

D. Termination by the Company Without Cause or by Executive for Good Reason—Unrelated to Change in Control. In the event that the Executive's employment under this Agreement is terminated by the Company without Cause (pursuant to Section 5(E)) or by the Executive for Good Reason (pursuant to Section 5(F)), the Company shall provide to the Executive: (i) a cash payment consisting of the sum of any previously unpaid Base Salary earned by the Executive through the date on which the Executive's employment terminates, any unpaid Annual Bonus earned by the Executive for the year preceding the year in which the Executive's employment terminates, and any accrued and unused vacation pay for the year in which the Executive's employment terminates; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's (or the Executive's beneficiaries') rights under such plans; (iii) a cash payment consisting of the Executive's Pro Rata Bonus for the year of termination; (iv) monthly payments for a period of twelve (12) months (the "Severance Period") following the termination of Executive's employment equal to 1/12 of the sum of Executive's Base Salary and Target Annual Bonus (in each case determined without regard to any reduction prior to the termination of Executive's employment); (v) continuing coverage under the Company's group health and life insurance plans in which the Executive is a participant immediately before the termination of the Executive's employment (or any successor plans), at the same levels and on the same terms and conditions as are provided to similarly situated executives during the Severance Period (or, if such coverage is not permitted by law or the applicable plan, the cash equivalent of such coverage, grossed up if and to the extent necessary to negate the tax impact of such payment and to negate the tax impact of the gross-up payment); and (vi) full and immediate vesting of unvested stock options, RSUs, SARs, Restricted Stock and other equity-based compensation awards which are outstanding as of the date of the termination of Executive's termination and due to become vested during the Severance Period, with any such stock options, SARs and other equity-based compensation awards that are vested on the date of such termination or become vested in

accordance with this Section 6(D) remaining exercisable, as applicable, for one year after the date the Executive's employment terminates or, if earlier, until the expiration of the stated term of the award. Notwithstanding the immediately preceding sentence, with respect to any unvested stock options, RSUs, SARs, Restricted Stock and other equity-based compensation that are unvested at the time of termination of employment under this Section 6(D), and which are subject to a performance condition or performance period that ends at or after the date of employment termination, such awards will be assumed to have been achieved at "target." The payments and benefits described in parts (iv) – (vi) of this subsection shall be conditioned upon and subject to the Executive's continuing compliance with the Executive's obligations under Section 8 of this Agreement, and the Executive's execution and delivery of a general release substantially in the form annexed hereto as Exhibit A.

E. Termination in Conjunction with a Change in Control.

(1) Severance Protection Upon Involuntary Termination. In the event that, during the period beginning one hundred and eighty (180) days before the effective date of a Change in Control and ending twelve (12) months following the effective date of a Change in Control, the Executive's employment is terminated by the Company without Cause (pursuant to Section 5(E)) or by the Executive for Good Reason (pursuant to Section 5(F)), the Executive shall be entitled to the payments and benefits described in the preceding Section 6(D) except (i) in lieu of the severance payments described in Section 6(D)(iv), Executive will be entitled to receive an immediate cash payment of an amount equal to twelve (12) months of the Executive's Base Salary and 1.0 times the Target Annual Bonus (in each case determined without regard to any reduction prior to the termination of Executive's employment); and (ii) the benefit continuation period described in Section 6(D)(v) shall commence on the date the Executive's employment terminates and expire twelve (12) months from such date of termination. The payments and benefits described in the preceding sentence and in Sections 6(D)(iv) and 6(D)(v) and the single sum severance payment described in the preceding sentence shall be conditioned upon and subject to the Executive's continuing compliance with the Executive's obligations under Section 8 of this Agreement, and the Executive's execution and delivery of a general release substantially in the form annexed hereto as Exhibit A.

(2) Definition of Change in Control. For the purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if (a) any person (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), or group (within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")), becomes, in any 12-month period ending on the date of the most recent acquisition of the voting securities of the Company or any successor entity by such person, persons, or group, directly or indirectly, the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of the outstanding voting securities of the Company or successor entity; or (b) there shall have been

consummated a consolidation, merger or reorganization of the Company or any successor entity, unless the holders of the equity interests of the Company or successor entity, immediately before such consolidation, merger or reorganization own, directly or indirectly, at least a majority of the outstanding voting securities or at least a majority of the aggregate fair market value of the corporation or other entity resulting from such consolidation, merger or reorganization; or (c) a sale, transfer, liquidation or other disposition of the Company or successor entity's assets and properties representing all or substantially all of the aggregate fair market value of such assets and properties is consummated during any 12-month period; provided, however, that no "Change in Control" shall be deemed to have occurred under this Section 6(E)(2) unless such occurrence, event or condition shall constitute a change in the ownership or effective control of the Company or any successor entity or a change in the ownership of a substantial portion of the Company or successor entity's assets, each as determined under Section 409A(a)(2)(A)(v) of the Code.

F. 409A Compliance. The Company shall take all reasonable actions to ensure that none of the amounts earned or payable under this Agreement or under any Company stock purchase, compensation or other equity incentive plan will violate Section 409A of the Code. To the extent necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any amounts payable on account of the Executive's separation from service shall be paid (or commence to be paid in the case of any payments to be made in installments) on the first business day of the seventh month following the Executive's date of termination (or death, if earlier) and the first such payment shall include the cumulative amount of any payments that would have been made prior to such date if not for such restriction, together with interest at an annual rate equal to the minimum rate required by the Code in order to avoid the imputation of interest on short-term loans between employers and employees. The date of the Executive's termination of employment shall be determined in accordance with Treasury Regulation Section 1.409A-1(h). Except as otherwise provide herein, any payment required as a result of a termination of employment will be made (or, with respect to any payments to be made in installments under this Agreement, commenced) within 45 days following such event. Notwithstanding anything else herein to the contrary, to the extent that any payments due under the terms of this Agreement are conditioned upon the delivery and non-revocation of a release, and if any of those payments are determined to be nonqualified deferred compensation that is subject to the requirements of Section 409A of the Code, and if the period for consideration and revocation of such release spans two calendar years, then any such payment shall not be made until the later of (i) the end of the revocation period following delivery of the release, or (ii) the first business day of the second calendar year.

G. Value of Insurance Coverage During Severance Period. To the extent any medical or dental plan covering any post-employment period is a "self-insured medical reimbursement plan" under Section 105(h) of the Code, and such coverage would be discriminatory thereunder, the value of the insurance coverage during the post-termination coverage period (based upon premium value) shall be reported as taxable income to the Executive, and the Company shall pay the Executive promptly no later than January 15th of the

year of coverage, such additional cash payments as are necessary for the Executive to receive the same net after-tax benefits (taking into account all federal, state and local income, excise and employment taxes) that the Executive would have received under such plans if the Executive had continued to receive such plan benefits while employed with the Company; provided that any such additional cash payment that would be so immediately paid shall be subject to the provisions of Section 6(F) in connection with compliance with Section 409A of the Code.

7. Section 280G.

A. Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or its affiliates or subsidiaries to the Executive or for the Executive's benefit pursuant to the terms of this Agreement or otherwise, including, without limitation, payments in connection with a Change in Control or the vesting of shares of Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, stock options or other equity awards or other non-cash benefits or property), whether pursuant to the terms of this Agreement or any other plan, arrangement, or agreement with the Company or any affiliated company (the "Total Payments") ("Covered Payments") constitute parachute payments ("Parachute Payments") within the meaning of Section 280G of the Code and would, but for this Section 7, be subject to the excise tax imposed under Section 4999 of the Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Executive of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount under (ii) above, then the Covered Payments will be reduced or cut back by the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "Reduced Amount"). "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes.

B. Any such reduction shall be made in accordance with Section 409A of the Code and the following:

(i) the Covered Payments which do not constitute nonqualified deferred compensation subject to Section 409A of the Code shall be reduced first; and

(ii) all other Covered Payments shall then be reduced as follows: (A) cash payments shall be reduced before non-cash payments; and (B) payments to be made on a later payment date shall be reduced before payments to be made on an earlier payment date.

C. Any determination required under this Section 7 shall be made in writing in good faith by an independent accounting firm selected by the Company (the "Accountants"). The Company and the Executive shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under

this Section 7. For purposes of making the calculations and determinations required by this Section 7, the Accountants may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Accountants' determinations shall be final and binding on the Company and the Executive. The Company shall be responsible for all fees and expenses incurred by the Accountants in connection with the calculations required by this Section 7.

D. It is possible that after the determinations and selections made pursuant to this Section 7 the Executive will receive Covered Payments that are in the aggregate more than the amount provided for under this Section 7 ("Overpayment") or less than the amount provided for under this Section 7 ("Underpayment").

(i) In the event that: (A) the Accountants determine, based upon the assertion of a deficiency by the Internal Revenue Service against either the Company or the Executive which the Accountants believe has a high probability of success, that an Overpayment has been made or (B) it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that has been finally and conclusively resolved that an Overpayment has been made, then the Executive shall pay any such Overpayment to the Company.

(ii) In the event that: (A) the Accountants, based upon controlling precedent or substantial authority, determine that an Underpayment has occurred or (B) a court of competent jurisdiction determines that an Underpayment has occurred, any such Underpayment, together with penalties accruing thereon, if any, plus interest at the applicable federal rate (as defined in Section 7872(f)(2)(A) of the Code) from the date the amount would have otherwise been paid to the Executive until the payment date, will be paid promptly by the Company to or for the benefit of the Executive.

E. The Company shall have the right to control all proceedings with the Internal Revenue Service that may arise in connection with the determination and assessment of any Excise Tax and, at its sole option, the Company may pursue or forgo any and all administrative appeals, proceedings, hearings, and conferences with any taxing authority in respect of such Excise Tax (including any interest or penalties thereon). Executive shall cooperate with the Company in any proceedings relating to the determination and assessment of any Excise Tax and shall not take any position or action that would materially increase the amount of any Overpayment or Underpayment.

8. Covenants of the Executive. In order to induce the Company to enter into this Agreement and continue to employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 8 herein, references to "Company" shall be deemed to include the Company's wholly-owned subsidiaries, if any, and the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems and such other lines of business in which the Company or its wholly-owned subsidiaries, if any, is actively engaged or actively pursuing and with respect to which Executive has oversight responsibility or is otherwise substantively involved.

A. Non-Competition. During the Employment Term, including any extensions thereof, and for a period of twelve (12) months immediately following the termination of Executive's employment under this Agreement for any reason other than death (the "Restrictive Period"), except as provided herein, Executive shall not directly or indirectly: (a) engage in or in any manner be connected or concerned, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise with the development, operation, management, or conduct of any business in the United States that competes with the business of the Company being conducted at the time of such termination; (b) solicit or otherwise attempt to divert business from or interfere in the Company relationship with any supplier of the Company or any customer served by the Company or and potential customer identified by the Company during the period of Executive's employment hereunder; or (c) solicit, hire or otherwise interfere with the Company relationship with any person then or previously employed by the Company; provided, however, that, after the termination of Executive's employment, Executive shall not be bound by the Covenant set forth in this subparagraph following a material breach by the Company of any of its obligations to the Executive hereunder or in the event of the cessation or dissolution of the Company business. As used herein, "cessation or dissolution" means total liquidation of the Company and does not include a cessation of business due to any Change in Control. Nothing contained herein shall prohibit Executive from owning up to 3% of the stock of a publicly traded company that competes with the business of the Company or, following the termination of the Executive's employment with the Company, prevent the Executive from being employed by or otherwise affiliated with a line of business of another company that engages in multiple lines of business so long as the Executive is not employed by, does not provide services with respect to and is not otherwise involved in the line or lines of business of such other company that compete with the Company.

B. Confidentiality. During the Employment Term, and following the termination of this Agreement for any reason for as long as the information remains confidential, Executive shall not make any use, for the Executive's own benefit or for the benefit of a business or entity other than the Company, of any verbal or written secret or confidential information. Such confidential information shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer print-outs, or any other data of or pertaining to the Company, its business, customers and financial affairs, or its services not generally known within the Company's trade and which was acquired by the Executive during the Executive's affiliation with the Company. Executive shall not remove from the Company premises or retain without the Company's written consent any of the Company's confidential information as defined herein, or copies thereof or extracts therefrom. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge, or data of the Company or its business or production operations obtained by Executive during the Executive's employment by the Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Executive) and shall not, during the Executive's employment hereunder or after the termination of such employment, communicate or divulge any such information,

knowledge or data to any person, firm or corporation other than the Company or persons, firms or corporations designated by the Company. Executive acknowledges that this information is treated as confidential by the Company, that the Company takes meaningful steps to protect the confidentiality of this information, and that the Company has at all times directed Executive to maintain the confidentiality of this information. Immediately upon termination of this Agreement, Executive shall return all of the Company's property to it, including any and all copies of said property. Notwithstanding this provision or any provision in this Agreement to the contrary, nothing contained in this Agreement is intended to nor shall it limit or prohibit the Executive, or waive any right on his part, to make any good faith reports to, initiate or engage in communication with, respond to any inquiry from, otherwise provide information to, participate in any investigation or proceeding that may be conducted by, or obtain any monetary recovery from, any federal or state regulatory, self-regulatory, or enforcement agency or authority, as provided for, protected under or warranted by applicable law, in all events without notice to or consent of the Company.

C. Ownership of Work Product. Executive agrees that the Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to the Company's business that Executive conceives, develops during the period of the Executive's employment with the Company or delivers to the Company while performing services pursuant to this Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law. All Work Product shall be considered a work made for hire by Executive and owned by the Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for the Company, or if ownership of all right, title and interest of the intellectual property rights therein shall not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to the Company, its successors and assigns. The Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof, a "trade secret" shall mean any information, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings. processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of the Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the

Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable): (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance; (b) obtain and aid in the enforcement of copyright and, if applicable, patents with respect to the Work Product in any countries; (c) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of the Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of the Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of the Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of the Company. Executive shall immediately disclose to the Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by the Company to perfect the Company's title thereto, or to the patents issued thereon, or to otherwise secure and protect the Company's property rights therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed or made by Executive during employment with the Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of the Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of the Company or to the Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for the Company.

E. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope, both individually and in the aggregate, and essential to the preservation of the Company's business and proprietary interests and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with the Company for any reason, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of the Executive's family, and those dependent upon the Executive of at least the sort and fashion to which the Executive and they have become accustomed and may expect. The Company and the Executive further agree that if any particular provision or portion of this Section 8 shall be adjudicated to be invalid or unenforceable, such adjudication shall apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. The Company and Executive also agree that in the event that any restriction herein shall be found to be void or unenforceable if some part or parts thereof were deleted or the period or area of application reduced, such restriction shall apply with such modification as may be necessary to make it valid and enforceable to the fullest extent possible consonant with applicable law. In addition, pursuant to the Defend Trade Secrets Act of 2016, the parties acknowledge that

(a) an individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding; and (b) an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

F. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Agreement or with the performing of any duties for the Company, or any other rights of the Company; and (b) neither the Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

G. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

H. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 8 in particular, and this Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any such breach. Accordingly, if Executive breaches any covenant in this Section 8, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Agreement shall be construed as precluding the Company from seeking such equitable or injunctive relief in a court of competent jurisdiction for Executive's violations of Section 8. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may

have resulted from a breach of the covenants of this Agreement. Any waiver or failure to seek enforcement or remedy for any breach or suspected breach of any covenant of Executive in this Agreement shall not be deemed a waiver of such provision in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Agreement or otherwise, shall not operate as a defense to the Company enforcement of any provision of this Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 8 may be brought in any court of competent jurisdiction.

9. Indemnification. Subject to the Company by-laws, to the fullest extent allowed or permitted under any provision of applicable law, the Company shall indemnify Executive against any losses, claims, damages or liabilities, or expenses (including reasonable attorneys' fees) incurred by Executive arising out of any claim based upon acts performed or omitted to be performed by Executive in connection with the Executive's employment with the Company.

10. Attorneys' Fees. In any action brought by any party under this Agreement to enforce any of its terms, or any appeal therefrom, each party shall bear its own costs and expenses, including its own attorneys' fees; provided, however, that the Executive (or the Executive's estate or other beneficiaries, as the case may be) will be entitled to reimbursement for reasonable costs and expenses, including reasonable attorneys' fees, with respect to such action if and to the extent that the Executive (or the Executive's estate or other beneficiaries, as the case may be) is the prevailing party.

11. Cooperation. Executive agrees that, after the termination of the Executive's employment, the Executive shall cooperate on a reasonable basis in the truthful and honest prosecution and/or defense of any claim in which the Company, its affiliates and/or its subsidiaries may have an interest (subject to reasonable limitations and the Executive's other commitments concerning time and place), which may include, without limitation, making himself available on a reasonable basis to participate in any proceeding involving the Company, its affiliates and/or its subsidiaries, appearing for depositions and testimony without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information. The Company agrees to reimburse Executive for all expenses reasonably incurred by him and to pay reasonable compensation to Executive for and in connection with services provided by the Executive pursuant to this section.

12. Travel Restrictions. As is reasonable, Executive has the right to refuse travel to destinations deemed politically unstable or otherwise hostile and/or those that may represent a danger to the Executive's health and well-being.

13. Notices. Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the Company at its principal headquarters address and to the Executive at the Executive's last address on record with the Company. Either party may change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto in accordance with the terms of this Section 13.

14. Venue; Jurisdiction. The validity, construction, interpretation, and enforceability of this Agreement shall be determined and governed by the laws (procedural and substantive) of the State of New Jersey without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction of, and agree that such litigation shall be conducted in, any state or federal court located in the State of New Jersey.

15. Binding Effect; Assignment. Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Agreement, or any right or interest herein. This Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

16. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter, it being understood that this Agreement shall expressly supersede any employment agreement between Executive and the Company, and any amendments thereto. This Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; provided, however, that any waiver by either party with respect to any provision hereof, or the breach of any provision hereof by the other party, need be signed only by the party waiving such provision or breach; and provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

17. Severability. In case any one or more of the provisions of this Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not be affected thereby.

18. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

19. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. Survival. The provisions of Sections 6-11 and 13-20 of this Agreement shall survive any termination of this Agreement and the termination of Executive's employment by either party for any reason.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

AQUESTIVE THERAPEUTICS, INC.	EXECUTIVE
By: _____	_____
Keith J. Kendall, President and CEO	A. Ernest Toth, Jr.

EXHIBIT A
GENERAL RELEASE

In exchange for certain payments and benefits to be provided to me by Aquestive Therapeutics, Inc. pursuant to the Employment Agreement dated as of _____, between the undersigned executive (the "Executive") and Aquestive Therapeutics, Inc., the Executive hereby knowingly and voluntarily waives, releases and discharges Aquestive Therapeutics, Inc., its predecessors, successors, parent corporations, subsidiaries, affiliates and each of their employees, officers and directors, agents, trustees, and fiduciaries (the "Company") from any and all claims, liabilities, demands, and causes of action, which the Executive may have or claim to have against the Company, including any and all claims arising out of or relating in any way to the Executive's employment and/or separation of employment from the Company. This General Release specifically waives and releases all rights, claims, causes of action, demands, and liabilities which may arise up to and including the date the Executive signs this General Release. This General Release does not, however, waive or release any rights or claims which may arise after the date the Executive signs this General Release. This General Release of claims includes, but is not limited to:

a. all State and Federal statutory claims including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Worker Benefit Protection Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Retirement Income Security Act, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, the New Jersey Law Against Discrimination, the New Jersey Civil Rights Act, the New Jersey Civil Union Act, the New Jersey Wage and Hour Law, the New Jersey Conscientious Employee Protection Act, the New Jersey Domestic Partnership Act, and the New Jersey Family Leave Act;

b. All claims arising under the United States and New Jersey Constitutions;

c. All claims arising under any Executive Order or derived from or based upon any State or Federal regulations;

d. All common law claims including, but not limited to, claims for wrongful or constructive discharge, public policy claims, retaliation claims, claims for breach of an express or implied contract, claims for breach of an implied covenant of good faith and fair dealing, intentional infliction of emotional distress, defamation, fraud, conspiracy, loss of consortium, tortious interference with contract or prospective economic advantage, promissory estoppel and negligence;

e. All claims for any compensation including, but not limited to, back wages, front pay, overtime pay, bonuses or awards, fringe benefits, reinstatement, retroactive seniority, pension benefits, or any other form of economic loss;

f.. All claims for personal injury including, but not limited to, physical injury, mental anguish, emotional distress, pain and suffering, embarrassment, humiliation, damage to name or reputation, liquidated damages, and punitive damages; and

g. All claims for costs and attorneys' fees.

The Executive hereby acknowledges that the Company is advising the Executive in writing that the Executive should consult with an attorney prior to executing this General Release. The Executive hereby states that the Executive has had the opportunity to discuss this General Release with whomever the Executive wished, including an attorney of the Executive's own choosing. The Executive further states that the Executive has had the opportunity to read, review, and consider all of the provisions of this General Release; that the Executive understands its provisions and its binding effect on him; and that the Executive is entering into this General Release freely, voluntarily, and without duress or coercion. The Executive acknowledges that the Executive has not relied upon the Company employees, officers or directors, counsel, agents or accountants for any legal, tax or other advice, and the Executive has, to the extent the Executive deems necessary, consulted with the Executive's own advisors as to these matters. The Executive represents that the Executive has not filed any grievance, charge, claim, or complaint of any kind seeking personal recovery or personal injunctive relief against the Company or any of its owners, officers, directors, employees or agents, with respect to any matter, including but not limited to, the Executive's employment with the Company and/or the separation of that employment. Nothing contained in this paragraph shall prohibit the Executive from (a) bringing any action to enforce the terms of this Agreement and General Release; (b) filing a timely charge or complaint with the Equal Employment Opportunity Commission ("EEOC") regarding the validity of this Agreement and General Release; (c) filing a timely charge or complaint with the EEOC or participating in any investigation or proceeding conducted by the EEOC regarding any claim of employment discrimination (although the Executive has waived any right to personal recovery or personal injunctive relief in connection with any such charge or complaint); (d) initiating or engaging in communication with, responding to any inquiry from, or otherwise providing information to, any other federal or state regulatory, self-regulatory or enforcement agency or authority; or (e) seeking or obtaining an award under the whistleblower provisions of the federal securities laws.

The Executive understands that the Executive has twenty-one (21) calendar days within which to consider this General Release before signing it. The Executive also understands that the Executive is free to use as much of the twenty-one (21) calendar day period as the Executive wishes or considers necessary before deciding to sign this General Release. The Executive may revoke the Executive's signature of this General Release within seven (7) calendar days of signing it by delivering written notice of revocation to the Director of Human Resources of the Company, 30 Technology Drive South, Warren, New Jersey 07059. If Executive has not revoked the Executive's signature of this General Release by written notice delivered within the seven (7) calendar day period, it becomes effective immediately thereafter.

The Executive understands that the Executive's failure or refusal to execute this General Release or the Executive's timely revocation of this General Release will result in forfeiture of any severance payments and benefits.

BY SIGNING THIS GENERAL RELEASE, THE EXECUTIVE ACKNOWLEDGES THAT:

THE EXECUTIVE HAS READ IT;

THE EXECUTIVE UNDERSTANDS IT AND KNOWS THAT HE/SHE IS GIVING UP IMPORTANT RIGHTS;

THE EXECUTIVE AGREES WITH EVERYTHING IN IT;

THE EXECUTIVE HAS BEEN ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS GENERAL RELEASE; AND

THE EXECUTIVE HAS SIGNED THIS GENERAL RELEASE KNOWINGLY AND VOLUNTARILY.

EXECUTIVE

_____
A. Ernest Toth, Jr.

AQUESTIVE THERAPEUTICS, INC.

By: _____
Name: _____
Title: _____

Exhibit 31.1

Certification of Principal Executive Officer of Aquestive Therapeutics, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Keith J. Kendall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aquestive Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ KEITH J. KENDALL
Keith J. Kendall
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial and Accounting Officer of Aquestive Therapeutics, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, A. Ernest Toth, Jr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aquestive Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, consolidated results of operations and consolidated cash flows of the registrant as of, and for, the periods presented in this 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 subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ A. ERNEST TOTH, JR.
A. Ernest Toth, Jr.
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Keith J. Kendall, President and Chief Executive Officer of Aquestive Therapeutics, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period-ended June 30, 2021, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Quarterly Report and the results of operations of the Company for the period covered by the Quarterly Report.

Date: August 3, 2021

/s/ KEITH J. KENDALL
Keith J. Kendall
President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Aquestive Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Quarterly Report), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

Certification of Principal Financial and Accounting Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, A. Ernest Toth, Jr., Chief Financial Officer of Aquestive Therapeutics, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period-ended June 30, 2021, to which this Certification is attached as Exhibit 32.2 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Quarterly Report and the results of operations of the Company for the period covered by the Quarterly Report.

Date: August 3, 2021

/s/ A. ERNEST TOTH, JR
A. Ernest Toth, Jr.
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Aquestive Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Quarterly Report), irrespective of any general incorporation language contained in such filing.