UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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: 001-38738

ETON PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**37-1858472**
(State of incorporation)	**(I.R.S. Employer Identification Number)**

21925 W. Field Parkway, Suite 235
Deer Park, Illinois 60010-7278
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (847) 787-7361

Securities registered pursuant to Section 12(b) of the Act	**Trading Symbol**	**Name of each exchange on which registered**
Common stock, $0.001 par value per share	ETON	Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter time that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

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

As of August 8, 2022, Eton Pharmaceuticals, Inc. had outstanding 25,297,037 shares of common stock, $0.001 par value.

Eton Pharmaceuticals, Inc.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Eton Pharmaceuticals, Inc.
Condensed Balance Sheets
(in thousands, except share and per share amounts)

	June 30, 2022	December 31, 2021
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 17,046	$ 14,406
Accounts receivable, net	834	5,471
Inventories	531	550
Prepaid expenses and other current assets	1,365	3,177
Total current assets	**19,776**	**23,604**
Property and equipment, net	87	115
Intangible assets, net	3,108	3,621
Operating lease right-of-use assets, net	63	104
Other long-term assets, net	12	21
Total assets	**$ 23,046**	**$ 27,465**
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,299	$ 1,774
Current portion of long-term debt	364	1,418
Accrued liabilities	2,149	1,366
Total current liabilities	**3,812**	**4,558**
Long-term debt, net of discount and including accrued fees	5,992	5,262
Operating lease liabilities, net of current portion	—	15
Total liabilities	**9,804**	**9,835**
Commitments and contingencies (Note 11)		
Stockholders' equity		
Common stock, $0.001 par value; 50,000,000 shares authorized; 25,272,037 and 24,626,004 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	25	25
Additional paid-in capital	114,218	111,718
Accumulated deficit	(101,001)	(94,113)
Total stockholders' equity	**13,242**	**17,630**
Total liabilities and stockholders' equity	**$ 23,046**	**$ 27,465**

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	For the three months ended		For the six months ended	
	June 30, 2022	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Revenues:				
Licensing revenue	$ 5,000	$ 2,500	$ 5,000	$ 14,000
Product sales and royalties	2,358	567	4,534	964
Total net revenues	**7,358**	**3,067**	**9,534**	**14,964**
Cost of sales:				
Licensing revenue	990	—	990	1,500
Product sales and royalties	1,755	174	2,604	301
Total cost of sales	**2,745**	**174**	**3,594**	**1,801**
Gross profit	**4,613**	**2,893**	**5,940**	**13,163**
Operating expenses:				
Research and development	690	1,990	2,308	2,876
General and administrative	5,263	3,228	10,059	7,249
Total operating expenses	**5,953**	**5,218**	**12,367**	**10,125**
(Loss) income from operations	**(1,340)**	**(2,325)**	**(6,427)**	**3,038**
Other (expense) income:				
Interest and other expense, net	(218)	(237)	(461)	(484)
Gain on PPP loan forgiveness	—	365	—	365
Gain on equipment sale	—	181	—	181
(Loss) income before income tax expense	**(1,558)**	**(2,016)**	**(6,888)**	**3,100**
Income tax expense	—	—	—	—
Net (loss) income	**$ (1,558)**	**$ (2,016)**	**$ (6,888)**	**$ 3,100**
Net loss (income) per share, basic	**$ (0.06)**	**$ (0.08)**	**$ (0.28)**	**$ 0.12**
Net loss (income) per share, diluted	**$ (0.06)**	**$ (0.08)**	**$ (0.28)**	**$ 0.12**
Weighted average number of common shares outstanding, basic	25,126	25,211	24,915	25,133
Weighted average number of common shares outstanding, diluted	25,126	25,211	24,915	26,486

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Stockholders' Equity
For the three months ended June 30, 2022 and 2021
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances at March 31, 2022	**24,626,004**	**$ 25**	**$ 112,801**	**$ (99,443)**	**$ 13,383**
Stock-based compensation	—	—	1,056	—	1,056
Employee stock purchase plan	47,585	—	117	—	117
Warrant exercises	598,448	—	—	—	—
Warrant extensions	—	—	244	—	244
Net loss	—	—	—	(1,558)	(1,558)
Balances at June 30, 2022	**25,272,037**	**$ 25**	**$ 114,218**	**$ (101,001)**	**$ 13,242**

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances at March 31, 2021	**24,482,616**	**$ 24**	**$ 108,573**	**$ (87,042)**	**$ 21,555**
Stock-based compensation	—	—	836	—	836
Stock option exercises	63,233	1	226	—	227
Employee stock purchase plan	29,326	—	134	—	134
Common stock issued related to restricted stock units	25,000	—	—	—	—
Net loss	—	—	—	(2,016)	(2,016)
Balances at June 30, 2021	**24,600,175**	**$ 25**	**$ 109,769**	**$ (89,058)**	**$ 20,736**

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Stockholders' Equity
For the six months ended June 30, 2022 and 2021
(in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances at December 31, 2021	**24,626,004**	**$ 25**	**$ 111,718**	**$ (94,113)**	**$ 17,630**
Stock-based compensation	—	—	2,139	—	2,139
Employee stock purchase plan	47,585	—	117	—	117
Warrant exercises	598,448	—	—	—	—
Warrant extensions	—	—	244	—	244
Net loss	—	—	—	(6,888)	(6,888)
Balances at June 30, 2022	**25,272,037**	**$ 25**	**$ 114,218**	**$ (101,001)**	**$ 13,242**

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balances at December 31, 2020	**24,312,808**	**$ 24**	**$ 107,797**	**$ (92,158)**	**$ 15,663**
Stock-based compensation	—	—	1,509	—	1,509
Stock option exercises	138,233	1	329	—	330
Employee stock purchase plan	29,326	—	134	—	134
Common stock issued related to restricted stock units	25,000	—	—	—	—
Warrant exercises	94,808	—	—	—	—
Net income	—	—	—	3,100	3,100
Balances at June 30, 2021	**24,600,175**	**$ 25**	**$ 109,769**	**$ (89,058)**	**$ 20,736**

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

Eton Pharmaceuticals, Inc.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities		
Net (loss) income	$ (6,888)	$ 3,100
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock-based compensation	2,383	1,509
Depreciation and amortization	1,352	240
Debt discount amortization	66	73
Gain on forgiveness of debt	—	(365)
Gain on sale of equipment	—	(181)
Changes in operating assets and liabilities:		
Accounts receivable	4,637	(255)
Inventories	19	—
Prepaid expenses and other assets	1,827	419
Accounts payable	(475)	(822)
Accrued liabilities	763	(372)
Net cash provided by operating activities	**3,684**	**3,346**
Cash (used in) provided by investing activities		
Proceeds from sale of equipment	—	700
Purchase of product license rights	(750)	—
Purchases of property and equipment	(26)	(3)
Net cash (used in) provided by investing activities	**(776)**	**697**
Cash flows from financing activities		
Repayment of long-term debt	(385)	—
Proceeds from employee stock option exercises and ESPP	117	464
Net cash (used in) provided by financing activities	**(268)**	**464**
Change in cash and cash equivalents	**2,640**	**4,507**
Cash and cash equivalents at beginning of period	14,406	21,295
Cash and cash equivalents at end of period	$ 17,046	$ 25,802
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 378	$ 424

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

Note 1 — Company Overview

Eton is an innovative pharmaceutical company focused on developing, acquiring, and commercializing innovative products to address unmet needs in patients suffering from rare diseases. The Company seeks to improve the formula, delivery system, or safety of existing molecules in order to address unmet patient needs.

The Company currently commercializes two rare disease products, ALKINDI SPRINKLE® for the treatment of adrenocortical insufficiency and Carglumic Acid for the treatment of acute hyperammonemia due to N-acetylglutamate synthase (NAGS) deficiency, and has two additional product candidates in late-stage development. The Company is developing dehydrated alcohol injection, which has received Orphan Drug Designation for the treatment of methanol poisoning, and the ZENEO® hydrocortisone autoinjector for the treatment of adrenal crisis.

In addition, the Company is entitled to royalties or milestone payments from six FDA-approved products that the Company developed and out-licensed. The products include Alaway® Preservative Free, EPRONTIA™, Cysteine Hydrochloride, Zonisade®, Biorphen®, and Rezipres®.

Note 2 — Liquidity Considerations

To date, the Company has generated revenues from ten products and expects further growth in 2022 and beyond in accordance with additional market penetration from these products plus revenues from licensing and additional products where it anticipates FDA approval.

The Company currently believes its existing cash and cash equivalents of $17,046 as of June 30, 2022 along with revenues from approved products and additional milestone payments expected to be paid in 2022 will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next twelve months from the date of filing of this quarterly report. This estimate is based on the Company's current assumptions, including assumptions relating to estimated sales and its ability to manage its spending. The Company could use its available capital resources sooner than currently expected. Accordingly, the Company could seek to obtain additional capital through equity financings, the issuance of debt or other arrangements. However, there can be no assurance that the Company will be able to raise additional capital if needed or under acceptable terms, if at all. The sale of additional equity may dilute existing stockholders and newly issued shares could contain senior rights and preferences compared to currently outstanding common shares. The Company's existing long-term debt obligation contains covenants and limits the Company's ability to pay dividends or make other distributions to stockholders. If the Company experiences delays in product sales growth, completing its product development and obtaining regulatory approval for its other product candidates and is unable to obtain such additional financing, operations might need to be scaled back or discontinued.

Note 3 — Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying condensed financial statements in accordance with accounting principles generally accepted in the United States ("GAAP").

Unaudited Interim Financial Information

The accompanying interim condensed financial statements are unaudited and have been prepared on the same basis as the audited financial statements and, in the opinion of management, reflect all adjustments necessary for the fair presentation of the Company's financial position as of June 30, 2022 and the results of its operations and its cash flows for the periods ended June 30, 2022 and 2021. The financial data and other information disclosed in these notes related to the three-month and six-month periods ended June 30, 2022 and 2021 are also unaudited. The results for the three-month and six-month periods ended June 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022, any other interim periods or any future year or period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, provisions for uncollectible receivables and sales returns, valuation of inventories, useful lives of assets and the impairment of property and equipment, the accrual of research and development expenses and the valuation of common stock, stock options and warrants. Estimates are periodically reviewed in light of changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates or assumptions.

Segment Information

The Company operates the business on the basis of a single reportable segment, which is the business of developing and commercializing prescription drug products. The Company's chief operating decision-maker is the Chief Executive Officer ("CEO"), who evaluates the Company as a single operating segment.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All cash and cash equivalents are held in U.S. financial institutions or invested in short-term U.S. treasury bills or high-grade money market funds. As of June 30, 2022, the Company's cash is in a non-interest bearing account as well as a government money market fund. From time to time, amounts deposited with its bank exceed federally insured limits. The Company believes the associated credit risk to be minimal.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. Accounts receivable are recorded net of allowances for doubtful accounts, cash discounts for prompt payment, distribution fees, chargebacks and returns and allowances. The total for these reserves amounted to $404 and $96 as of June 30, 2022 and December 31, 2021, respectively.

Inventories

The Company values its inventories at the lower of cost or net realizable value using the first-in, first-out method of valuation. The Company reviews its inventories for potential excess or obsolete issues on an ongoing basis and will record a write-down if an impairment is identified. Inventories at June 30, 2022 and December 31, 2021 consist solely of purchased finished goods. At June 30, 2022 and December 31, 2021 inventories are shown net of a reserve for its Biorphen product of $1,265 and $1,414, respectively, due to the risk of expiry before this entire stock of inventories is sold.

(in thousands, except share and per share amounts)

Note 3 — Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed utilizing the straight-line method based on the following estimated useful lives: computer hardware and software is depreciated over three years; equipment, furniture and fixtures is depreciated over five years; leasehold improvements are amortized over their estimated useful lives or the remaining lease term, whichever is shorter. Construction in progress is capitalized but not depreciated until it is placed into service.

Maintenance and repairs are charged to expense as incurred, while renewals and improvements are capitalized.

Intangible Assets

The Company capitalizes payments it makes for licensed products when the payment is based on the FDA approval for the product and the cost is recoverable based on expected future cash flows from the product. The cost is amortized on a straight-line basis over the estimated useful life of the product commencing on the approval date in accordance with Accounting Standards Codification ("ASC") 350 — Intangibles - Goodwill and Other. In November 2021, the Company purchased the rights for its Carglumic Acid product for $3,250 and that cost is being amortized over ten years. A $750 payment related to the approval of Biorphen had been capitalized in 2019 and that cost was being amortized over five years. As a result of the Biorphen sale to Dr. Reddy's Laboratories S.A. ("Dr. Reddy's") (see Note 11), amortization of that asset was accelerated to record $275 in June 2022 with $75 remaining to be amortized through December 31, 2022. A $750 payment related to the approval of Rezipres had been capitalized in Q1 2022 and that cost was being amortized over five years. As a result of the sale to Dr. Reddy's, amortization of the asset was accelerated to record the remaining $738 in the three-month period ended June 30, 2022. The intangible assets, net on the Company's balance sheet reflected $1,642 of accumulated amortization as of June 30, 2022. The Company recorded $1,132 and $1,263, respectively, of amortization expense for the three and six months ended June 30, 2022. For the three and six-month periods ended June 30, 2022 and 2021, the Company reclassified certain amortization expense of intangible assets from general and administrative expenses to cost of sales to conform with the current period presentation. The table below shows the estimated remaining amortization for these products for each of the five years from 2022 to 2026 and thereafter.

Year	Amortization Expense
Remainder of 2022	$ 238
2023	325
2024	325
2025	325
2026	325
Thereafter	1,570
Total estimated amortization expense	$ 3,108

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the Company's statements of operations for the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment has been recognized since the Company's inception in 2017.

Debt Issuance Costs and Debt Discount and Detachable Debt-Related Warrants

Costs incurred to issue debt are deferred and recorded as a reduction to the debt balance in the accompanying balance sheets. The Company amortizes debt issuance costs over the expected term of the related debt using the effective interest method. Debt discounts related to the relative fair value of warrants issued in conjunction with the debt and are also recorded as a reduction to the debt balance and accreted over the expected term of the debt to interest expense using the effective interest method.

Note 3 — Summary of Significant Accounting Policies (continued)

Revenue Recognition for Contracts with Customers

The Company accounts for contracts with its customers in accordance with ASC 606 — Revenue from Contracts with Customers. ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options. The Company assesses whether these options provide a material right to the customer and, if so, they are considered performance obligations. The exercise of a material right is accounted for as a contract modification for accounting purposes.

The Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time or over time, and if over time this is based on the use of an output or input method. Any amounts received prior to revenue recognition will be recorded as deferred revenue. Amounts expected to be recognized as revenue within the twelve months following the balance sheet date will be classified as current portion of deferred revenue in the Company's balance sheets. Amounts not expected to be recognized as revenue within the twelve months following the balance sheet date are classified as long-term deferred revenue, net of current portion.

Milestone Payments – If a commercial contract arrangement includes development and regulatory milestone payments, the Company will evaluate whether the milestone conditions have been achieved and if it is probable that a significant revenue reversal would not occur before recognizing the associated revenue. Milestone payments that are not within the Company's control or the licensee's control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

Royalties – For arrangements that include sales-based royalties, including milestone payments based on a level of sales, which are the result of a customer-vendor relationship and for which the license is deemed to be the predominant item to which the royalties relate, the Company will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied. To date, the Company has not recognized any royalty revenue resulting from any of its licensing arrangements.

Significant Financing Component – In determining the transaction price, the Company will adjust consideration for the effects of the time value of money if the expected period between payment by the licensees and the transfer of the promised goods or services to the licensees will be more than one year.

The Company sells its Alkindi Sprinkle and Carglumic Acid product to one pharmacy distributor customer which provides order fulfilment and inventory storage/distribution services. The Company may sell products in the U.S. to wholesale pharmaceutical distributors, who then sell the product to hospitals and other end-user customers. Sales to wholesalers are made pursuant to purchase orders subject to the terms of a master agreement, and delivery of individual shipments represent performance obligations under each purchase order. The Company uses a third-party logistics ("3PL") vendor to process and fulfill orders and has concluded it is the principal in the sales to wholesalers because it controls access to the 3PL vendor services rendered and directs the 3PL vendor activities. The Company has no significant obligations to wholesalers to generate pull-through sales.

Note 3 — Summary of Significant Accounting Policies (continued)

For its Alkindi Sprinkle and Carglumic Acid products, the Company bills at the initial product list price which are subject to offsets for patient co-pay assistance and potential state Medicaid reimbursements which are recorded as a reduction of net revenues at the date of sale/shipment. Selling prices initially billed to wholesalers are subject to discounts for prompt payment and subsequent chargebacks when the wholesalers sell products at negotiated discounted prices to members of certain group purchasing organizations ("GPOs") and government programs. In addition, the Company pays fees to wholesalers for their distribution services, inventory reporting and chargeback processing. The Company pays GPOs fees for administrative services and for access to GPO members and concluded the benefits received in exchange for these fees are not distinct from its product sales, and accordingly it applies these amounts to reduce revenues. Wholesalers also have rights to return unsold product nearing or past the expiration date. Because of the shelf life of the product and the Company's lengthy return period, there may be a significant period of time between when the product is shipped and when it issues credits on returned product.

The Company estimates the transaction price when it receives each purchase order taking into account the expected reductions of the selling price initially billed to the wholesaler/distributor arising from all of the above factors. The Company has developed estimates for future returns and chargebacks and the impact of other discounts and fees it pays, although Alkindi Sprinkle and Carglumic Acid sales are not subject to returns. When estimating these adjustments to the transaction price, the Company reduces it sufficiently to be able to assert that it is probable that there will be no significant reversal of revenue when the ultimate adjustment amounts are known.

The Company stores its Alkindi Sprinkle and Carglumic Acid inventory at its pharmacy distributor customer location, and sales are recorded when stock is pulled and shipped to fulfill specific patient orders. The Company recognizes revenue and cost of sales from products sold to wholesalers upon delivery to the wholesaler location. At that time, the wholesalers take control of the product as they take title, bear the risk of loss of ownership and have an enforceable obligation to pay the Company. They also have the ability to direct sales of product to their customers on terms and at prices they negotiate. Although wholesalers have product return rights, the Company does not believe they have a significant incentive to return the product.

Upon recognition of revenue from product sales, the estimated amounts of credit for product returns, chargebacks, distribution fees, prompt payment discounts, state Medicaid and GPO fees are included in sales reserves, accrued liabilities and net accounts receivable. The Company monitors actual product returns, chargebacks, discounts and fees subsequent to the sale. If these amounts end up differing from its estimates, it will make adjustments to these allowances, which are applied to increase or reduce product sales revenue and earnings in the period of adjustment.

In addition, the Company anticipates it will receive revenues from product licensing agreements where it has contracted for milestone payments and royalties from products it has developed or for which it has acquired the rights to a product developed by a third party.

Cost of Sales

Cost of sales consists of the profit-sharing and royalty fees with the Company's product licensing and development partners, the purchase costs for finished products from third-party manufacturers, freight and handling/storage costs from the Company's 3PL logistics service providers, and amortization expense of certain intangible assets. The cost of sales for profit-sharing and royalty fees and costs for purchased finished products and the associated inbound freight expense is recorded when the associated product sale revenue is recognized in accordance with the terms of shipment to customers while outbound freight and handling/storage fees charged by the 3PL service provider are expensed as they are incurred. Cost of sales also reflects any write-downs or reserve adjustments for the Company's inventories.

Note 3 — Summary of Significant Accounting Policies (continued)

Research and Development Expenses

Research and development ("R&D") expenses include both internal R&D activities and external contracted services. Internal R&D activity expenses include salaries, benefits and stock-based compensation and other costs to support the Company's R&D operations. External contracted services include product development efforts such as certain product licensor milestone payments, clinical trial activities, manufacturing and control-related activities and regulatory costs. R&D expenses are charged to operations as incurred. The Company reviews and accrues R&D expenses based on services performed and relies upon estimates of those costs applicable to the stage of completion of each project. Significant judgments and estimates are made in determining the accrued balances at the end of any reporting period. Actual results could differ from the Company's estimates.

Upfront payments and milestone payments made for the licensing of technology for products that are not yet approved by the FDA are expensed as R&D in the period in which they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in R&D activities are recorded as prepaid expenses and are expensed as the related goods are delivered or the services are performed.

Income (Loss) Per Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as unvested restricted stock, stock options and warrants that are outstanding during the period. Common stock equivalents are excluded from the computation when their inclusion would be anti-dilutive. For the three-month and six-month periods ended June 30, 2022, common stock equivalents of 5,557,881 and 5,335,601, respectively, are excluded from the calculation of diluted net loss per share because the effect is anti-dilutive. For the three-month period ended June 30, 2021, common stock equivalents of 4,266,079 are excluded from the calculation of diluted net loss per share because the effect is anti-dilutive. For the six-month period ended June 30, 2021, common stock equivalents (using the treasury stock and "if converted" method) from stock options, unvested RSAs, and warrants were 1,352,879 and excluded 1,624,598 shares that were anti-dilutive. Included in the basic and diluted net income (loss) per share calculation are RSUs awarded to directors that have vested, but the issuance and delivery of the common shares are deferred until the director retires from service as a director.

Stock-Based Compensation

The Company accounts for stock-based compensation under the provisions of ASC — 718 Compensation — Stock Compensation. The guidance under ASC 718 requires companies to estimate the fair value of the stock-based compensation awards on the date of grant and record expense over the related service periods, which are generally the vesting period of the equity awards. The Company estimates the fair value of stock-based option awards using the Black-Scholes-Merton option-pricing model ("BSM"). The BSM requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term, forfeitures and the fair value of the underlying common stock on the date of grant, among other inputs. The risk-free interest rate was determined from the implied yields for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options or warrants. Dividends on common stock are assumed to be zero for the BSM valuation of the stock options. The expected term of stock options granted is based on vesting periods and the contractual life of the options. Expected volatilities are based on comparable companies' historical volatility along with a limited weighting included for the Company's own volatility, which management believes represents the most accurate basis for estimating expected future volatility under the current conditions. The Company accounts for forfeitures as they occur. The Company uses the closing common stock price on the date of grant for the fair value of the common stock.

Note 3 — Summary of Significant Accounting Policies (continued)

Fair Value Measurements

We measure certain of our assets and liabilities at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 — Inputs based on quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 — Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 — Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Fair value measurements are classified based on the lowest level of input that is significant to the measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values stated below take into account the market for the Company's financials, assets and liabilities, the associated credit risk and other factors as required. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

The Company's financial instruments included cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt obligation. The carrying amounts of these financial instruments, except for the long-term debt obligation, approximate their fair values due to the short-term maturities of these instruments. Based on borrowing rates currently available to the Company, the carrying value of the long-term debt obligation approximates its fair value.

Impact of New Accounting Pronouncements

There were no new accounting pronouncements issued by the FASB during the period that would apply to the Company would have a material impact on its financial position or results of operations.

(in thousands, except share and per share amounts)

Note 4 – Property and Equipment

Property and equipment consist of the following:

	June 30, 2022	December 31, 2021
Computer hardware and software	$ 177	$ 157
Furniture and fixtures	112	106
Equipment	52	132
Leasehold improvements	71	71
	412	466
Less: accumulated depreciation	(325)	(351)
Property and equipment, net	$ 87	$ 115

Depreciation expense for the three months ended June 30, 2022 and 2021 was $18 and $24, respectively. Depreciation expense for the six months ended June 30, 2022 and 2021 was $39 and $108, respectively. The decrease in depreciation expense was associated with the closure of the Company's laboratory facility and sale of its equipment in 2021.

Note 5 — Long Term Debt

SWK Loan

On November 13, 2019, the Company entered into a credit agreement (the "SWK Credit Agreement") with SWK Holdings Corporation ("SWK") which provided for up to $10,000 in financing. The Company received proceeds of $5,000 at closing and was able to borrow an additional $5,000 upon the FDA approval of a second product developed by the Company, excluding its EM-100/Alaway Preservative-Free eye allergy product ("EM-100"). In March 2020, in conjunction with the Company's Alkindi Sprinkle product licensing agreement (see Note 11) and the Company's March 2020 sale of additional shares of its common stock, the Company and SWK amended the SWK Credit Agreement. The amendment provided the Company with the option to immediately draw $2,000 and the ability to borrow an additional $3,000 based upon the FDA approval of EM-100 and Alkindi Sprinkle which subsequently occurred in September 2020. Accordingly, the Company borrowed an additional $2,000 on August 11, 2020. The term of the SWK Credit Agreement is for five years and borrowings were at an interest rate of LIBOR 3-month plus 10.0%, subject to a stated LIBOR floor rate of 2.0%. A 2.0% unused credit limit fee was assessed during the first twelve months after the date of the SWK Credit Agreement and loan fees include a 5.0% exit fee based on the principal amounts drawn which is payable at the end of the term of the SWK Credit Agreement. The Company was required to maintain a minimum cash balance of $3,000, only pay interest on the debt until February 2022 and then pay 5.5% of the loan principal balance commencing on February 15, 2022 and then every three months thereafter until November 13, 2024 at which time the remaining principal balance is due. Borrowings under the SWK Credit Agreement are secured by the Company's assets. The SWK Credit Agreement contains customary default provisions and covenants which include limits on additional indebtedness. In March 2020, SWK provided a waiver for the Company to obtain loans with the Small Business Association. In February 2021, the Company notified SWK that it will not require additional borrowing capacity under the SWK Credit Agreement and terminated the additional borrowing capacity with SWK.

In connection with the initial $5,000 borrowed in November 2019, the Company issued warrants to SWK to purchase 51,239 shares of the Company's common stock with an exercise price of $5.86 per share. The relative fair value of these 51,239 warrants was $226 and was estimated using BSM with the following assumptions: fair value of the Company's common stock at issuance of $5.75 per share; seven-year contractual term; 95% volatility; 0% dividend rate; and a risk-free interest rate of 1.8%.

In connection with the additional $2,000 borrowed in August 2020, the Company issued warrants for 18,141 shares of its common stock at an exercise price of $6.62 per share. The relative fair value of the 18,141 warrants was $94 and was estimated using BSM with the following assumptions: fair value of the Company's common stock at issuance of $6.85 per share; seven-year contractual term; 95% volatility; 0% dividend rate; and a risk-free interest rate of 0.4%.

(in thousands, except share and per share amounts)

Note 5 — Long Term Debt (continued)

These warrants (the "SWK Warrants") are exercisable immediately and have a term of seven years from the date of issuance. The SWK Warrants are subject to a cashless exercise feature, with the exercise price and number of shares issuable upon exercise subject to change in connection with stock splits, dividends, reclassifications and other conditions.

Interest expense of $466 was recorded during the six months ended June 30, 2022, which included $66 of debt discount amortization. Interest expense of $513 was recorded during the six months ended June 30, 2021, which included $73 of debt discount amortization. As of June 30, 2022, $156 of accrued interest is included in accrued liabilities.

On April 5, 2022, the Company and SWK entered into an amendment to the SWK Credit Agreement which allowed for a deferral of loan principal payments until May 2023 and reduced the interest rate to LIBOR 3-month plus 8.0%, subject to a stated LIBOR floor rate of 2.0%. In accordance with the change, the Company has classified $364 as principal due in the next 12 months and the remainder classified as long-term debt in its balance sheet at June 30, 2022.

The table below reflects the future payments for the SWK loan principal and interest as of June 30, 2022.

	Amount
Remainder of 2022	$ 336
2023	1,676
2024	6,452
Total payments	8,464
Less: amount representing interest	(1,849)
Loan payable, gross	6,615
Less: current portion of long-term debt	(364)
Less: unamortized discount	(259)
Long-term debt, net of unamortized discount	$ 5,992

(in thousands, except share and per share amounts)

Note 6 — Common Stock

The Company has 50,000,000 authorized shares of $0.001 par value common stock under its Amended and Restated Certificate of Incorporation.

During the six months ended June 30, 2022, a holder of the Company's common stock warrants exercised 600,000 warrants on a cashless basis and the Company issued 598,448 shares of its common stock in connection with the warrant exercise. The intrinsic value of the warrant exercise was $2,268. In June 2022, the Company issued 47,585 shares of its common stock to employees in accordance with its Employee Stock Purchase Plan ("ESPP").

Note 7 — Common Stock Warrants

The Company's outstanding warrants to purchase shares of its common stock at June 30, 2022 are summarized in the table below.

Description of Warrants	No. of Shares	Exercise Price
Placement Agent Warrants – 2017 Preferred Stock Offering	467,242	$ 3.00
Placement Agent Warrants - IPO	414,000	$ 7.50
SWK Warrants – Debt – Tranche #1	51,239	$ 5.86
SWK Warrants – Debt – Tranche #2	18,141	$ 6.62
Total	**950,622**	**$ 5.18 (Avg)**

The holders of these warrants or their permitted transferees, are entitled to rights with respect to the registration under the Securities Act of 1933, as amended (the "Securities Act") for their shares that are converted to common stock, including demand registration rights and piggyback registration rights. These rights are provided under the terms of a registration rights agreement between the Company and the investors.

On June 26, 2022, 467,242 warrants from the 2017 preferred stock offering with an exercise price of $3.00 were set to expire. Prior to the expiration, the Company entered into an agreement with the warrant holders, whereby it modified the terms of the warrants to extend the expiration date until December 26, 2022 in exchange for the Company retaining the option of a cashless exercise provision. No other terms were modified. Due to this modification, the Company incurred a modification expense of $244 that is included in general and administration expense on the Condensed Statements of Operations for the three and six-month periods ending June 30, 2022.

(in thousands, except share and per share amounts)

Note 8 — Share-Based Payment Awards

The Company's board of directors and stockholders approved the Eton Pharmaceuticals, Inc. 2017 Equity Incentive Plan in May 2017 (the "2017 Plan"), which authorized the issuance of up to 5,000,000 shares of the Company's common stock. In conjunction with the Company's IPO in November 2018, the Company's stockholders and board of directors approved the 2018 Equity Incentive Plan (as amended in December 2020, the "2018 Plan") which succeeded the 2017 Plan. The Company has granted restricted stock awards ("RSAs"), stock options and restricted stock units ("RSUs") for its common stock under the 2017 Plan and 2018 Plan as detailed in the tables below. There were 551,626 shares available for future issuance under the 2018 Plan as of June 30, 2022.

Shares that are expired, terminated, surrendered or canceled without having been fully exercised will be available for future awards under the 2018 Plan. In addition, the 2018 Plan provides that commencing January 1, 2019 and through January 1, 2028, the share reserve will be increased annually by 4% of the total number of shares of common stock outstanding as of the preceding December 31, subject to a reduction at the discretion of the Company's board of directors. The exercise price for stock options granted is not less than the fair value of common stock as determined by the board of directors as of the date of grant. The Company uses the closing stock price on the date of grant as the exercise price.

To date, all stock options issued have been non-qualified stock options, and the exercise prices were set at the fair value for the shares at the dates of grant. Options typically have a ten-year life, except for options to purchase 50,000 shares of the Company's common stock granted to product consultants in July 2017 that expire within five years if the Company is not able to file certain product submissions to the FDA prior to the five-year expiration date; these options expired in July 2022 unexercised. Furthermore, these option awards to the Company's product consultants would not vest unless certain product submissions are made to the FDA, and accordingly, the Company has not recorded any expense for these contingently vesting option awards to its product consultants.

The Company's previous CFO had 474,295 employee stock options with an exercise price range of $1.37 to $8.61 which were set to expire three months after his retirement date of May 31, 2022, however, the Company extended the expiration date to April 10, 2023. No other terms were modified. Due to this modification, the Company incurred a modification expense of approximately $72 that is included in general and administration expense on the Condensed Statements of Operations for the three and six-month periods ended June 30, 2022.

For the three months ended June 30, 2022 and 2021, the Company's total stock-based compensation expense was $1,300 and $836, respectively. Of these amounts, $1,216 and $691 was recorded in general and administrative expenses, respectively, and $84 and $145 was recorded in research and development expenses, respectively.

For the six months ended June 30, 2022 and 2021, the Company's total stock-based compensation expense was $2,383 and $1,509, respectively. Of these amounts, $2,211 and $1,272 was recorded in general and administrative expenses, respectively, and $172 and $237 was recorded in research and development expenses, respectively.

A summary of stock option activity is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2021	**3,513,719**	$ 5.22		
Issued	1,248,770	$ 3.78		
Exercised	—	$ —		
Forfeited/Cancelled	(278,050)	$ 6.26		
Options outstanding as of June 30, 2022	**4,484,439**	$ 4.75	**8.0**	**$ 782**
Options exercisable at June 30, 2022	2,575,371	$ 4.57	7.2	$ 720
Options vested and expected to vest at June 30, 2022	4,434,439	$ 4.79	8.0	$ 720

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock at June 30, 2022 for those stock options that had strike prices lower than the fair value of the Company's common stock.

Note 8 — Share-Based Payment Awards (continued)

As of June 30, 2022, there was a total of $5,871 of unrecognized compensation costs related to non-vested stock option awards. The weighted average grant date fair value of stock option awards for the six-months ended June 30, 2022 was $2.36 per share. There were no stock option exercises during the six-month period ended June 30, 2022. In the six-month period ended June 30, 2021, stock option exercises totaled 138,233 shares at an average exercise price of $2.39 per share with an intrinsic value of $661.

The Company's 2018 Employee Stock Purchase Plan (the "ESPP") provides for an initial reserve of 150,000 shares and this reserve is automatically increased on January 1 of each year by the lesser of 1% of the outstanding common shares at December 31 of the preceding year or 150,000 shares, subject to reduction at the discretion of the Company's board of directors. As of June 30, 2022, there were 582,595 shares available for issuance under the ESPP.

The initial offering of the ESPP began on December 17, 2018 and ended on December 10, 2019. The annual offerings consist of two stock purchase periods, with the first purchase period ending in June and the second purchase period ending in December. The terms of the ESPP permit employees of the Company to use payroll deductions to purchase stock at a price per share that is at least the lesser of (1) 85% of the fair market value of a share of common stock on the first date of an offering or (2) 85% of the fair market value of a share of common stock on the date of purchase. After the initial offering period ended, subsequent twelve-month offering periods automatically commence over the term of the ESPP on the day that immediately follows the conclusion of the preceding offering, each consisting of two purchase periods approximately six months in duration.

For the first six months of 2022 and 2021 there were 47,585 and 29,326 share issuances, respectively, under the ESPP. The weighted average grant date fair value of share awards in the first six months of 2022 and 2021 was $1.32 and $2.83, respectively. Employees contributed $128 and $135 via payroll deductions during the six months ended June 30, 2022 and 2021, respectively. The Company recorded an expense of $70 and $46 related to the ESPP in the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, the accompanying condensed balance sheets include $18 and $22, respectively, in accrued liabilities for remaining employee ESPP contributions.

Note 9 — Related-Party Transactions

Harrow

The Chief Executive Officer of Harrow Health, Inc. ("Harrow") was a member of the Company's board of directors until March 17, 2021 when he retired from service with the board. The Company issued 25,000 shares to the Harrow CEO in April 2021 after his retirement from the Company's board associated with RSU's that were previously fully vested. As of June 30, 2022, Harrow owned 1,982,000 shares of Eton's common shares which represents 7.8% of the Company's common shares outstanding.

In March 2021, the Company closed its laboratory operation in Lake Zurich, Illinois and in May 2021 it reached an agreement for Imprimis Pharmaceuticals, a subsidiary of Harrow, to purchase its lab equipment for $700 which was $181 above the Company's net book value of the equipment.

Chief Executive Officer

The CEO has a partial interest in a company that the Company has partnered with for its EM-100/Alaway Preservative Free eye allergy product as described below.

The Company acquired the exclusive rights to sell the EM-100 product in the United States pursuant to a sales and marketing agreement (the "Eyemax Agreement") dated August 11, 2017 between the Company and Eyemax LLC ("Eyemax"), an entity affiliated with the Company's CEO. The Company also held a right of first refusal to obtain the exclusive license rights for geographic areas outside of the United States. Pursuant to the Eyemax Agreement, the Company was responsible for all costs of testing and FDA approval of the product, other than the FDA filing fee which was paid by Eyemax. The Company was also to be responsible for commercializing the product in the United States at its expense. The Company paid Eyemax $250 upon execution of the Eyemax Agreement, which was recorded as a component of R&D expense. Under the terms of the original agreement, the Company would pay Eyemax $250 upon FDA approval and $500 upon the first commercial sale of the product and pay Eyemax a royalty of 10% on the net sales of all products. The Eyemax Agreement was for an initial term of 10 years from the date of the Eyemax Agreement, subject to successive two-year renewals unless the Company elected to terminate the Eyemax Agreement.

On February 18, 2019, the Company entered into an Amended and Restated Agreement with Eyemax amending the Sales Agreement (the "Amended Agreement"). Pursuant to the Amended Agreement, Eyemax sold the Company all of its right, title and interest in EM-100, including any such product that incorporates or utilizes Eyemax's intellectual property rights. Under the Amended Agreement, the Company assumed certain liabilities of Eyemax under its Exclusive Development & Supply Agreement with Excelvision SAS dated as of July 11, 2013, as amended (the "Excelvision Agreement"), with respect to certain territories and arising during certain time periods. Pursuant to the Amended Agreement, the Company paid Eyemax two milestone payments: (i) one milestone payment for $250 upon regulatory approval in the territory by the FDA of the first single agent product and (ii) one milestone payment for $500 following the first commercial sale of the first single agent product in the territory. Following payment of the milestones, the Company is entitled to retain all of the non-royalty transaction revenues and royalties up to $2,000 (the "Recovery Amount"). After the Company has retained the full Recovery Amount, it is entitled to retain half of all royalty and non-royalty transaction revenue. The Company has realized $1,783 of the non-royalty and royalty revenue as of June 30, 2022. The Amended Agreement also contains customary representations, warranties, covenants and indemnities by the parties. The EM-100 asset and its associated product rights were sold to Bausch Health on February 18, 2019 and future potential royalties of twelve percent on Bausch Health sales of the product, named Alaway® Preservative Free by Bausch, which was approved by the FDA in September 2020, will be split between Eyemax and the Company. The royalty from Bausch Health is subject to reduction if a competitive product with the same active pharmaceutical ingredient is launched in the U.S. or if the product's U.S market share falls below a specified target percentage.

There were no amounts due to Eyemax under the terms of the Amended Agreement as of June 30, 2022 or December 31, 2021.

Note 10 — Leases

The Company recognizes a right-of-use ("ROU") asset and a lease liability on the balance sheet for substantially all leases, including operating leases, and separates lease components from non-lease components related to its office space lease.

The Company's operating lease cost as presented in the "Research and Development" and "General and Administrative" captions in the condensed statements of operations was $0 and $21, respectively, for the three months ended June 30, 2022 and $0 and $22, respectively, for the three months ended June 30, 2021. The Company's operating lease cost as presented in the "Research and Development" and "General and Administrative" captions in the condensed statements of operations was $0 and $42, respectively, for the six months ended June 30, 2022 and $9 and $43, respectively, for the six months ended June 30, 2021. Cash paid for amounts included in the measurement of operating lease liabilities was $44 for the six months ended June 30, 2022. The ROU asset amortization for the three-month and six-month periods ended June 30, 2022 was $21 and $41, respectively, and is reflected within depreciation and amortization on the Company's condensed statements of cash flows. The ROU asset amortization for the three and six-month periods ended June 30, 2021 was $20 and $49, respectively, and is reflected within depreciation and amortization on the Company's condensed statements of cash flows. As of June 30, 2022, the weighted-average remaining lease term was 0.75 years, and the weighted-average incremental borrowing rate was 5.4%.

The table below presents the lease-related assets and liabilities recorded on the balance sheet as of June 30, 2022 (in thousands).

Assets	**Classification**	
Operating lease right-of-use assets	Operating lease right-of-use assets, net	$ 63
Total leased assets		$ 63
Liabilities		
Operating lease liabilities, current	Accrued liabilities	$ 58
Total operating lease liabilities		$ 58

The Company's future lease commitments for its administrative offices in Deer Park, Illinois as of June 30, 2022 is as indicated below:

	Total	**2022**	**2023**	**2024**	**Thereafter**
Undiscounted lease payments	**$ 59**	**44**	**15**	—	—
Less: Imputed interest	**(1)**				
Total lease liabilities	**$ 58**				

Note 11 — Commitments and Contingencies

Legal

The Company is subject to legal proceedings and claims that may arise in the ordinary course of business. The Company is not aware of any pending or threatened litigation matters at this time that may have a material impact on the operations of the Company.

License and product development agreements

The Company has entered into various agreements in addition to those discussed above which are described below.

The Company acquired the exclusive rights to sell the Cysteine Hydrochloride product in the United States pursuant to a sales and marketing agreement dated November 17, 2017 with an unaffiliated third party (the "Sales Agreement"). Pursuant to the Sales Agreement, the licensor is responsible for obtaining FDA approval, at its expense, and the Company was responsible for commercializing the product in the United States at its expense. In February 2020, the Sales Agreement was amended and under the revised terms, the Company would be responsible for paragraph IV related litigation and will be entitled to 62.5% of product profit. The initial term was for the first 10 years following the first commercial sale of the product.

On February 8, 2019, the Company entered into an Exclusive Licensing and Supply Agreement (the "ET-202 License Agreement") with Sintetica SA ("Sintetica") for marketing rights in the United States to Biorphen® which is used for the treatment of clinically important hypotension resulting primarily from vasodilation in the setting of anesthesia. The product was submitted to the FDA for review and subsequently received FDA approval on October 21, 2019. Pursuant to the terms of the ET-202 License Agreement, the Company is responsible for marketing activities and Sintetica is responsible for development, manufacturing, and the regulatory activities related to approval. Sintetica is entitled to receive the first $500 of product profits and all additional profit would be split 50% to the Company and 50% to Sintetica. The ET-202 License Agreement has a ten-year term from the first commercial sale of Biorphen which occurred in November 2019.

On February 8, 2019, the Company also entered into an Exclusive Licensing and Supply Agreement (the "ET-203 License Agreement") with Sintetica for marketing rights in the United States to ephedrine HCl (brand name Rezipres®), an injectable product candidate for use in the hospital setting. Pursuant to the terms of the ET-203 License Agreement, the Company will be responsible for marketing activities and Sintetica will be responsible for development, manufacturing, and regulatory activities related to obtaining regulatory approval. The product was successfully resubmitted in late 2020 and the Company paid a $600 milestone fee in July 2021 and paid $750 in April 2022 after the first commercial sale of the product in March 2022. Sintetica is entitled to receive the first $500 of product profits and all additional profit would be split 50% to the Company and 50% to Sintetica. The ET-203 License Agreement has a ten-year term from first commercial sale of product which occurred in March 2022.

In June 2022, the Company sold its rights in the three aforementioned products Cysteine Hydrochloride, Biorphen®, and Rezipres® to Dr. Reddy's. Under the terms of the transaction, Dr. Reddy's will take immediate ownership of Eton's rights and interest in the products. Eton will continue to sell its existing Biorphen inventory until the end of 2022. The Company received $5,000 at closing, recorded as licensing revenue in the three months ended June 30, 2022, and would receive up to $45,000 of additional payments based on the achievement of certain event-based and sales-based milestones. Of the $5,000 received at closing, $250 was held in escrow to address potential indemnity claims during the 12-month period following the effective date of the agreement. In addition, 10% of any additional payments paid by Dr. Reddy's during the 12-month period following the effective date will be held in escrow and subsequently released to Eton upon expiration of the 12-month period following the effective date. In accordance with the terms of the agreement, $812 of Sintetica profit share receivables were expensed as cost of goods sold in the three months ended June 30, 2022.

The three oral solution pediatric neurology product candidates discussed below, Topiramate, Zonisamide and Lamotrigine were developed by the Company and its various product candidate development partners and the Company subsequently sold all its rights and interests in these three products to Azurity in 2021. The Company has recognized $17,000 in milestone revenues to date from these three products and may receive up to $25,000 in additional milestone revenues related to FDA product approvals and the future sales levels for the products. Azurity has assumed royalty or profit share obligations owed to development partners as well as additional milestone payments based on sales volume targets.

Note 11 — Commitments and Contingencies (continued)

During the years ended December 31, 2021, 2020 and 2019, the Company worked with Tulex Pharmaceuticals, Inc. ("Tulex") as a third-party contract manufacturer to develop an oral solution for Topiramate (fka ET-101) which targets a neurological condition. The Company subsequently filed the product with the FDA in October 2020, received approval from the FDA in November 2021, and the product was launched by Azurity in December 2021. The Company recognized a $5,000 milestone revenue at launch which was reflected in accounts receivable on the Company's balance sheet at December 31, 2021 and subsequently collected in January 2022.

On January 23, 2019, the Company entered into a Licensing and Supply Agreement (the "Agreement") with Liqmeds Worldwide Limited ("LMW") for Zonisamide oral liquid, a development stage product candidate ("ET-104"). Pursuant to the terms of the Agreement, the Company was responsible for regulatory and marketing activities and LMW was responsible for development and manufacturing of ET-104. The Company will pay $650 upon issuance of patent covering ET-104 listed in the FDA's Orange Book and $500 in the event that product sales in excess of $10,000 were achieved within a calendar year. In addition, the Company was required to pay the licensor 35% of the net profit from product sales. The Agreement was for an initial term of 10 years from the date of the first commercial sale of the product. The Company was to retain sole ownership of the NDA after expiration of the Agreement.

On June 12, 2019, the Company entered into an Exclusive Licensing and Supply Agreement (the "ET-105 License Agreement") with Aucta Pharmaceuticals, Inc. ("Aucta") for marketing rights in the United States to Lamotrigine, an oral suspension product candidate for use as an adjunct therapy for partial seizures, primary generalized tonic-clonic seizures, and generalized seizures of Lennox-Gastaut syndrome in patients two years of age and older. Pursuant to the terms of the ET-105 License Agreement, the Company was to be responsible for marketing activities and Aucta will be responsible for development, manufacturing, and regulatory activities related to obtaining regulatory approval. The Company will pay $2,450 upon FDA approval and commercial sales of the product candidate and another $1,000 upon issuance of an Orange-book listed patent. If Aucta successfully completes a Lamotrigine product line extension product, Eton will pay $1,500 upon FDA acceptance of the product filing, $1,500 upon FDA approval and commercial sales of the extension product candidate and $450 if the intellectual property for the extension product is transferred to Azurity. Aucta will be entitled to receive milestone payments from the Company of up to $3,000 based on commercial success of the product, including $1,000 when net sales exceed $10 million in a calendar year, and $2,000 when net sales exceed $20 million in a calendar year.

On March 27, 2020, the Company entered into an Exclusive Licensing and Supply Agreement (the "Alkindi License Agreement") with Diurnal for marketing Alkindi Sprinkle in the United States. Alkindi Sprinkle's New Drug Application (NDA) was approved by the FDA on September 29, 2020 as a replacement therapy in pediatric patients with adrenocortical insufficiency.

For the initial licensing milestone fee, the Company paid Diurnal $3,500 in cash and issued 379,474 shares of its common stock to Diurnal which were valued at $1,264 based on the Company's closing stock price of $3.33 on March 26, 2020. The total amount of $4,764 was recorded as a component of research and development expense in the Company's statement of operations for the year ended December 31, 2020. The Company will also pay Diurnal $2,500 if the product obtains orphan drug exclusivity status from the FDA.

On June 15, 2021, the Company acquired U.S. and Canadian rights to Crossject's ZENEO® hydrocortisone needleless autoinjector, which is under development as a rescue treatment for adrenal crisis. The Company paid Crossject $500 upon signing, $500 in March 2022 upon a completion of a successful technical batch and could pay up to $4,000 in additional development milestones and up to $6,000 in commercial milestones, as well as a 10% royalty on net sales.

On October 28, 2021, the Company acquired the U.S. marketing rights to Carglumic Acid Tablets. The product's Abbreviated New Drug Application ("ANDA"), which is owned by Novitium Pharma, was approved by the FDA on October 12, 2021. The product is an AB-rated, substitutable generic version of Carbaglu®. The Company paid $3,250 upon signing and retains 50% of the product profits with the balance being distributed to the licensor and manufacturer. The Company launched this product in December 2021.

Note 11 — Commitments and Contingencies (continued)

Indemnification

As permitted under Delaware law and in accordance with the Company's Amended and Restated Bylaws, the Company is required to indemnify its officers and directors for certain events or occurrences while the officer or director is or was serving in such capacity. The Company is also party to indemnification agreements with its directors and officers. The Company believes the fair value of the indemnification rights and agreements is minimal. Accordingly, the Company has not recorded any liabilities for these indemnification rights and agreements as of June 30, 2022 or December 31, 2021.

Note 12 — Subsequent Events

On July 12, 2022 the Company granted 373,606 restricted stock units to employees that vest over four years subject to the continued services from the employee.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with (i) our unaudited interim condensed financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations Included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission (the "SEC") on March 16, 2022 (the "2021 10-K").

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," "may," "plan", "seek" or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider other matters set forth in our SEC filings including the Risk Factors set forth in Part I, Item 1A of our 2021 10-K.

Overview

We are a innovative pharmaceutical company focused on developing, acquiring, and commercializing innovative pharmaceutical products that fulfill an unmet need in patients suffering from rare diseases. The Company currently commercializes two rare disease products, ALKINDI SPRINKLE® for the treatment of adrenocortical insufficiency and Carglumic Acid for the treatment of acute hyperammonemia due to N-acetylglutamate synthase (NAGS) deficiency, and has two additional product candidates in late-stage development. The Company is developing dehydrated alcohol injection, which has received Orphan Drug Designation for the treatment of methanol poisoning, and the ZENEO® hydrocortisone autoinjector for the treatment of adrenal crisis.

In addition, the Company is entitled to royalties or milestone payments from six FDA-approved products that the Company developed and out-licensed. The products include Alaway® Preservative Free, EPRONTIA™, Cysteine Hydrochloride, Zonisade®, Biorphen®, and Rezipres®.

Results of Operations

For the three months ended June 30, 2022, we had $7,358 in revenue from licensing, product sales and royalties which reflected $5,000 of revenue from the Dr. Reddy's agreement and generated a gross profit of $4,613. We had total revenue of $3,067 for the three-month period ended June 30, 2021 which reflected Azurity milestone revenues of $2,500 plus product sales and royalty revenues which generated a total gross profit of $2,893 for the period.

For the six months ended June 30, 2022, we had $9,534 in revenue from licensing, product sales and royalties which generated a gross profit of $5,940. We had total revenue of $14,964 for the three-month period ended June 30, 2021 which reflected Azurity and Bausch milestone revenues of $14,000 plus product sales and royalty revenues which generated a total gross profit of $13,163 for the period.

Research and Development Expenses

For the three months ended June 30, 2022, we incurred $690 of research and development ("R&D") expenses as compared to the $1,990 for the same period in 2021. The decrease was primarily due to a $500 fee to Crossject upon execution of the agreement for Zeneo hydrocortisone autoinjector development in 2021 and decreased development costs for our other new product candidates.

For the six months ended June 30, 2022, we incurred $2,308 of R&D expenses as compared to the $2,876 for the same period in 2021 due to decreased development activities in 2022.

General and Administrative Expenses

General and administrative ("G&A") expenses consist primarily of employee compensation expenses, legal and professional fees, product marketing expenses, distribution expenses, business insurance, travel expenses and general office expenses.

For the three-month periods ended June 30, 2022 and 2021, we incurred $5,263 and $3,228, respectively, of G&A expenses. The $2,035 increase in G&A expense was mainly due to incremental marketing, legal, compensation, and product related expenses to support our product sales growth.

For the six-month periods ended June 30, 2022 and 2021, we incurred $10,059 and $7,249, respectively, of G&A expenses. The $2,810 increase in G&A expense was mainly due to incremental legal, compensation, and product related expenses to support our product sales growth.

Liquidity and Capital Resources

As of June 30, 2022, we had total assets of $23.0 million, cash and cash equivalents of $17.0 million and working capital of $16.0 million. We had previously capitalized our operations from the June 2017 private placement of approximately $20.1 million of Series A preferred stock which converted into shares of our common stock concurrent with our IPO in November 2018 and also the IPO which provided us with net proceeds of $22.0 million. In addition, we entered into a Credit Agreement with SWK Holdings in November 2019 whereby we drew a $5.0 million loan amount at closing and an additional $2.0 million in August 2020. In March and April 2020, we received net proceeds of approximately $7.8 million from the sale of shares of our common stock, and in October 2020, we received net proceeds of approximately $21.0 million from a public offering of our common stock at an offering price of $7.00 per share. We believe that our existing funding, revenues from our approved products and additional milestone payments expected to be paid in 2022 will be sufficient for at least the next twelve months of our operations. However, our projected estimates for our product development spending, administrative expenses and our working capital requirements could be inaccurate, or we may experience growth more quickly or on a larger scale than we expect, any of which could result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

Cash Flows

The following table sets forth a summary of our cash flows for the six-month periods ended June 30, 2022 and 2021:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Net cash provided by operating activities	$ 3,684	$ 3,346
Cash (used in) provided by investing activities	(776)	697
Cash flows (used in) provided by financing activities	(268)	464
Change in cash and cash equivalents	**$ 2,640**	**$ 4,507**

The decrease in cash provided by investing activities was mainly a result of a $700 sale of lab equipment in 2021 that combined with a $750 Rezipres milestone payment to Sintetica in 2022. The 2022 financing activity included an initial $385 payment on our loan principal (see Note 5) whereas the 2021 financing activity was higher as a result of stock option exercises.

Critical Accounting Policies

Our condensed financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our condensed financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses in our condensed financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 3 to our financial statements included herein, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We account for contracts with our customers in accordance with Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. ASC 606 applies to all contracts with customers, except for contracts that are within the scope of other standards. Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of ASC 606, we assess the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options. We assess whether these options provide a material right to the customer and, if so, they are considered performance obligations. The exercise of a material right is accounted for as a contract modification for accounting purposes.

We recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time or over time, and if over time this is based on the use of an output or input method. Any amounts received prior to revenue recognition will be recorded as deferred revenue. Amounts expected to be recognized as revenue within the twelve months following the balance sheet date will be classified as current portion of deferred revenue in our balance sheets. Amounts not expected to be recognized as revenue within the twelve months following the balance sheet date are classified as long-term deferred revenue, net of current portion.

Milestone Payments – If a commercial contract arrangement includes development and regulatory milestone payments, we will evaluate whether the milestone conditions have been achieved and if it is probable that a significant revenue reversal would not occur before recognizing the associated revenue. Milestone payments that are not within our control or the licensee's control, such as regulatory approvals, are generally not considered probable of being achieved until those approvals are received.

Royalties – For arrangements that include sales-based royalties, including milestone payments based on a level of sales, which are the result of a customer-vendor relationship and for which the license is deemed to be the predominant item to which the royalties relate, we will recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied or partially satisfied.

Significant Financing Component – In determining the transaction price, we will adjust consideration for the effects of the time value of money if the expected period between payment by the licensees and the transfer of the promised goods or services to the licensees will be more than one year.

We sell our Alkindi Sprinkle product to one pharmacy distributor customer which provides order fulfillment and inventory storage/distribution services. We may sell products in the U.S. to wholesale pharmaceutical distributors, who then sell the product to hospitals and other end-user customers. Sales to wholesalers are made pursuant to purchase orders subject to the terms of a master agreement, and delivery of individual shipments of products represent performance obligations under each purchase order. We use a third-party logistics ("3PL") vendor to process and fulfill orders and have concluded it is the principal in the sales to wholesalers because it controls access to the 3PL vendor services rendered and directs the 3PL vendor activities. We have no significant obligations to wholesalers to generate pull-through sales.

For our Alkindi Sprinkle product, we bill at the initial product list prices which are subject to offsets for patient co-pay assistance and potential state Medicaid reimbursements which are recorded as a reduction of net revenues at the date of sale/shipment. Selling prices initially billed to wholesalers are subject to discounts for prompt payment and subsequent chargebacks when products are sold at negotiated discounted prices to members of certain group purchasing organizations ("GPOs") and government programs. In addition, we pay fees to wholesalers for their distribution services, inventory reporting and chargeback processing. We pay GPOs fees for administrative services and for access to GPO members and concluded the benefits received in exchange for these fees are not distinct from our sales, and accordingly we apply these amounts to reduce revenues. Wholesalers also have rights to return eligible, unsold product nearing or past the expiration date. Because of product shelf life and our lengthy return period, there may be a significant period of time between when the product is shipped and when we issue credits on returned product.

We estimate the transaction price when we receive each purchase order, taking into account the expected reductions of the selling price initially billed to the wholesaler arising from all of the above factors. We have developed estimates for future returns and chargebacks and the impact of the other discounts and fees we pay. Our sales of Alkindi Sprinkle to our distributor are not subject to returns. When estimating these adjustments to the transaction price, it is sufficiently reduced to be able to assert that it is probable that there will be no significant reversal of revenue when the ultimate adjustment amounts are known.

We store our Alkindi Sprinkle inventory at our pharmacy distributor customer location and sales are recorded when stock is pulled and shipped to fulfill specific patient orders. We may recognize revenue from other product sales and related cost of sales upon product delivery to the wholesaler location. At that time, the wholesalers take control of the product as they take title, bear the risk of loss of ownership, and have an enforceable obligation to pay us. They also have the ability to direct sales of product to their customers on terms and at prices they negotiate. Although wholesalers have product return rights, we do not believe they have a significant incentive to return the product to us.

Upon recognition of revenue from product sales, the estimated amounts of credit for product returns, chargebacks, distribution fees, prompt payment discounts, state Medicaid and GPO fees are included in sales reserves, accrued liabilities and net accounts receivable. We monitor actual product returns, chargebacks, discounts and fees subsequent to the sale. If these amounts end up differing from our estimates, we will make adjustments to these allowances, which are applied to increase or reduce product sales revenue and earnings in the period of adjustment.

Stock-Based Compensation

We account for stock-based compensation under the provisions of Accounting Standards Codification ("ASC") – 718 Compensation – Stock Compensation. The guidance under ASC 718 requires companies to estimate the fair value of the stock-based compensation awards on the date of grant and record expense over the related service periods, which are generally the vesting period of the equity awards. Compensation expense is recognized over the period during which services are rendered by consultants and non-employees until completed. At the end of each financial reporting period prior to completion of the service, the fair value of these awards is remeasured using the then-current fair value of our common stock and updated assumption inputs in the Black-Scholes option-pricing model ("BSM").

We estimate the fair value of stock-based option awards to our using the BSM. The BSM requires the input of subjective assumptions, including the expected stock price volatility, the calculation of expected term, forfeitures and the fair value of the underlying common stock on the date of grant, among other inputs. The risk-free interest rate was determined from the implied yields for zero-coupon U.S. government issues with a remaining term approximating the expected life of the options or warrants. Dividends on common stock are assumed to be zero for the BSM valuation of the stock options. The expected term of stock options granted is based on vesting periods and the contractual life of the options. Expected volatilities are based on comparable companies' historical volatility along with a limited weighting included for our own volatility subsequent to our IPO, which we believe represents the most accurate basis for estimating expected future volatility under the current conditions. We account for forfeitures as they occur.

Prior to our initial public offering in November 2018, the fair value of the shares of common stock underlying our stock-based awards was determined by our board of directors, with input from management. Because there had been no public market for our common stock prior to the IPO, our board of directors had determined the fair value of the common stock on the grant-date of the stock-based award by considering a number of objective and subjective factors, including enterprise valuations of our common stock performed by an unrelated third-party specialist, valuations of comparable companies, sales of our convertible preferred stock to unrelated third parties, operating and financial performance, the lack of liquidity of our capital stock, and general and industry-specific economic outlook. Following our IPO, we use the closing stock price on the date of grant for the fair value of the common stock.

Research and Development Expenses

R&D expenses include both internal R&D activities and external contracted services. Internal R&D activity expenses include salaries, benefits and stock-based compensation and other costs to support our R&D operations. External contracted services include product development efforts including certain product licensor milestone payments, clinical trial activities, manufacturing and control-related activities and regulatory costs. R&D expenses are charged to operations as incurred. We review and accrue R&D expenses based on services performed and rely upon estimates of those costs applicable to the stage of completion of each project. Significant judgments and estimates are made in determining the accrued balances at the end of any reporting period. Actual results could differ from our estimates.

Upfront payments and milestone payments made for the licensing of technology for products that are not yet approved by the FDA are expensed as R&D in the period in which they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in R&D activities are recorded as prepaid expenses and are expensed as the related goods are delivered or the services are performed.

Off Balance Sheet Transactions

We do not have any off-balance sheet transactions.

JOBS Act Transition Period

In April 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) December 31, 2023, which is the end of the fiscal year following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenues of at least $1.07 billion or (c) in which we are deemed to be a "large accelerated filer" under the rules of the SEC, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve capital. We do not utilize hedging contracts or similar instruments. We are exposed to certain market risks relating primarily to interest rate risk on our cash and cash equivalents invested during the period and risks relating to the financial viability of the institutions which hold our capital and through which we have invested our funds. We manage such risks by investing in short-term, liquid, highly-rated instruments. As of June 30, 2022, our cash is in a non-interest bearing account as well as a government money market fund. We do not currently have exposure to foreign currency risk.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the six-month period ended June 30, 2022, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We operate in a dynamic and rapidly changing environment that involves numerous risks and uncertainties. Certain factors may have a material adverse effect on our business, financial condition, and results of operations, and you should carefully consider them. Other events that we do not currently anticipate or that we currently deem immaterial may also affect our results of operations and financial condition.

You should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our 2021 10-K, which could materially affect our business, financial condition, cash flows or future results. The risk factors described in our 2021 10-K, which was filed with the SEC on March 16, 2022, are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results.

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

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The exhibits listed on the Exhibit Index are either filed or furnished with this report or incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
10.1	Asset Purchase Agreement by and among the Company and Dr. Reddy's Laboratories S.A., dated as of June 24, 2022.
31.1	Certification of President and Chief Executive Officer (Principal Executive Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer (Principal Financial Officer), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications of President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Balance Sheets, (ii) the Condensed Statements of Operations, (iii) the Condensed Statements of Stockholders' Equity, (iv) the Condensed Statements of Cash Flows and (v) Notes to Condensed Financial Statements.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ETON PHARMACEUTICALS, INC.

August 11, 2022

By: */s/ Sean E. Brynjelsen*
Sean E. Brynjelsen
President and Chief Executive Officer
(Principal Executive Officer)

By: */s/ James R. Gruber*
James R. Gruber
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

CONFIDENTIAL

Note: Certain identified information has been excluded from this Exhibit because it is both not material and is the type that the registrant treats as private or confidential.

Omitted information is indicated with the following: [*]

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") dated as of June 24, 2022 (the "Effective Date"), is entered into between Eton Pharmaceuticals, Inc., a Delaware corporation ("Eton"), with a place of business at 21925 Field Pkwy, Suite 235, Deer Park, Illinois 60010, USA and Dr. Reddy's Laboratories S.A., a Swiss company ("Dr. Reddy's"), with a place of business at Elisabethenanlage 11, CH - 4051, Basel, Switzerland.

RECITAL

A. Eton owns, licenses, or otherwise holds certain rights to manufacture, package, promote, market, sell, distribute, commercialize and/or otherwise exploit the Products (as defined below) and other assets related thereto; and

B. Eton desires to sell, convey, transfer, assign and deliver the Assets (as defined below) and transfer certain liabilities associated with Assets, and Dr. Reddy's desires to purchase the Assets and assume such liabilities upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties, covenants, agreements and provisions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Definitions. For the purposes of this Agreement, the following terms shall have the respective meanings set forth below, and grammatical variations of such terms shall have corresponding meanings:

1.1 **[*]**

1.2 "Action" means any action, cause of action, claim, complaint, charge, suit, examination, demand, inquiry, investigation, audit, indictment, litigation, hearing, mediation, arbitration or other proceeding, whether civil, criminal, administrative, judicial or investigative, formal or informal, whether at Law or in equity and whether private or public, including by or before any Governmental Entity.

1.3 "Affiliate" means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by, or is under common control with, such Person. A Person shall be regarded as in control of another Person if it owns, or directly or indirectly controls, fifty percent (50%) or more of the voting stock or other ownership interest of the other Person, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other Person by any means whatsoever.

1.4 "Agreement" has the meaning set forth in the introductory paragraph.

1.5 **[*]**

1.6 **[*]**

1.7 "Assets" means, collectively, (a) the Purchased Contracts (including all rights arising thereunder), (b) the Purchased Domain Names, (c) the Purchased Regulatory Documents, (d) the Purchased IP Rights, (e) Purchased Records, (f) Purchased Causes of Action, (g) the goodwill symbolized by the Purchased Trademark Rights, (h) except for the Excluded Assets set forth in (a)-(e) of Section 2.2, any and all proceeds, recoveries, refunds, counterclaims and rights, with respect to any matters, whether arising prior to, on or after the Effective Date that relate to any other Assets and (i) all goodwill and other intangible assets related to the Products or the Assets.

1.8 "Assignment of Domains" shall mean the certain Assignment of Domains Agreement to be entered into on the Effective Date by and between the Dr. Reddy's and Eton in the form attached hereto as Exhibit B-1.

1.9 "Assignment of Patents" shall mean the certain Assignment of Patents Agreement to be entered into on the Effective Date by and between the Dr. Reddy's and Eton in the form attached hereto as Exhibit B-2.

1.10 "Assignment of Trademarks" shall mean the certain Assignment of Trademarks Agreement to be entered into on the Effective Date by and between the Dr. Reddy's and Eton in the form attached hereto as Exhibit B-3.

1.11 "Assumed Liabilities" has the meaning set forth in Section 2.3.

1.12 "Audit Arbitrator" has the meaning set forth in Section 5.4.3.

1.13 "Bill of Sale and Assignment and Assumption Agreement" means the certain Bill of Sale and Assignment and Assumption Agreement to be entered into on the Effective Date by and between Dr. Reddy's and Eton in the form attached hereto as Exhibit B-4.

1.14 "Biorphen Product" means any phenylephrine hydrochloride product (including those covered by NDA No. N212909 or any other Registrations).

1.15 "Business" means the development, manufacture, marketing, promotion, distribution or sale of the Products as of the Effective Date.

1.16 "Charter Documents" means, with respect to any corporation or other legal entity, those instruments that, among other things, (a) define its existence, as filed or recorded with the applicable Governmental Entity, including, such corporation's or other legal entity's articles or certificate of incorporation, formation, organization or association, and (b) otherwise govern its internal affairs, including, such corporation's or legal entity's bylaws or operating agreement.

1.17 "Claim" has the meaning set forth in Section 7.1.

1.18 "Commercially Reasonable Efforts" means the level of diligence and effort that a **[*]** customarily devotes to developing and/or commercializing, prosecuting, enforcing and defending intellectual property rights related to, and conducting related activities, as applicable, a similar generic pharmaceutical product that such Person owns or controls which such product has similar characteristics as the Product, is at a similar stage in its development or product life as the Product, taking into account all relevant factors, including relative safety and efficacy, product profile, the proprietary position, the competitiveness of the marketplace and the market potential of such products, the nature and extent of market exclusivity, including patent coverage and regulatory data protection, price and reimbursement status and other relevant scientific, technical and commercial factors.

1.19 **[*]**

1.20 "Confidential Business Information" has the meaning set forth in Section 6.2.

1.21 "Contract" means any written or oral contract, covenant, arrangement, agreement, instrument, indenture, note, bond, lease, conditional sales contract, mortgage, obligation, franchise, warranty, guaranty, undertaking, arrangement, understanding or other binding commitment or purchase order, and all amendments thereto.

1.22 "Cysteine Product" means Product 6 (as referenced in Schedule 1.77) covered by ANDA No. 214082).

1.23 "Data Room" means that certain data room hosted on Box.com made available to Dr. Reddy's prior to the Effective Date.

1.24 "Devlin" means Devlin Law Firm LLC.

1.25 **[*]**

1.26 "Dr. Reddy's" has the meaning set forth in the introductory paragraph.

1.27 "Dr. Reddy's Indemnitees" has the meaning set forth in Section 7.1.

1.28 "Effective Date" has the meaning set forth in the introductory paragraph.

1.29 "Encumbrance" means any encumbrance, lien, charge, hypothecation, charge, claim, license, covenant not to sue, title retentions, restriction on transfer of title, pledge, obligation to pay royalties, mortgage, adverse claim, option, preemptive right, or other security interest of any nature, or any Contract to create any of the foregoing.

1.30 "Escrow Agent" means Citibank N.A.

1.31 "Escrow Agreement" means that certain Escrow Agreement by and among Eton, Dr. Reddy's and the Escrow Agent governing the administration of the Escrow Amount, in substantially the form attached hereto as Exhibit A.

1.32 "Escrow Amount" means **[*]**

1.33 "Escrow Release Date" has the meaning set forth in Section 6.14.1.

1.34 "Eton" has the meaning set forth in the introductory paragraph.

1.35 "Eton Indemnitees" has the meaning set forth in Section 7.2.

1.36 "European Union" means, at any particular time, all countries that are then officially recognized as member states of the European Union or members of the European Economic Area

1.37 "Excluded Assets" has the meaning set forth in Section 2.2.

1.38 "Excluded Liabilities" has the meaning set forth in Section 2.4.

1.39 "Exela Case" means *Exela Pharma Sciences, LLC v. Eton Pharmaceuticals, Inc*., No. 1:20-cv-00365 (D. Del.).

1.40 "FDA" means the Food and Drug Administration of the United States, or any successor thereto.

1.41 "FDCA" means the federal Food, Drug, and Cosmetic Act, as amended.

1.42 "Federal Health Care Programs" has the meaning set forth in Section 3.12.1(a).

1.43 "Financial Statements" has the meaning set forth in Section 3.3.

1.44 "First Commercial Sale" means, with respect to any Product, the first sale of such Product by Dr. Reddy's, its Licensees, or its or their respective Affiliates to a Third Party, after all applicable marketing and pricing approvals (if any) have been granted by the applicable governing health authority. For the avoidance of doubt, sales prior to receipt of regulatory approvals necessary to commence regular commercial sales, such as samples, promotional-use, so-called "treatment IND sales", "named patient sales" or "compassionate use sales", shall not be construed as a First Commercial Sale.

1.45 "Fundamental Representations" means the representations and warranties in **[*]**.

1.46 "GAAP" means United States generally accepted accounting principles, as in effect from time to time.

1.47 "Governmental Entity" means any government, any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether multinational, national, foreign, domestic, territorial, federal, state, municipal or local, governmental entity, quasi-governmental entity, self-regulatory organization (including any securities exchange) or any judicial or public or private arbitrational body or tribunal, court, commission, board, bureau, agency or instrumentality or any regulatory, administrative or other department, political or other subdivision or branch of any of the foregoing.

1.48 "Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Entity.

1.49 **[*]**

1.50 "Healthcare Regulatory Laws" means Laws relating to healthcare regulatory matters applicable to Eton, which may include: (a) 42 U.S.C. §§ 1320a-7, 7a, and 7b, which are commonly referred to as the "Federal Fraud Statutes;" (b) Titles XVIII and XIX of the Social Security Act (42 U.S.C. §§ 1395 et seq. and 1396 et seq.), respectively, the "Medicare Laws" and the "Medicaid Laws;" (c) 42 U.S.C. § 263a, which is commonly referred to as the "Clinical Laboratory Improvement Amendments of 1988" or "CLIA;" (d) 42 U.S.C. § 1395nn, which is commonly referred to as the "Stark Statute;" (e) 31 U.S.C. §§ 3729-3733, which is commonly referred to as the "Federal False Claims Act;" (f) 42 U.S.C. §§ 1320d through 1320d-8 and 42 C.F.R. §§ 160, 162 and 164, which are commonly referred to as the "Health Insurance Portability and Accountability Act of 1996" or "HIPAA;" (g) 21 U.S.C. § 301-399i, which is commonly referred to as the "Food, Drug, and Cosmetic Act;" (h) any federal, state or local applicable Law that regulates either the approval, clinical development, manufacturing, promotion or distribution of products; (i) any federal or state law regulating the interactions with health care professionals and reporting thereof, including Section 112G of the Social Security Act and its implementing regulations and state transparency and disclosure laws; (j) Section 340B of the Public Health Service Act (42 U.S.C. § 256B); (k) Section 603 of the Veterans Health Care Act (38 U.S.C. § 8126); (l) any federal, state or local statute or regulation requiring pharmaceutical manufacturers to report information to Governmental Entities relating to Product price changes; or (m) any federal, state or local statute or regulation relevant to false statements or claims including knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit, payment or registration.

1.51 "Indebtedness" means, without duplication: (a) any monetary obligations of Eton for borrowed money (including all obligations for principal, interest premiums, penalties, fees, expenses and breakage costs); (b) any monetary obligations of Eton evidenced by any note, bond, debenture, agreement or other debt security (whether or not secured by an Encumbrance against the Assets or any other properties and assets of Eton); (c) any monetary obligations of Eton under leases for personal property required by GAAP to be capitalized; (d) any monetary obligations of a Person, other than Eton, secured by an Encumbrance against the Assets or any other properties and assets of Eton; (e) any monetary obligations of Eton for the reimbursement of letters of credit, bankers' acceptance, bankers' guarantee or similar credit transactions, but only to the extent actually drawn; (f) the net amount, which may be positive or negative, of any obligations of Eton under any currency or interest rate swap, hedge or similar protection device; (g) liens for Taxes of Eton to the extent related to the Assets; (h) all outstanding payment obligations for the deferred purchase price of property, goods or services; (i) all accounts receivable that are more than ninety (90) days beyond the applicable due date, notwithstanding the terms and conditions of the applicable Contract, (j) Liabilities in respect of any earned but unpaid bonuses, severance, change of control payments, unfunded compensated leave or leave encashment, unfunded gratuity Liabilities, pension or any other retirement Liabilities, or other deferred compensation; (k) any of the foregoing to the extent guaranteed by Eton, and (l) any interest, penalties or other similar fees incurred in connection with any Liabilities described in clauses (a) through (k).

1.52 “Indemnifying Party” has the meaning set forth in Section 7.3.1.

1.53 “Indemnitee” has the meaning set forth in Section 7.3.1.

1.54 “Information Privacy and Security Laws” means all Laws relating to privacy, data privacy, data protection, data security, anti-spam, and consumer protection, and all regulations promulgated by any Governmental Entity thereunder, in each case that are applicable to Eton or the Assets, which may include the Health Insurance Portability and Accountability Act, the Gramm-Leach-Bliley Act, the Federal Information Security Management Act, the Fair Credit Reporting Act, the Fair and Accurate Credit Transaction Act, the Federal Trade Commission Act, the Privacy Act of 1974, the CAN-SPAM Act, the Telephone Consumer Protection Act, the Telemarketing and Consumer Fraud and Abuse Prevention Act, Children’s Online Privacy Protection Act, state consumer privacy laws, including the California Consumer Privacy Act, state data security Laws, state data breach notification Laws, and Laws concerning requirements for website and mobile application privacy policies and practices, call or electronic monitoring or recording or any outbound communications (including outbound calling and text messaging, telemarketing, and e-mail marketing) and all equivalent Laws of any other jurisdiction.

1.55 “Intellectual Property” means any and all of the following in any jurisdiction throughout the world: (a) trademarks, service marks, trade dress, trade names, logos, corporate names (including “doing business as” or “d/b/a” registrations), and all other indicia or identifiers of source or origin (and all goodwill associated therewith and all registrations and applications therefor); (b) copyrights and works of authorship, whether or not copyrightable; (c) Trade Secrets; (d) patents, patent applications, and inventions whether or not patentable, along with any improvements, ideas, data, concepts, formulas, techniques, methods, prototypes, protocols, processes associated with the foregoing (“Patents”); (e) domain names and social media account names or identifiers; (f) Software; (g) hardware; and (h) all other intellectual and related proprietary rights, whether protected, created, or arising by operation of law, in each case whether (i) granted under common law or by statute; (ii) registered or unregistered; (iii) published or unpublished; and (iv) including, without limitation, (A) all registrations, recordings, applications, rights to obtain renewals, derivations, continuations, reissues, extensions thereof; (B) all income, fees, royalties, damages, claims, payments and proceeds at any time due or payable or asserted under or with respect to any of the foregoing, and (C) all rights to sue for past, present or future misuses, misappropriations, or infringements thereof.

1.56 “Inventory” means all inventory that relates to a Product or is held for sale to customers of a Product, including finished Product and any active pharmaceutical ingredients, spare parts, raw materials, containers, packaging and packaging supplies and work-in-process related to a Product.

1.57 "Knowledge of Eton" or "Eton's Knowledge" (or similar phrases) means the actual knowledge, after due and reasonable inquiry of (a) each officers of Eton, and (b) Sean Brynjelsen (Chief Executive Officer), David Krempa (Head of Business Development), Bharathi Devarakonda, PhD (Senior Vice President, Regulatory Affairs & Technical Services), Ingrid Hoos (Senior Vice President, Regulatory Affairs), Scott Grossenbach (Vice President, Sales Operations), Danka Radosavljevic (Vice President, Quality), and Kevin Guthrie (Executive Vice-President, Commercial Operations). For the purposes of this definition, "reasonable inquiry" shall not require Eton to obtain any new freedom to operate opinion from external counsel with respect to the representation or warranty set forth in Section 3.7.2, provided, however, that shall not include any such freedom to operate opinion already received by Eton prior to the Effective Date.

1.58 "Law" means any federal, national, territorial, state, municipal or local, foreign, multi-national or domestic statute, act, law (including common law), treaty, ordinance, rule, regulation, order, writ, injunction, directive, judgment, award, code, Governmental Order, approval, permit, decree, ruling or other legally-binding requirement, in each case, having the force and effect of law, or any similar form of decision or approval of, or determination by, or binding interpretation or administration of, any of the foregoing issued, enacted, adopted, promulgated, implemented or otherwise put in effect by or under the authority of a Governmental Entity.

1.59 "Liability" or "Liabilities" means any direct or indirect obligation, Indebtedness, liability, claim, Loss, endorsement, cost, expense, damage (including punitive or exemplary damages and fines or penalties or interest thereon), Taxes, deficiency, obligation or responsibility, whether known or unknown, fixed or unfixed, choate or inchoate, liquidated or unliquidated, due or due to become due, secured or unsecured, accrued, absolute, contingent or otherwise.

1.60 "Licensed Intellectual Property" means any Intellectual Property that relates to the Product and is in-licensed by Eton, but for which such license agreement is not being assigned to Dr. Reddy's hereunder.

1.61 "Licensee" means a Third Party to whom Dr. Reddy's or its Affiliate has granted a (sub)license, immunity or other right under the Assets to offer to sell, sell or otherwise commercialize one or more Products, provided such license has not expired or been terminated.

1.62 "Losses" shall mean all losses, costs, interest, Taxes, charges, expenses (including reasonable attorneys' fees or other professional fees and expenses), obligations, Liabilities, settlements, awards, judgments, fines, penalties, damages, assessments or deficiencies, whether or not involving a Claim.

1.63 "Material Contracts" has the meaning set forth in Section 3.14.1.

1.64 "Material Customers" has the meaning set forth in Section 3.15.1.

1.65 "Material Suppliers" has the meaning set forth in Section 3.15.1.

1.66 "Milestone Information" has the meaning set forth in Section 5.4.1.

1.67 "Milestone Payments" has the meaning set forth in Section 5.2.

1.68 "Milestone Period" means **[*]**

1.69 "Occurrences" means any individual or set of existences, events, developments, omissions, situations, occurrences, circumstances, facts or takings.

1.70 "OFAC" has the meaning set forth in Section 3.12.3.

1.71 "Patent" has the meaning set forth in Section 1.56.

1.72 "Payor" has the meaning set forth in Section 3.15.2.

1.73 "Permits" has the meaning set forth in Section 3.11.2.

1.74 "Permitted Encumbrances" means (a) Encumbrances for Taxes not yet due and payable for which adequate reserves have been established in accordance with GAAP; (b) mechanics', carriers', workers', repairers' and similar Encumbrances arising or incurred in the ordinary course of business that are not yet due and payable and which are not, individually or in the aggregate, material to the business, operations, financial condition of the assets of Eton; and (c) non-exclusive licenses pursuant to any Purchased Contracts and granted in the ordinary course of business.

1.75 "Person" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group of any of the foregoing.

1.76 "Product" means the pharmaceutical products set forth on Schedule 1.77, including without limitation Rezipres Product, Biorphen Product, Cysteine Product.

1.77 "Product Intellectual Property" has the meaning set forth in Section 3.7.1.

1.78 "Product Net Sales" means, with respect to a Biorphen Product, the gross sales price of such Product invoiced by Dr. Reddy's, its Licensees, or its or their respective Affiliates to customers in the United States who are not Affiliates (or are Affiliates but are the end users of such Product) less the following deductions to the extent included in the gross invoiced sales price for such Product or otherwise directly paid or incurred by or on behalf of Dr. Reddy's with respect to the sale or other disposition of such Product:

1.78.1 normal and customary trade and quantity discounts actually allowed and properly taken directly with respect to sales of a Products;

1.78.2 credits, bad debt, price adjustments or allowances given or made for rejection or return of previously sold Products or for retroactive price reductions or failure to supply claims, recalls and billing errors, to the extent that such credits, price adjustments or allowances are customary in the generic pharmaceutical industry and are actually allowed or accrued;

1.78.3 rebates, compulsory rebates, reimbursements, co-pay card discounts and chargeback payments granted to wholesalers or other distributors, buying groups, managed health care organizations, pharmacy benefit managers (or equivalent thereof), national, state/provincial, local and other governments, their agencies and purchasers and reimbursers, or to trade customers;

1.78.4 costs of freight, shipping, special packaging, insurance and other transportation charges directly related to the distribution of a Product, as well as distribution service fees and any fees for services provided by wholesalers and warehousing chains related to the distribution of such Products; and

1.78.5 the portion of administrative fees paid during the relevant time period to group purchasing organizations, pharmaceutical benefit managers or Medicare prescription drug plans;

1.78.6 that portion of the annual fee on prescription drug manufacturers imposed by Section 9000 *et seq*. of the Patient Protection and Affordance Care Act, Pub. L. No. 111-148 (as amended) and reasonably allocable to sales of a Product (such amount to the extent paid or becoming due); and

1.78.7 sales and excise taxes, value added taxes, and duties which fall due and are paid by the purchaser as a direct consequence of such sales and any other governmental charges imposed upon the importation, use or sale of a Product, but only to the extent that such taxes and duties are actually included and itemized in the gross sales amounts invoiced to and specifically paid by the purchaser over and above the usual selling price of the Product;

Such amounts shall be determined in accordance with IFRS, consistently applied.

In no event will any particular amount identified above be deducted more than once in calculating Product Net Sales. Any free of charge disposal or use of a Product for regulatory or marketing purposes, including sales in connection with a compulsory license, for clinical studies purposes or compassionate, named patient, charitable, humanitarian program or similar use, will not be deemed a sale or disposition for calculating Product Net Sales.

1.79 "Purchase Price" has the meaning set forth in Section 2.7.

1.80 "Purchased Causes of Action" means all present and future Actions (including the Exela Case), rights of set-off and credits against Third Parties, in each case, that relate to any Asset.

1.81 "Purchased Contracts" means the Contracts set forth on Schedule 1.82.

1.82 "Purchased Domain Names" means the Internet domain names and social media account names or identifiers set forth on Schedule 1.83.

1.83 "Purchased IP Rights" means the Purchased Patent Rights, the Purchased Know-How Rights, and the Purchased Trademark Rights.

1.84 "Purchased Know-How Rights" means all of Eton's or its Affiliate's Trade Secret and other know-how rights or confidential information related to a Product or its use or manufacture as of the Effective Date.

1.85 "Purchased Patent Rights" means (a) all patents and patent applications (including provisional patent applications) owned or purported to be owned by Eton or its Affiliates that claim a Product or its use as of the Effective Date (including those patents and patent applications listed on Schedule 1.86), together with all divisionals, continuations and continuations-in-part that claim priority to, or common priority with, the foregoing; (b) all patents issuing therefrom (including utility models and design patents and certificates of invention); (c) all reissues, reexaminations, *inter partes* reviews, renewals, restorations, extensions and supplementary protection certificates of any of the foregoing patent applications or patents; (d) all confirmation patents, registration patents or patents of addition based on any of the foregoing patents; and (e) all foreign counterparts of any of the foregoing, or as applicable portions thereof.

1.86 "Purchased Records" means all books, records and files, including customer and vendor lists, warranty details, marketing and promotional materials, credit records maintained by Eton and related to a Product, other than the Purchased Regulatory Documents, which includes all documents, if any, relating to the calculation of baseline AMP ("Baseline AMP Information").

1.87 "Purchased Regulatory Documents" means all (a) Regulatory Filings and Registrations for the Products, (b) all adverse event reports and other data, information and materials relating to adverse experiences and other safety issues submitted to any Governmental Entity with respect to the Products and safety databases, and (c) all material correspondence with any Governmental Entity relating to the Product, in each case, existing as of the Effective Date.

1.88 "Purchased Trademark Rights" means all trademarks, service marks, logos, slogans and trade names (whether or not registered) owned or purported to be owned by Eton or its Affiliates that exist as of the Effective Date and are related to a Product, together with all registrations, applications for registration, or renewals of the foregoing and all goodwill associated therewith, including those listed on Schedule 1.89.

1.89 "Registration" means any registration, license, permit or governmental approval or clearance from the FDA or any other regulatory authority necessary for the development, manufacture, marketing, use or sale of a human pharmaceutical product in the Territory.

1.90 "Regulatory Filing" means any New Drug Application or Abbreviated New Drug Application, or any other application, notification or submission made to or with the FDA or any other regulatory authority for Registration of a human pharmaceutical product, together with all amendments and supplements to any of the foregoing.

1.91 "Representatives" means with respect to any Person, any of such Person's officers, directors, managers, employees, shareholders, members, partners, controlling Persons, agents, consultants, advisors, and other representatives, including legal counsel, accountants and financial advisors.

1.92 “Restricted Business” means the research, development, manufacture, submission of Regulatory Filings for, offering to sell, sale, marketing, solicitation of orders for, distribution, commercialization, exploitation or disposal of any Competitive Product.

1.93 “Restricted Period” has the meaning set forth in Section 6.10.1.

1.94 “Retained Sintetica Purchase Order” means that certain purchase order (PO No. 1466) dated May 12, 2022 issued to Sintetica by Eton.

1.95 “Rezipres Product” means any ephedrine hydrochloride product covered by NDA No. N213536.

1.96 “Sintetica” means Sintetica SA, a Swiss company.

1.97 **[*]**

1.98 “Sintetica Letter” means that certain letter agreement among Eton, Sintetica and Dr. Reddy’s entered into on or around the Effective Date.

1.99 “Sintetica Purchase Order” means that certain purchase order (PO No. 1465) dated May 12, 2022 issued to Sintetica by Eton, a copy of which is attached hereto on Schedule 1.100.

1.100 “Software” means computer software, programs, data, and databases in any form, including internet web sites, and all versions, updates, corrections, enhancements, replacements, and modifications thereof, and all documentation related thereto.

1.101 “Successful Court Outcome for Cysteine Injection” means, **[*]**

1.102 “Tax” or “Taxes” means any and all federal, state, local and foreign taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes as well as public imposts, fees and social security charges (including but not limited to health, unemployment and pension insurance), together with all interest, penalties and additions imposed with respect to such amounts and any obligation under any agreement or arrangement with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity.

1.103 “Tax Return” means any return, report, declaration, form, claim for refund, information return or other document, including any schedules or attachments thereto, filed or required to be filed with any Governmental Entity with respect to Taxes, including any amendments thereof.

1.104 “Taxing Authority” means any Governmental Entity responsible for the administration or the imposition of any Tax.

1.105 “Territory” means the entire world.

1.106 "Third Party" means any Person other than Eton, Dr. Reddy's or their respective Affiliates.

1.107 "Trade Secrets" means any information protectable as a trade secret under applicable Law, which may include know-how, inventions and invention disclosures (whether or not patentable), rights in inventions (including, discoveries, improvements, ideas, data, pricing, cost-information, concepts, creative works, drawings formulas, formulations, patterns, techniques, prototypes, specifications, protocols, and processes), technology, and business and technical information (including business and marketing plans, databases, data compilations and collections, tools, methods, processes, techniques, and customer and supplier information).

1.108 "Upfront Payment" has the meaning set forth in Section 5.1.

1.109 "Xellia" means Xellia Pharmaceuticals USA, LLC, a Delaware limited liability company.

1.110 "Xellia Agreement" means that certain Co-Promotion Agreement dated January 6, 2020 by and between Eton and Xellia.

1.111 "XGen" means XGen Pharmaceuticals DJB, Inc., a New York corporation.

1.112 "XGen Agreement" means that certain Commercialization and Supply Agreement dated July 8, 2021 by and between Eton and XGen.

2. Purchase and Sale of the Assets.

2.1 Assets. Subject to the terms and conditions of this Agreement, Dr. Reddy's hereby purchases from Eton, and Eton hereby sells, conveys, transfers, assigns and delivers to Dr. Reddy's, on the Effective Date, all of Eton's right, title and interest in and to the Assets, free and clear of any Encumbrances other than Permitted Encumbrances.

2.2 Excluded Assets. Notwithstanding anything to the contrary herein, except for the Assets, Dr. Reddy's is not acquiring any assets, properties or rights of Eton (collectively, the "Excluded Assets"), including without limitation (a) the Devlin Law Agreement, the Xellia Agreement, the AL Pharma Agreement, the XGen Agreement, and the Contracts listed on Schedule 3.14.1(g) and/or 3.14.2, together with all rights under the foregoing, (b) the Licensed Intellectual Property, (c) all insurance policies of Eton and all rights to applicable claims and proceeds thereunder, (d) the Retained Inventory, and (e) the Retained Sintetica Purchase Order and all rights thereunder.

2.3 Assumed Liabilities. Subject to the terms and conditions of this Agreement, Dr. Reddy's hereby agrees to assume, pay, perform, and discharge any and all Liabilities or obligations to the extent arising out of or relating to any period, or any portion of any period, on or after the Effective Date solely related to the Assets (the "Assumed Liabilities"), including: (i) all Liabilities and/or obligations that first arose on or after the Effective Date under the Purchased Contracts; and (ii) all product liability claims relating to a Product to the extent first brought or initiated on or after the Effective Date solely with respect to Product manufactured on or after the Effective Date and sold by Dr. Reddy's, its Affiliates or Licensees. For the avoidance of doubt, the Excluded Liabilities set forth in (t) – (x) of Section 2.4 shall not be Assumed Liabilities.

2.4 Excluded Liabilities. Notwithstanding anything to the contrary herein, except for the Assumed Liabilities, Dr. Reddy's shall not be obligated to assume, pay, perform, or discharge, and is not assuming, paying, performing or discharging (a) any Liabilities of Eton or any of its Affiliates arising out of, relating to or otherwise in respect of the Assets to the extent arising out of or relating to any period, or any portion of any period, prior to the Effective Date, (b) any Liabilities of Eton or any of its Affiliates that are not Assumed Liabilities (whether arising prior to, on or after the Effective Date), (collectively, the "Excluded Liabilities"), including without limitation, (t) any Liabilities under the Retained Sintetica Purchase Order, (v) all Liabilities relating to the Excluded Assets, (w) all Liabilities arising under the Xellia Agreement and XGen Agreement, (x) any Liabilities related to any chargebacks, rebates or returns for Product sold by or on behalf of Eton, which, for clarity, includes any Product sold by or on behalf of Xellia and/or XGen, (y) all Liabilities in connection with the [*] arising from or in connection with events occurring prior to or on the Effective Date (which shall include all expert fees, consultant fees, attorney fees), and (z) any attorney's fees and expenses awarded in favor of any counterparty of Eton (or its successor, including Dr. Reddy's) to the Exela Case.

2.5 Transfer Documents. On or prior to the Effective Date, the parties will enter into (a) the Assignment of Patents, (b) the Assignment of Trademark, (c) the Assignment of Domains, and (d) the Bill of Sale and Assignment and Assumption Agreement. In addition to the foregoing, at such time as reasonably requested by a party on or after the Effective Date, the other party shall duly execute and deliver to such party such bills of sale, assignment or other title transfer documents and instruments reasonably requested by such party evidencing the sale, conveyance, transfer and assignment of the Assets in accordance with this Agreement, including without limitation assignment agreement(s) for the Purchased IP Rights. Following the Effective Date, upon request from Dr. Reddy's, Eton shall provide any Baseline Amp Information in its possession or control.

2.6 License Grant. Subject to the terms and conditions of this Agreement, Eton hereby grants to Dr. Reddy's a worldwide, royalty-free, fully-paid up, irrevocable, non-exclusive, non-transferable (except as may be assignable pursuant to Section 8.6) and sublicensable license under any Licensed Intellectual Property solely to research, develop, and commercialize one or more Products.

2.7 Consideration. The consideration for the sale to Dr. Reddy's of the Assets and assumption of the Assumed Liabilities by Dr. Reddy's under this Agreement shall consist of the following (collectively, the "Purchase Price"):

2.7.1 The Upfront Payment; and

2.7.2 The Milestone Payments.

2.8 Closing Deliverables of Dr. Reddy's. Except as set forth below, on the Effective Date, Dr. Reddy's shall pay or deliver (as applicable):

2.8.1 to Eton, the Upfront Payment less the Escrow Amount, by wire transfer of immediately available funds to a bank account designated in writing by Eton, which shall be provided to Dr. Reddy's at least two (2) business days prior to the Effective Date; and

2.8.2 to the Escrow Agent, the Escrow Amount, by wire transfer of immediately available funds in accordance with the terms of the Escrow Agreement;

2.8.3 Assignment of Patents, the Assignment of Trademarks, the Assignment of Domains, and the Bill of Sale and Assignment and Assumption Agreement, all duly executed by Dr. Reddy's;

2.8.4 to Eton, the Escrow Agreement, duly executed by Dr. Reddy's and the Escrow Agent; and

2.8.5 the Sintetica Letter, duly executed by Dr. Reddy's.

2.9 Closing Deliverables of Eton. Except as set forth below, on or prior to the Effective Date, Eton shall deliver or cause to be delivered to Dr. Reddy's, as applicable:

2.9.1 a copy of the resolutions approving this Agreement and the transactions contemplated hereby on behalf of Eton;

2.9.2 the Escrow Agreement, duly executed by Eton;

2.9.3 the Assignment of Patents, the Assignment of Trademarks, the Assignment of Domains, and the Bill of Sale and Assignment and Assumption Agreement, all duly executed by Eton;

2.9.4 evidence that all Encumbrances other than Permitted Encumbrances have been released with respect to the Assets to Dr. Reddy's satisfaction;

2.9.5 evidence **[*]**;

2.9.6 evidence that (a) the AL Pharma Agreement has been terminated, and (b) all of AL Pharma Inc.'s right, title and interest in the AL Pharma IP (as defined in the AL Pharma Agreement) has been assigned to Eton, in each case (a) and (b), to Dr. Reddy's satisfaction;

2.9.7 the Sintetica Letter, duly executed by Eton and Sintetica;

2.9.8 evidence that the Sintetica Purchase Order has been amended to have the Product ordered by Sintetica be manufactured with Dr. Reddy's trade dress to Dr. Reddy's satisfaction;

2.9.9 any assignment or other title transfer documents and instruments reasonably requested by Dr. Reddy's, evidencing the sale, conveyance, transfer and assignment of the Assets;

2.9.10 a written consent, in form and substance reasonably acceptable to Dr. Reddy's, from each of the Persons set forth on Schedule 3.8(b)(i);

2.9.11 the [*]; and

2.9.12 such other agreements, consents, documents, instruments and writings as are reasonably requested by Dr. Reddy's to be delivered by Eton pursuant to this Agreement or otherwise reasonably required to consummate the transactions contemplated hereby.

Dr. Reddy's and Eton acknowledge that as of the Effective Date, the Escrow Agreement has not been executed and the escrow account has not yet been opened. As soon as practicable following the Effective Date, Dr. Reddy's and Eton each agree to enter into the Escrow Agreement and provide all reasonable information and documents as reasonably requested by the Escrow Agent in order to establish the escrow account. Dr. Reddy's and Eton agree, that notwithstanding anything in the agreement to the contrary set forth in Section 2.8 or Section 2.9, within two (2) business days of the Effective Date, Dr. Reddy's shall wire the Upfront Amount less the Escrow Amount to Eton, and Dr. Reddy's shall hold the Escrow Amount. Thereafter, upon the opening of the escrow account, Dr. Reddy's shall deliver to the Escrow Agent, the Escrow Amount, by wire transfer of immediately available funds in accordance with the terms of the Escrow Agreement.

2.10 Allocation of Purchase Price. The Purchase Price shall be allocated, if an allocation is required, as set forth on Schedule 2.10. After the Effective Date, Eton and Dr. Reddy's shall make consistent use of any allocation required under Section 1060 of the Internal Revenue Code for all Tax purposes and in all filings, declarations and reports with the Internal Revenue Service or any other applicable Taxing Authority in respect thereof. In any and all actions, suits, proceedings, arbitration, or governmental or regulatory investigations or audits related to the determination of any Tax, neither Eton nor Dr. Reddy's shall contend or represent that such allocation is not a correct allocation.

3. Representations and Warranties of Eton. Eton hereby represents and warrants to Dr. Reddy's, as of the Effective Date, except as indicated on the disclosure schedules, if any, attached to this Agreement, as follows:

3.1 Authority and Binding Effect. Eton has all requisite power and authority to execute and deliver this Agreement and other documents and instruments contemplated hereby and thereby, and to consummate the transactions contemplated hereby and thereby. This Agreement and other documents and instruments contemplated hereby, and the consummation by Eton of its obligations contained herein, have been duly authorized by all necessary corporate actions of Eton and no other actions on the part of Eton is necessary to authorize this Agreement and other documents and instruments contemplated hereby or to consummate the transactions contemplated hereby or thereby. This Agreement and other documents and instruments contemplated hereby have been duly executed and delivered by Eton. This Agreement and other documents and instruments contemplated hereby are valid and binding agreements of Eton, enforceable against Eton in accordance with their respective terms.

3.2 Organization and Standing. Eton is duly organized, validly existing and in good standing under the laws of the State of Delaware. Eton is qualified to do business in each jurisdiction where such qualification is necessary and is in good standing in each such jurisdiction. Eton has the requisite corporate power and authority necessary to enable it to own, lease, use, hold or otherwise conduct its business as now owned, leased, used held or otherwise conducted.

3.3 Financial Statements. Except as would not have a material adverse effect on the Assets:

3.3.1 Complete copies of Eton's audited financial statements consisting of the balance sheet of Eton as at December 31, 2021 and as at December 31, 2020 and the related statements of income and retained earnings, stockholders' equity and cash flow for the 12 month periods then ended (the "Audited Financial Statements"), and unaudited financial statements consisting of the balance sheet of Eton as at March 31, 2022 and the related statements of income and retained earnings and cash flow for the three-month period then ended (the "Interim Financial Statements" and together with the Audited Financial Statements, the "Financial Statements") have been filed with the SEC and are publicly available. The Audited Financial Statements have been prepared in accordance with GAAP and the Interim Financial Statements have been prepared in accordance with GAAP, both as applied on a consistent basis throughout the period involved, subject, in the case of the Interim Financial Statements, to normal and recurring year-end adjustments (the effect of which will not be materially adverse) and the absence of notes (that, if presented, would not differ materially from those presented in the Audited Financial Statements). The Financial Statements are based on the books and records of Eton, and fairly present the financial condition of Eton as of the respective dates they were prepared and the results of the operations of Eton for the periods indicated. Eton maintains a standard system of accounting established and administered in accordance with GAAP, as the case may be.

3.4 No Undisclosed Liabilities. Except as incurred in the ordinary course of business (none of which are material (individually or in the aggregate) or relate to breach of Contract, breach of warranty, tort, infringement, violation of Law, order or Permit, or any Action), neither Eton nor the Business has any Liabilities of any kind and there is no Occurrence that would reasonably be expected to result in any Liabilities except for (a) Liabilities reflected on and reserved against in on the face of the Financial Statements, and (b) Liabilities that have arisen since January 1, 2021.

3.5 Title. Eton has good, valid and marketable title to each of the Assets, and each of the Assets is owned solely by Eton, free and clear of any Encumbrances other than Permitted Encumbrances. The Assets constitute all of the rights, properties and assets that are necessary to exploit the Products as they are exploited by Eton as of immediately prior to the Effective Date. To the Knowledge of Eton, the Assets as of the Effective Date are all the rights, properties and assets of Eton that are necessary and sufficient to exploit, the Products immediately following the Effective Date as they are exploited by Eton as of immediately prior to the Effective Date. The tangible assets included in the Assets are (i) maintained in accordance with normal industry practice and (ii) are in good operating condition and repair (subject to normal wear and tear).

3.6 Inventory. Schedule 3.6 sets forth a true, complete and accurate list of Inventory in the possession or control of each of Eton, Xellia, and XGen **[*]** existing as of the Effective Date. Schedule 3.6 further sets forth any Inventory that will be received by Eton following the Effective Date that is not in its possession or control on the Effective Date. Eton has not introduced or sold Product into the market in the Territory in a manner inconsistent with the actual demand of the market for Product in the Territory (i.e., "channel stuffing" or "trade loading").

3.7 Intellectual Property.

3.7.1 Schedule 3.7.1 sets forth all of the Intellectual Property that is (a) owned or purported to be owned by Eton, (b) registered with a Governmental Entity or subject to an application for such a registration, and (c) related to the Products (together with collectively, "Owned Intellectual Property"). Eton owns or controls all of the Owned Intellectual Property, free and clear of all Encumbrances other than Permitted Encumbrances.

3.7.2 The (i) Owned Intellectual Property, and (ii) the Intellectual Property licensed to Eton pursuant to one or more Purchased Contracts (the "In-Licensed IP," and (i) and (ii), together with the Purchased Know-How Rights, collectively, the "Product Intellectual Property"), includes all of the Intellectual Property used or purported to be used by Eton, its Affiliates or its agents to design, develop, manufacture, license, market, distribute, maintain, repair, offer for sale, sell, or use the Products. To Eton's Knowledge, there are no other Intellectual Property that are necessary to design, develop, manufacture, license, market, distribute, maintain, repair, offer for sale, sell, or use the Products. The consummation of the transactions contemplated hereby will not result in the loss or impairment of Eton's right to use any In-Licensed IP granted to it under the applicable license agreement (other than the rights granted to Dr. Reddy's hereunder).

3.7.3 All registered Product Intellectual Property is subsisting, valid and enforceable. All fees have been timely paid and all required communications and responses timely filed with regard to all Product Intellectual Property subject to registration with a Governmental Entity or other registrar, and Eton and their respective Representatives have complied with the duty of candor and disclosure, and have not made any material misrepresentations in connection with the prosecution and maintenance of any patents and patent applications. No grants, funding, facilities, or personnel of any Governmental Entity or university, research institution or similar entity was used to develop or create (in whole or in part) any Product Intellectual Property. No Patent that is part of the Product Intellectual Property has been the subject of or is now involved in any interference, reissue, reexamination, or inter partes proceeding (other than normal course proceedings regarding the prosecution of patents). No Patent that is part of the Product Intellectual Property is subject to any compulsory license.

3.7.4 Neither the validity, enforceability nor scope of, nor Eton's title or other rights to, any Product Intellectual Property, or to the Knowledge of Eton, any other Product Intellectual Property, is currently being, or has been, challenged in any Action or threatened to be challenged in any Action.

3.7.5 There have been no Actions, and there are no Actions pending or, to the Knowledge of Eton, threatened against Eton, alleging that Eton or any Person, is infringing, misappropriating or otherwise violating, or has infringed, misappropriated or otherwise violated, any of the Intellectual Property rights of any Person in connection with the design, development, manufacture, licensing, marketing, distribution, maintenance, repair, offering for sale, sale, or use the Products. There have been no Actions, and there are no Actions pending or threatened by or on behalf of Eton, against any Person alleging infringement, misappropriation or other violation of any Product Intellectual Property.

3.7.6 All Product Intellectual Property are currently in compliance with applicable legal requirements and are not subject to any unpaid maintenance or actions fees or Taxes or actions falling due within ninety (90) days after the Effective Date.

3.7.7 To the extent that any Assets were originally owned or created by or for any Person other than Eton, (a) Eton has obtained the complete, unencumbered and unrestricted right to effect the transfer of the Assets from Eton to Dr. Reddy's and confirms that such transfer does not violate any such right to transfer; (b) no Person has retained or otherwise has any rights or licenses with respect to the Assets; and (c) to the Knowledge of Eton, no valid basis exists for any such Person to challenge or object to this Agreement or the transactions contemplated herein.

3.7.8 Eton has not transferred ownership of, or granted any license of or right to use, or authorized the retention of any rights to use, to any Person any Assets, whether by settlement, coexistence agreement, covenant not to sue, waiver, release or other express grants or right to use.

3.7.9 Eton is not required to make or accrue any royalty, milestone or other similar payment (excluding, for the avoidance of doubt, customary payment obligations in exchange for the performance of services or purchase of goods) to any Person in connection with any of the Assets.

3.7.10 Eton is not using any Intellectual Property supplied by any Governmental Entity or any other Person for any purpose or in any manner that is outside the scope of the rights provided in the applicable Contract with such Governmental Entity or any other Person.

3.7.11 Eton has (a) taken commercially reasonable measures, consistent with customary practices in the industry in which it operates, to protect the confidentiality of all material Trade Secrets used in connection with the Business, and (b) executed either written confidentiality and invention assignment agreements or written agreements incorporating confidentiality and invention assignment agreements or provisions with all of its past and present employees, contractors, officers and consultants who have been employed or engaged to develop Intellectual Property for Eton and pursuant to which such employees, contractors and consultants have (i) acknowledged that all Intellectual Property they developed in the course of their engagement with Eton is Eton's property and assigned all Intellectual Property that is developed or discovered to Eton, and (ii) agreed to hold all Trade Secrets and proprietary information of Eton in confidence both during and after their employment or engagement. Eton has not disclosed or delivered to any Person, or permitted the disclosure or delivery to any Person, other than the authorized employees, which are subject to strict confidentiality provisions any material Trade Secrets used in connection with the Business. No manager, director, officer, employee, consultant, or other representative of Eton owns or, to the Knowledge of Eton, claims any rights in the Product Intellectual Property.

3.7.12 Except as set forth on Schedule 3.7.12, (a) no Person has excluded the Product Intellectual Property from their respective confidentiality and invention assignment agreement, (b) no Person is in breach, in any material respects, of their respective confidentiality and invention assignment agreement, and (c) to Eton's Knowledge, there has not been any disclosure of or access to any material Trade Secret of the Business to any Person in a manner that has resulted or is reasonably likely to result in the loss of such Trade Secret and to such information.

3.7.13 Eton has complied in all material respects with all Information Privacy and Security Laws. Eton has not been notified of (i) any Action related to a data security or privacy event that was not authorized by Eton; (ii) an Action alleging a violation of any of Eton's privacy policies; or (iii) an Action alleging a violation of any Information Privacy and Security Law, nor has any such Action been threatened.

3.8 Conflicts; Consents. The execution and delivery by Eton of this Agreement and any agreements contemplated thereby, and the consummation of the transactions contemplated hereby and thereby, and performance of the obligations hereunder and thereunder, (a) do not and will not result in the violation of any provision of the Charter Documents of Eton, each as amended to date; (b) do not and will not (i) except as set forth on Schedule 3.8(b)(i), require the consent, notice or other action by any Person under, (ii) conflict with, (iii) result in a violation or breach of, or constitute a default or an Occurrence that, with or without notice or lapse of time or both, would constitute a default under, (iv) result in the acceleration of, or (v) create any right to accelerate, terminate, modify or cancel, in each case (i) through (v), any Contract that is related to the Products to which Eton or any of its properties or assets (including intangible assets) is subject; (c) do not and will not violate any existing Law applicable to Eton or any of its properties or assets (tangible and intangible), and (d) do not and will not result in the creation or imposition of any Encumbrance on any Assets. To Eton's Knowledge, no consent, authorization, Permit or approval or other action by, and no notice to or filing with, any Governmental Entity is or will be required to be obtained or made by Eton in connection with the execution, delivery and performance by Eton of this Agreement and the consummation by Eton of the transactions contemplated hereby.

3.9 Tax Matters.

3.9.1 Eton has timely filed all income and other Tax Returns with the appropriate Governmental Entity that it was required to file under applicable Law that is in any way related to the Business or the Assets, and all such Tax Returns are true, correct, and complete in all material respects.

3.9.2 Eton has timely paid all income and other Taxes related to the Assets and the Business that are due and payable, except for Taxes being contested in good faith through appropriate proceedings and for which adequate reserves have been established in the Financial Statements.

3.9.3 No audits or administrative or judicial proceedings are currently being conducted or have been threatened in writing with respect to a material amount of Taxes of Eton.

3.10 Litigation and Proceedings. Except as set forth on Schedule 3.10, there is no Action (or any counter or cross-claim in an Action brought by or on behalf of Eton) or, to Eton's Knowledge, investigation, whether at law or in equity, or before or by any Governmental Entity of any kind, that is pending or, to Eton's Knowledge, threatened, against Eton. Eton is not subject to any Governmental Order that relates to the Assets.

3.11 Compliance with Law/Permits.

3.11.1 Eton is in compliance with all, and is not in violation of any Law relating to the Assets or the exploitation of the Assets. No unresolved (a) charges of violations of Laws relating to the Assets have been made or threatened; (b) proceedings or investigations relating to the Assets are pending or have been threatened; and (c) citations or notices of deficiency relating to the Assets have been issued or have been threatened, by any Governmental Entity.

3.11.2 Eton has all required licenses, franchises, permits, concessions, exemptions, orders, certificates, registrations, re-registrations, applications, consents, approvals, qualifications or other similar authorizations and has complied with all directives issued by applicable Governmental Entities, including all Registrations, to operate the Business (the "Permits"). Schedule 3.11.2 sets forth a list of the Registrations related to the Assets and, for each Registration, the name of the Registration, the Registration number, and whether such Registration can be transferred or newly issued to Dr. Reddy's on or prior to the Effective Date. True, correct and complete copies of the Registrations have been provided to Dr. Reddy's. The Registrations are valid and in full force and effect, and none of the Registrations will be terminated as a result of the transactions contemplated by this Agreement. Eton is in compliance in all material respects with all requirements, conditions, and upkeep for all Registrations. There has not occurred any violation of, default (with or without notice or lapse of time or both) under, or event giving to others any right of termination, adverse modification, suspension, revocation, or cancellation of, with or without notice or lapse of time or both, any Registration, including any fee requirements. No event has occurred that would reasonably be expected to require or result in the termination, material adverse modification, suspension, revocation, or cancellation of any Registration. No Action is pending or, to the Knowledge of Eton, threatened regarding the termination, material adverse modification, suspension, revocation, or cancellation of any such Registration. As of the date hereof, Eton has not received any written communication from any Governmental Entity threatening to withdraw, materially adversely modify or suspend any Registration. All Regulatory Filings used in connection with any and all requests for a Registration, when submitted to the FDA or any other Governmental Entity, were true, correct, and complete as of the date of submission, and any updates, changes, corrections or modification with respect to such Registrations or Regulatory Filings, required under applicable Laws have been submitted to the FDA or other relevant Governmental Entity.

3.11.3 The Products are not and have not been adulterated or misbranded as defined by the FDCA and its implementing regulations, and complies and has complied with all Registrations, as well as applicable Law and policies and guidance documents (e.g., Guidance to Industry) issued by the FDA and any other Governmental Entity with respect to labeling, processing, storing, developing, manufacturing, packaging, distributing, marketing, advertising, promoting, and selling of the Products.

3.11.4 (i) There have been no recalls, field corrections, market withdrawals, or suspensions conducted by or on behalf of Eton concerning a Product, whether voluntary or otherwise; (ii) there are no pending Actions seeking a recall, field correction, market withdrawal, or suspension of a Product or otherwise relating to the alleged lack of safety, efficacy, or regulatory compliance of a Product; and (iii) there is not, and has not been, any notice of any adverse inspection, finding of deficiency, finding of non-compliance, 483 observation, Action, penalty, untitled letter, warning letter, seizure, import alert, injunction or other compliance or enforcement action from or by any Governmental Entity relating to a Product or any Product facility that is subject to the FDA's registration requirements under 21 C.F.R. Part 207, and that is owned (whether fully or partially), operated, or leased by Eton. Eton has provided true, correct and complete copies of all applications, approvals, written notices of inspectional observations, establishment inspection reports, and any other material correspondence received from any Governmental Entity, including the FDA, with respect to a Product, including any correspondence that imposes any obligation on Eton with respect to post-marketing clinical studies for a Product or that allege, indicate, imply, or suggest lack of compliance with a Permit or regulatory requirement of the FDA or any other Governmental Entity.

3.11.5 To Eton's Knowledge, the Products have been in compliance in all respects with applicable Law, including (without limitation) current Good Manufacturing Practices, establishment registration, product listing, adverse event reporting obligations, and any other applicable requirements under the FDCA and its implementing regulations.

3.11.6 Eton has not received any claim, complaint, or communication, whether written or oral, (i) alleging that a Product failed to meet its specifications set forth in applicable Registration, or (ii) alleging that a Product received by such Person was of poor or substandard quality or incomplete upon receipt.

3.11.7 Eton is not party to any corporate integrity agreements, monitoring agreements, consent decrees, settlement orders or similar material agreements with or imposed by any Governmental Entity. Eton has not committed any act, made any statement or failed to make any statement that would reasonably be expected to provide a basis for the FDA to invoke its policy with respect to "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities," as set forth in 56 Fed. Reg. 46191 (Sept. 10, 1991) and any amendments thereto, or a similar policy enforced by any other Governmental Entity. Neither Eton nor any director, officer, employee, or agent thereof has been convicted of any crime or engaged in any conduct for which debarment is mandated by 21 U.S.C. § 335a(a) or any similar Law.

3.11.8 (i) Eton has not engaged in any speech, conduct, actions, or inactions, or failed to comply with any requirements under the FDCA and its implementing regulations to render a Product adulterated or misbranded; (ii) Eton has not engaged in any off-label promotion, or promotion of a Product without Permits; and (iii) Eton is in compliance with the written procedures, record-keeping and FDA reporting requirements for adverse event reporting requirements set forth in 21 C.F.R. Part 314.

3.11.9 To the Knowledge of the Eton, the Products are being and have been developed in material compliance with applicable Law, including those requirements relating to Good Manufacturing Practice, good laboratory practice and good clinical practice. Neither the Eton nor any of its Affiliates have received (and, to the Knowledge of Eton, no agent developing any Product on its behalf) any (i) written notice from the FDA or any other Governmental Entity, including the Office of Inspector General, any United States Attorney, the Department of Justice or any attorney general of any jurisdiction, alleging that the Eton, such agent or any of their respective Affiliates has been or is in violation of any Applicable Healthcare Regulatory Laws or other applicable Laws, or commencing or indicating an intention to conduct an investigation, audit, or review, in each case, in connection with the conduct of the Business or the Assets; (ii) written notice of inspectional observation (including those recorded on form FDA 483), warning letter, penalty, fine, sanction, request for recall or other remedial action in connection with the conduct of the Business or the Assets; or (iii) other written documents issued by the FDA or any other Governmental Entity alleging lack of compliance with any Applicable Healthcare Industry Laws or other applicable Laws by Eton, its agents or any of their respective Affiliates, or any Person engaged by Eton, its agents or any of their respective Affiliates, to provide any service with respect to any Product or otherwise in connection with the conduct of the Business or the Assets.

3.12 Anti-Corruption.

3.12.1 Eton has not been:

(a) convicted of or charged or threatened in writing with prosecution or, to Knowledge of Eton, has been under investigation, by a Governmental Entity (including, for purposes of this Section 3.12.1(a) only, a qui tam relator or similar whistleblower acting in the name of any Governmental Entity) for any violation of a Healthcare Regulatory Law including any law applicable to a health care program defined in 42 U.S.C. § 1320a-7b(f) ("Federal Health Care Programs");

(b) convicted of, charged with, or, to the Knowledge of Eton, is under investigation for, any violation of applicable Law related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation, or manufacture, storage, distribution or sale of controlled substances;

(c) suspended, debarred or excluded from participation pursuant to the Healthcare Regulatory Laws;

(d) excluded, suspended or debarred from participation, or is otherwise ineligible to participate, in any Federal Health Care Program, any federal, state, or local governmental procurement or non-procurement program, or any other federal or state government program or activity, or has otherwise received notice of a proposed exclusion, suspension, debarment, or ineligibility determination from any Governmental Entity; or

(e) found to have committed any violation of Law that is reasonably expected to serve as the basis for any such exclusion, suspension, debarment or other ineligibility.

3.12.2 Neither Eton nor, to the Knowledge of Eton, any of its directors, officers, employees, representatives or authorized agents, has (i) made any payment of cash or other consideration (including payments or discounts to customers or clients or employees of customers or clients) for purposes of doing business with such Persons, or taken any action, or failed to take any action, in violation of any Laws prohibiting the payment of undisclosed commissions or bonuses; (ii) violated, or been investigated or made any voluntary disclosures to any Governmental Entity with respect to any violation or potential violation of, any Healthcare Regulatory Law, the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the Anti-Kickback Act of 1986, as amended; (iii) made any illegal contribution, gift, bribe, rebate, payoff, commission, promotional allowance, influence payment, kickback, or other payment or economic benefit or anything of value to any person, in any country, private or public, regardless of what form, whether in money, property, or services; or (iv) paid, established or maintained any funds or assets that have not been recorded in the books and records of Eton; or aided, abetted, caused (directly or indirectly), participated in, or otherwise conspired with, any person or entity to violate the terms of any judgment, sentence, order or decree of any court or Governmental Entity applicable to Eton or its Affiliates.

3.12.3 Except for transactions that have been authorized pursuant to specific licenses issued by the U.S. Office of Foreign Assets Control ("OFAC"), since January 1 2021, neither the Eton nor, to the Knowledge of Eton, any of its directors, officers, employees, representatives or authorized agents, has participated in any transaction in or involving (i) a party designated on the OFAC Specially Designated Nationals and Blocked Persons List or other similar list, or owned fifty percent (50%) or more by one or more such parties, (ii) a country with which such transactions by Eton or its Affiliates are prohibited pursuant to applicable Laws including U.S. economic sanctions administered by OFAC ("sanctioned country"), or (iii) a government or national of a sanctioned country where prohibited by applicable Laws including U.S. economic sanctions administered by OFAC.

3.12.4 Eton promptly and duly investigates any reports of alleged compliance violations, conducts internal audits and takes corrective action, and to the Knowledge of Eton, there are no compliance problems.

3.13 Absence of Changes. Since January 1, 2021 to the date hereof, Eton has not mortgaged or pledged any material Assets or In-Licensed IP.

3.14 Contracts.

3.14.1 Schedule 3.14 set forth a true, complete and correct list of the following Contracts to which Eton is a party as of the date hereof and which relate to a Product (collectively, whether or not listed on Schedule 3.14, the "Material Contracts"):

(a) all Contracts pursuant to which Eton (i) made payments related to the Product or the Business to any third party in the twelve (12) month period ended March 31, 2022 in excess of $25,000, or (ii) received payments related to the Product or the Business from any third party in the twelve-month period ended March 31, 2022 in excess of $25,000;

(b) any Contracts containing (i) any right of any exclusivity in favor of the other parties thereto, (ii) any covenant limiting, in any respect, the ability of Eton to engage in any line of business or in any geographic area, to compete with any Person, to solicit, hire or engage in transactions with the employees, suppliers or customers of another Person, or (iii) any "most favored nation" or similar rights or any provision requiring Eton to purchase all or substantially all of its requirements of a particular product or good from a particular supplier or containing minimum purchase obligations of Eton;

(c) all Contracts relating to any joint venture or any collaboration, development, co-development, joint development, partnership, strategic alliance, profit sharing or similar arrangement;

(d) all Contracts pursuant to which any earn-out, deferred or contingent payment or other indemnification or material other obligations remain outstanding, in each case, that relates to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise);

(e) all Contracts entered into by Eton, on the one hand, and any of its Affiliates, on the other hand;

(f) each settlement, conciliation, litigation "standstill" or similar Contract that imposes continuing obligations or restrictions on Eton;

(g) each Contract with a Governmental Entity; and

(h) each Contract with a Material Customer or Material Supplier.

3.14.2 True, correct and complete copies of each Material Contract (in each case, including all amendments and supplements thereto) have been made available to Dr. Reddy's. Eton is not in violation of or in default under (nor are there existing conditions which with either the passage of time or giving of notice or both would cause such a violation or default under) any such Material Contract. Each such Material Contract is in full force and effect, and is a legal, valid and binding obligation of Eton, and, to the Knowledge of Eton, of each of the other parties thereto, and is enforceable in accordance with its terms. Eton has not received notice that it is in violation or breach of or in default under any such Material Contract.

3.15 Customers and Suppliers; Payors.

3.15.1 Schedule 3.15.1 contains a true, complete and correct list of (a) the top ten (10) customers of Eton with respect to the Products (determined by and setting forth the revenue) for the 2021 fiscal year and the period from January 1, 2022 through April 30, 2022 (the "Material Customers"), and (b) the top ten (10) suppliers and/or vendors with respect to the Products (determined by and setting forth the cost of items or services purchased) for the 2021 fiscal year and the period from January 1, 2022 through April 30, 2022 (the "Material Suppliers"). No Material Customer or Material Supplier has, during the twelve (12)-month period prior to the date hereof, expressed to Eton its intention to cancel or otherwise terminate or materially adversely modify its relationship with Eton or, with respect to the Business. Eton has not, during the twelve (12)-month period prior to the date hereof, canceled or otherwise terminated or materially and adversely modified its relationship with any Material Customer or Material Supplier, including as it relates to the Business.

3.15.2 Schedule 3.15.2 sets forth a true and complete list of all payors with which Eton had or has a contract for or that includes a Product at any time during the calendar year ended December 31, 2021 or the three (3)-month period ended March 31, 2022 (each, a "Payor") and, for each Payor, a description of all rebates, reimbursements, discounts and price protection provisions set forth in the contract with, or otherwise applicable to, such Payor. Schedule 3.15.2 shall indicate if any of the contracts with the Payors has terminated or expired as of the date hereof. Eton has not received any notice that any of the Payors intends to modify or amend the payment terms in its contract with Eton with respect to the Products.

3.16 Brokers and Finders. No agent, broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's or financial advisor's fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Eton.

3.17 Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 3, ETON EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, WHETHER STATUTORY, EXPRESS, OR IMPLIED, INCLUDING AS TO THE FUTURE CONDITION, FUTURE PROSPECTS, FORWARD LOOKING STATEMENTS, OR VALUE OF THE ASSETS AND/OR ANY PRODUCT; AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 3, ETON SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY OF MERCHANTABILITY, SUITABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS, AND ANY REPRESENTATION OR WARRANTY ARISING FROM ANY COURSE OF DEALING, USAGE, OR TRADE PRACTICES.

4. Representations and Warranties of Dr. Reddy's. Dr. Reddy's represents and warrants to Eton as follows:

4.1 Authority and Binding Effect. Dr. Reddy's has the full corporate power and authority to execute and deliver this Agreement and other documents and instruments contemplated hereby. This Agreement and other documents and instruments contemplated hereby, and the consummation by Dr. Reddy's of its obligations contained herein, have been duly authorized by all necessary corporate actions of Dr. Reddy's, and this Agreement and other documents and instruments contemplated hereby have been duly executed and delivered by Dr. Reddy's. This Agreement and other documents and instruments contemplated hereby are valid and binding agreements of Dr. Reddy's, enforceable against Dr. Reddy's in accordance with its terms.

4.2 Organization and Standing. Dr. Reddy's is a corporation duly organized, validly existing and in good standing under the laws of Switzerland, and Dr. Reddy's is qualified to do business in each jurisdiction where such qualification is necessary. Dr. Reddy's has the requisite corporate power and authority to conduct its business as now conducted.

4.3 Conflicts; Consents. The execution and delivery by Dr. Reddy's of this Agreement, and the consummation of the transactions contemplated hereby, will not conflict with (a) any provision of the certificate of incorporation or bylaws of Dr. Reddy's, each as amended to date; (b) Contracts to which Dr. Reddy's or any of its properties or assets (including intangible assets) is subject; or (c) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Dr. Reddy's or any of its properties or assets (tangible and intangible). It is not necessary for Dr. Reddy's to take any action or to obtain any approval, consent, or release by or from any Third Party, governmental or other, to enable Dr. Reddy's to enter into or perform its obligations under this Agreement.

4.4 Litigation and Proceedings. There is no claim, action, suit, proceeding or, to Dr. Reddy's's knowledge, investigation (or any counter or cross-claim in an action brought by or on behalf of Dr. Reddy's), whether at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or before any arbitrator of any kind, that is pending or, to Dr. Reddy's's knowledge, threatened, against Dr. Reddy's, which (a) could reasonably be expected to adversely affect Dr. Reddy's's ability to perform its obligations under this Agreement or complete any of the transactions contemplated hereby; or (b) involves the possibility of any judgment or liability, or which may become a claim, against Dr. Reddy's or its business. Dr. Reddy's is not subject to any judgment, order, writ, injunction, decree or award of any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality having jurisdiction over Dr. Reddy's or its ability to consummate the transactions contemplated hereby.

4.5 No Broker. Dr. Reddy's has not retained or used the services of an agent, finder, or broker in connection with the transactions contemplated by this Agreement.

4.6 No Other Cysteine Product. As of the Effective Date, neither Dr. Reddy's nor any of its Affiliates are engaged in the development, offering to sell, sale, marketing, distribution, or commercialization of any injectable pharmaceutical product containing cysteine hydrochloride as the sole active ingredient for use in the United States.

4.7 Independent Investigation. Dr. Reddy's has conducted its own independent investigation, review and analysis of the Assets. Dr. Reddy's acknowledges and agrees that: (a) in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Dr. Reddy's has relied solely upon its own investigation and the express representations and warranties of Eton set forth in Section 3 of this Agreement (including related portions of the disclosure schedules); and (b) neither Eton nor any other Person has made any representation or warranty as to Eton, the Assets or this Agreement, except as expressly set forth in Section 3 of this Agreement (including the related portions of the disclosure schedules).

4.8 Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS ARTICLE 4, DR. REDDY'S EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, WHETHER STATUTORY, EXPRESS, OR IMPLIED.

5. Financial Terms.

5.1 Upfront Payment. On the Effective Date, Dr. Reddy's shall pay to Eton an upfront fee of five million dollars ($5,000,000) (the "Upfront Payment") less the Escrow Amount.

5.2 Milestone Payments. Within **[*]** days of Dr. Reddy's becoming aware that an applicable milestone event has been achieved, Dr. Reddy's shall provide Eton with written notice thereof. Thereafter, Eton shall issue an invoice to Dr. Reddy's and Dr. Reddy's shall pay (a) to Eton, within **[*]** days of receipt of such invoice, the corresponding one-time milestone payment (the "Milestone Payments") less ten percent (10%)**[*]** of the milestone payment amount (the "Escrow Portion") and pay to the Escrow Agent, the Escrow Portion:

No.	Milestone Event	Milestone Payment
1.	The earlier to occur of (i) Successful Court Outcome for Cysteine Injection or (ii) First Commercial Sale of the Cysteine Product (ANDA 214082) by Dr. Reddy's occurring on or before **[*]** anniversary of the Effective Date.	$20,000,000
2.	On the six (6)-month anniversary of the First Commercial Sale of the Cysteine Product (ANDA 214082) by Dr. Reddy's, provided that as of the date of the six (6)-month anniversary of the First Commercial Sale, no other versions of the product Cysteine hydrochloride injection 50MG/ML (including authorized generics) **[*]** have been commercially launched, other than the innovator product **[*]**.	$5,000,000
3.	Upon receipt of approval of the Registration by the FDA for Product 7 (as referenced in Schedule 1.77) in the United States occurring on or before March 1, 2023 (the "End Date") (subject to adjustment as set forth below).	$1,000,000 (subject to adjustment as set forth below)
4.	Upon receipt of approval of the Registration by the FDA for Product 8 (as referenced in Schedule 1.77) in the United States occurring on or before July 1, 2023.	$2,500,000
5.	Upon receipt of approval of the Registration by the FDA for Product 9 (as referenced in Schedule 1.77) in the United States occurring on or before the End Date (subject to adjustment as set forth below).	$1,500,000 (subject to adjustment as set forth below)
6.	**[*]**	**[*]**
7.	[*]	**[*]**
8.	**[*]**	**[*]**
9.	**[*]**	**[*]**
10.	[*]	**[*]**

Each Milestone Payment shall be payable only once after its first achievement of the corresponding milestone event. No amounts shall be due for subsequent or repeated achievement of such milestone event. The maximum aggregate amount payable by Dr. Reddy's pursuant to this Section 5.2 is **[*]**. Following the Escrow Release Date, milestone payments that become payable shall not be reduced by the Escrow Portion.

Notwithstanding the applicable date set in each of **[*]**

5.3 Payment Provisions.

5.3.1 Payment Method. All payments by Dr. Reddy's to Eton hereunder shall be in United States dollars in immediately available funds and shall be made by wire transfer from a United States bank located in the United States to such bank account as designated from time to time by Eton to Dr. Reddy's.

5.3.2 Late Payments. Amounts not paid when due shall accrue interest calculated at the **[*]** (but in no event greater than the maximum rate permitted by applicable Law) in effect on the date that the payment should have been made, as published by Bloomberg.

5.3.3 Withholding Taxes. Dr. Reddy's shall be entitled to deduct the amount of any withholding taxes, value-added taxes or other taxes, levies or charges with respect to such amounts, other than United States taxes, payable by Dr. Reddy's, or any taxes required to be withheld by Dr. Reddy's, to the extent Dr. Reddy's pays to the appropriate governmental authority on behalf of Eton such taxes, levies or charges. Dr. Reddy's shall use reasonable efforts to minimize any such taxes, levies or charges required to be withheld on behalf of Eton by Dr. Reddy's. Dr. Reddy's promptly shall deliver to Eton proof of payment of all such taxes, levies and other charges, together with copies of all communications from or with such governmental authority with respect thereto. Eton shall promptly provide to Dr. Reddy's any Tax forms or other Tax-related documentation reasonably requested by Dr. Reddy's.

5.4 Audits.

5.4.1 Dr. Reddy's shall keep, and shall use commercially reasonable efforts to cause its Licensees, its Affiliates, and its Licensees' Affiliates, to keep, complete and accurate books and records (whether in hardcopy, electronic or other form) in sufficient detail to substantiate the achievement (or nonachievement) of each milestone event (the "Milestone Information") and shall maintain (or cause to be maintained) such Milestone Information until the fifth (5th) anniversary of the end of the calendar quarter to which such Milestone Information relates.

5.4.2 Upon the written request of Eton and not more than once in each calendar year, Dr. Reddy's shall permit (and shall use commercially reasonable efforts to cause its Licensees, its Affiliates, and its Licensees' Affiliates to permit) an independent certified public accounting firm of nationally recognized standing selected by Eton and reasonably acceptable to Dr. Reddy's, at Eton's expense, to have access during normal business hours to Milestone Information not previously audited by Eton as may be reasonably necessary to verify the accuracy of any reports or other records of any amounts owed hereunder for the four (4) calendar quarters immediately prior to the date of such request (other than records for which the Eton has already conducted an audit under this Section). If such accounting firm concludes that additional amounts were owed during the audited period, then Dr. Reddy's shall pay such additional amounts, to the extent not disputed by Dr. Reddy's in good faith, within thirty (30) days after the date Eton delivers to Dr. Reddy's such accounting firm's written report so concluding. The fees charged by such accounting firm shall be paid by Eton; provided, however,**[*]**. Eton shall cause its accounting firm to retain all financial information subject to review under this Section 5.4 in strict confidence; provided, however, that Dr. Reddy's (or its Licensee or an Affiliate, as applicable) shall have the right to require that such accounting firm, prior to conducting such audit, enter into an appropriate and reasonable non-disclosure agreement with Dr. Reddy's (or its Licensee or an Affiliate, as applicable) regarding such financial information. The accounting firm shall disclose to Eton only whether the amounts are correct or not and the amount of any discrepancy. No other information shall be shared. Eton shall treat all such financial information as Confidential Business Information, and shall not disclose such financial information to any Third Party or use it for any purpose other than to enforce its rights hereunder or as specified in this Section 5.4.

5.4.3 In the event of a good faith dispute with respect to any audit under Section 5.4.2, Eton and Dr. Reddy's shall work in good faith to resolve the disagreement. If the parties are unable to reach a mutually acceptable resolution of any such dispute within thirty (30) days, the dispute shall be submitted for resolution to a certified public accounting firm jointly selected by each party's certified public accountants or to such other Person as the parties shall mutually agree (the "Audit Arbitrator"). The decision of the Audit Arbitrator shall be final and the costs of such arbitration as well as the initial audit shall be borne between the parties in such manner as the Audit Arbitrator shall determine. Not later than thirty (30) days after such decision and in accordance with such decision, the audited party shall pay the additional amounts, or the auditing party shall reimburse the excess payments, as applicable.

5.5 Transfer Taxes. All transfer, sales, use, registration, documentary, stamp, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other documents and instruments contemplated hereby, if any, shall be borne and paid by Dr. Reddy's when due. Dr. Reddy's shall, at its own expense, timely file any Tax return or other document with respect to such Taxes or fees (and Eton shall cooperate with respect thereto as necessary).

6. Post-Effective Date Covenants.

6.1 Publicity. No party to this Agreement will make or issue or cause to be made or issued any public announcement, statement or filing concerning this Agreement or any other agreement contemplated hereby or the transactions contemplated hereby or thereby or any other aspect of the dealings between the parties as contemplated hereby without the prior written consent of the other party (which consent may not be unreasonably withheld, conditioned or delayed); provided, however, that each party and its Affiliates shall be permitted to make public announcements, statements and filings regarding this Agreement and any other agreements contemplated hereby and the terms of the transactions contemplated hereby and thereby to the extent required by applicable Law or by the rule of any securities exchange or automated quotation system. The parties acknowledge that either or both parties may be obligated to file under applicable Laws a copy of this Agreement with the United States Securities and Exchange Commission or other Governmental Entity and that either party may be required to disclose information concerning this Agreement or portions of this Agreement with Governmental Entities involved in the examination or enforcement of Patent rights or regulatory authorities in connection with the rights granted under this Agreement. Each party may make such a required filing and shall use reasonable efforts to request confidential treatment of the commercial terms and sensitive technical terms hereof and thereof to the extent such confidential treatment is reasonably available to such party under applicable Law. In the event of any such filing, each party shall provide the other party with a copy of this Agreement marked to show provisions for which such party intends to seek confidential treatment and shall reasonably consider and incorporate the other party's comments thereon to the extent consistent with the legal requirements and provided within ten (10) business days after provision of such copy (or such shorter period of time as may be required to comply with applicable Law), with respect to the filing party, governing disclosure of material agreements and material information that must be publicly filed and/or otherwise recorded.

6.2 Confidentiality. On and after the Effective Date, Eton shall, and shall cause its Affiliates to, treat and hold as confidential, and shall not use or disclose (a) any documents and information concerning Dr. Reddy's, or any of its Affiliates, furnished to it by Dr. Reddy's or its Representatives in connection with this Agreement or any other agreements contemplated hereby or the transactions contemplated hereby or thereby, and (b) any information regarding the Assets or Assumed Liabilities, including Trade Secrets, know-how or confidential information of the related to the Assets (such information in clause (b), the "Confidential Business Information") except to perform its obligations or exercise its rights set forth in Agreement. In the event that Eton or its Affiliates is requested or required (by oral question or request for information or documents in any Action, interrogatory, subpoena, civil investigative demand or similar process) to disclose any Confidential Business Information, Eton shall use commercially reasonable efforts to promptly notify Dr. Reddy's of the request or requirement so that Dr. Reddy's may seek, at its sole cost and expense, an appropriate protective order or waive compliance with the provisions of this Section 6.2. If, in the absence of a protective order or the receipt of a waiver hereunder, Eton is, on the advice of counsel, legally required to disclose any such Confidential Business Information, then Eton may disclose such information to the requesting authority; provided, however, that Eton shall use commercially reasonable efforts to obtain, at the reasonable request of Dr. Reddy's and at Dr. Reddy's sole cost, an order or other assurance that confidential treatment will be accorded to such portion of the information required to be disclosed as Dr. Reddy's shall designate in good faith.

6.3 Preservation of Records. Eton shall preserve and keep the records held by it relating to the Assets and the Assumed Liabilities for a period of seven (7) years following the Effective Date (or longer if required by applicable Law) and shall make such records (or copies) and reasonably appropriate personnel available, at reasonable times and upon reasonable advance notice, to Dr. Reddy's as may be reasonably required in connection with any insurance claims by or against, Actions by or against, Tax audits against, governmental investigations of, or compliance with applicable Laws by, Dr. Reddy's, in each case, at Dr. Reddy's sole cost and expense.

6.4 Regulatory Transfer. Promptly after the Effective Date (but in no event more than two (2) business days thereafter), Eton shall electronically submit through the FDA's electronic gateway a letter notifying the FDA of the transfer of the Regulatory Filings and Registrations that comprise the Purchased Regulatory Documents, in the form as mutually agreed by the parties prior to the Effective Date, and Eton shall provide a copy of such letter to the Dr. Reddy's. Promptly after Eton has submitted such letter (but in no event more than five (5) business days thereafter), Dr. Reddy's shall submit through the FDA's electronic gateway a letter notifying the FDA of its acceptance of the transfer of the Regulatory Filings and Registrations that comprise the Purchased Regulatory Documents, in the form as mutually agreed by the parties prior to the Effective Date.

6.5 Transfer of Assets. Subject to Section 6.7,

6.5.1 as soon as practicable on or following the Effective Date (but in no event more than five (5) business days following the Effective Date), Eton shall make available to Dr. Reddy's electronically all Assets held electronically.

6.5.2 within five (5) business days after the Effective Date, Eton shall deliver to Dr. Reddy's all tangible Assets in its possession or control, including all items described on Schedule 6.5, provided, that if Eton finds, locates, discovers or otherwise becomes aware that it possesses any Assets after the Effective Date, Eton shall reasonably promptly notify Dr. Reddy's and deliver such Assets to Dr. Reddy's.

6.5.3 Eton shall have the right to retain copies of all books and relating to the Assets relating to periods ending on or prior to the Effective Date, provided that such books and records are kept confidential in accordance with Section 6.2 Eton's normal confidentiality procedures.

6.6 Dr. Reddy's Commercialization.

6.6.1 Dr. Reddy's shall use Commercially Reasonable Efforts to research, develop, and commercialize the Biorphen Products in the United States and shall do so at its own expense. For the purposes of determining whether Dr. Reddy's has applied efforts consistent with its obligation to use Commercially Reasonable Efforts in accordance with the foregoing sentence, **[*]**.

6.6.2 Within thirty (30) days following each calendar quarter in which a Product Net Sale occurs with respect to a Biorphen Product or Cysteine Product, Dr. Reddy's shall provide Eton with **[*]**Within forty-five (45) days following each calendar quarter in which a Product Net Sale occurs with respect to a **[*]**, Dr. Reddy's shall deliver to Eton a report that sets forth, in reasonable detail, the Product Net Sales for the preceding calendar quarter. **[*]**.

6.6.3 Dr. Reddy's shall have sole discretion with regard to the research, development, manufacturing, commercialization and other exploitation of the Products from and after the Effective Date.

6.7 Sell-off Rights.

6.7.1 Eton, Xellia and XGen shall have the limited right to sell-off any Inventory set forth or estimated on Schedule 3.6 (the "Retained Inventory") as follows:

(a) Xellia and XGen shall have the limited right to sell-off Retained Inventory through **[*]** (the "Sell-off Period") in accordance with the terms of the Xellia Agreement and the XGen Agreement, respectively. Within forty (40) days of the end of each calendar quarter, Eton shall provide to Dr. Reddy's a sales report with respect to the Products sold by or on behalf Eton, Xellia and XGen. Eton shall not complete any deliveries of any Products to Xellia or XGen on or after the Effective Date. Eton shall ensure that Xellia and XGen comply with the Xellia Agreement and XGen Agreement, respectively. Eton shall be responsible for any breach by Xellia or XGen of the Xellia Agreement or XGen Agreement, respectively. During the Sell-off Period and thereafter, Eton shall enable Dr. Reddy's to benefit from any rights of Eton that exist under the Xellia Agreement and XGen Agreement, including any audit rights.

(b) Eton shall have the right to sell-off or otherwise dispose of any and all Retained Inventory of Biorphen Product set forth or estimated on Schedule 3.6 through the end of the Sell-Off Period.

6.7.2 Within thirty (30) days of the end of the Sell-Off Period, without further action or request of Dr. Reddy's, Eton shall destroy all remaining Retained Inventory (whether in the control of Eton, Xellia, XGen, their agents or otherwise) wherever located, at its sole cost, and certify such destruction to Dr. Reddy's.

6.7.3 As soon as reasonably practicable, but no more than fifteen (15) days following the Effective Date, the parties shall negotiate and enter into a written, commercially reasonable pharmacovigilance agreement for relating to the Products, as applicable. Additionally, upon the request of either party, the parties shall negotiate and enter into a written, commercially reasonable quality assurance agreement.

6.8 Milestone Reimbursements.

6.8.1 Within ten (10) business days following an invoice received by Eton from Dr. Reddy's indicating the achievement of a milestone event which triggers milestone(s) payment set forth on Schedule 6.8, Eton shall pay to Dr. Reddy's an amount equal to such milestone payments payable by Dr. Reddy's to Sintetica by wire transfer of immediately available funds to a bank account designated in writing by Dr. Reddy's.

6.8.2 Following the achievement of the milestone (the "Rezipres Vial Milestone") set forth in Section 6.1(b) of the Rezipres Vial Contract and proof from Eton and acknowledgement from Sintetica that Eton has paid such **[*]** milestone payment to Sintetica in full, Eton shall provide an invoice to Dr. Reddy's for such **[*]** amount, and Dr. Reddy's shall reimburse Eton by wire transfer of immediately available funds to a bank account designated in writing by Eton.

6.9 Net Sales Reimbursement. With respect to sales of Product by and on behalf of Eton, Xellia, XGen and each of their Affiliates, licensees and sublicensees (collectively, the "Eton Parties") prior to the Effective Date or during the Sell-Off Period ("Eton Party Sales"), Eton shall, be responsible for Sintetica Net-Profit Payments (defined below) attributable to Eton Party Sales (the "Eton Portion"). Following the end of each calendar quarter through the end of the Sell-Off Period, within forty (40) days of the end of such calendar quarter, Eton shall report to Dr. Reddy's the applicable Eton Party Sales and shall calculate the Eton Portion. Eton shall share such information that is reasonably requested by Dr. Reddy's in order to calculate the Eton Portion and Sintetica Net-Profit Payments. Dr. Reddy's shall calculate the total Sintetica Net-Profit Payments, and shall confirm Eton's calculation of the Eton Portion. Upon demand (and in no event more than five (5) business days following receipt of an invoice from Dr. Reddy's), Eton shall reimburse Dr. Reddy's for the Eton Portion.

The term "Sintetica Net-Profit Payments" means any amounts owed to Sintetica pursuant to Section 6.3 of each of the 2019 Agreements.

6.10 Non-Competition.

6.10.1 During the period commencing on the Effective Date and ending **[*]** (the "Restricted Period"), to the greatest extent permissible under applicable Law, neither Eton nor its Affiliates shall, directly or indirectly, whether by itself or through any other Person, engage in or assist others in engaging in the Restricted Business within **[*]**. Notwithstanding the foregoing, Eton may own, directly or indirectly, solely as a passive investment, securities of any Person traded on any national securities exchange if Eton is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own three percent (3%) or more of any class of securities of such Person.

6.10.2 Eton hereby acknowledges that a breach or threatened breach of this Section 6.10 would give rise to irreparable harm to Dr. Reddy's and/or its Affiliates, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Eton of any such obligations, Dr. Reddy's shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond). In the event of a violation or breach by Eton or any of its Affiliates, of any agreement set forth in this Section 6.10, the term of the Restricted Period shall be extended by a period equal to the duration of such violation or breach.

6.10.3 Eton hereby acknowledges that the geographic boundaries, scope of prohibited activities and the duration of the provisions of this Section 6.10 are reasonable and are no broader than are necessary to protect the legitimate business interests of Dr. Reddy's, including the ability of Dr. Reddy's to realize the benefit of its bargain under this Agreement and to enjoy the goodwill of the business related to the Products, and that such restrictions constitute a material inducement to Dr. Reddy's to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 6.10 should ever be adjudicated to exceed the time, geographic, product or service, or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service, or other limitations permitted by applicable Law. The covenants contained in this Section 6.10 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

6.11 Further Assistance. From time to time, as and when reasonably requested by the other party, each party hereto will execute and deliver, or cause to be executed and delivered, all such documents and instruments and will take, or cause to be taken, all such further or other actions, as the requesting party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement, in any such case, at the requesting party's sole cost and expense.

6.12 Wrong Pockets.

6.12.1 If, following the Effective Date, Eton or Dr. Reddy's identifies any Asset that was not delivered to Dr. Reddy's as of the Effective Date or otherwise in accordance with Section 6.5, then Eton shall transfer such Asset to Dr. Reddy's as soon as reasonably practicable and for no further consideration.

6.12.2 If, following the Effective Date, Eton or Dr. Reddy's identifies any Excluded Asset that was delivered to Dr. Reddy's pursuant to this Agreement, then Dr. Reddy's shall transfer such Excluded Asset to Eton as soon as reasonably practicable and for no further consideration.

6.12.3 Each of Dr. Reddy's and Eton shall notify the other party as soon as reasonably practicable upon becoming aware that an Asset or an Excluded Asset, respectively, is in its control.

6.13 Litigation Cooperation. In the event that Dr. Reddy's is involved in any Actions related to Intellectual Property:

6.13.1 relating to **[*]** on or subsequent to the Effective Date, at Dr. Reddy's reasonable request, Eton shall, at Eton's sole cost and expense, provide reasonable cooperation to Dr. Reddy's and its attorneys in the prosecution or defense of any such Action, including participation in interviews with Dr. Reddy's attorneys, appearing for depositions, participation in written discovery, testifying in administrative, judicial or arbitration proceedings, or any other participation necessary for the prosecution or defense of any such Action.

6.13.2 following the Effective Date, **[*]**, at Dr. Reddy's reasonable request, Eton shall, at Dr. Reddy's sole cost and expense, provide reasonable cooperation to Dr. Reddy's and its attorneys in the prosecution or defense of any such Action, including participation in interviews with Dr. Reddy's attorneys, appearing for depositions, participation in written discovery, testifying in administrative, judicial or arbitration proceedings, or any other participation necessary for the prosecution or defense of any such Action

6.14 Escrow.

6.14.1 All Losses payable by Eton to any Dr. Reddy's Indemnitees under this Agreement may be paid by the Escrow Agent from the Escrow Amount. Subject to the limitations set forth in Section 8.4, any Losses that are in excess of the Escrow Amount shall be paid by Eton; provided that, Dr. Reddy's may, in its sole discretion, elect to offset such Losses against any Milestone Payments due and owing but not yet paid. Promptly following the date that is **[*]** (the "Escrow Release Date"), Dr. Reddy's and Eton shall execute and deliver a joint written instruction to the Escrow Agent directing the Escrow Agent to release to Eton any remaining portion of the Escrow Amount, less any pending amounts that are subject to pending Claims made by any Dr. Reddy's Indemnitees under this Agreement prior to 11:59 p.m. Eastern Time on the Escrow Release Date. If any Claim made by any Dr. Reddy's Indemnitees under this Agreement is still pending as of the Escrow Release Date, the Escrow Agent, pursuant to the terms of the Escrow Agreement, will retain a portion of the Indemnity Escrow Amount in an amount equal to such Losses identified in any unresolved notice delivered pursuant to the Escrow Agreement until such Claim has been satisfied or otherwise resolved, at which point Dr. Reddy's and Eton shall execute and deliver a joint written instruction to the Escrow Agent directing the Escrow Agent to release to Eton any remaining balance of the Escrow Amount not used to satisfy such indemnification rights of Dr. Reddy's Indemnitees under this Agreement.

6.14.2 The parties shall split equally any costs and expenses incurred in connection with the Escrow Agreement, subject to the terms and conditions thereof. If one party pays any portion of the other party's costs and expense, the other party shall reimburse the paying party on demand.

6.14.3 In the event that (i) Dr. Reddy's provides written notice (a "Request Notice") to Eton requesting Eton to issue (along with Dr. Reddy's) a joint written instruction to release any portion of the Escrow Amount with respect to any uncontested amounts that Dr. Reddy's asserts are payable to Dr. Reddy's, and (ii) Eton does not, within twenty (20) days of receipt Request Notice, either (A) join Dr. Reddy's in issuing such instructions or (B) object to Dr. Reddy's Request Notice in writing by providing notice to Dr. Reddy's hereunder, then Dr. Reddy's shall be permitted to issue unilateral written instruction to the Escrow Agent to disperse the Escrow Amounts in accordance with Dr. Reddy's instructions.

7. Indemnification.

7.1 Indemnification by Eton. Subject to the provisions of this Section 7, Eton shall indemnify, defend and hold harmless Dr. Reddy's, its officers, directors, affiliates, agents, stockholders and representatives (collectively, the "Dr. Reddy's Indemnitees"), from and against any and all Losses incurred as a result of any claim, demand, action or proceeding incurred or suffered by an Dr. Reddy's Indemnitee to the extent arising out of:

7.1.1 any breach of the representations and warranties of Eton set forth in this Agreement;

7.1.2 any of the Excluded Liabilities;

7.1.3 any breach of any covenant or agreement of Eton set forth in this Agreement or in any certificate, instrument, or other document delivered pursuant to this Agreement;

7.1.4 the ownership or exploitation or the Assets (or rights therein) prior to the Effective Date or the manufacture, use, sale or other exploitation of any Product for or by Eton, its licensees, sublicensees (other than Dr. Reddy's, if applicable) or their respective Affiliates or the use of any Product by their customers; or

7.1.5 any use, sale or other exploitation of any Product whether before or after the Effective Date, by or on behalf of Eton, XGen or Xellia.

7.2 Indemnification by Dr. Reddy's. Subject to the provisions of this Section 7, Dr. Reddy's shall indemnify, defend and hold harmless Eton, its officers, directors, affiliates, agents, stockholders and representatives (collectively, the "Eton Indemnitees"), from and against any and all Losses incurred any claim, demand, action or proceeding incurred or suffered by an Eton Indemnitee to the extent arising out of:

7.2.1 any breach of the representations and warranties of Dr. Reddy's set forth in this Agreement;

7.2.2 any of the Assumed Liabilities;

7.2.3 any breach of any covenant or agreement of Dr. Reddy's set forth in this Agreement or in any certificate, instrument, or other document delivered pursuant to this Agreement; or

7.2.4 except for Product used, sold, manufactured for or otherwise exploited by or on behalf of Eton, XGen or Xellia, the ownership or exploitation of the Assets (or rights therein) after the Effective Date or the manufacture, use, sale or other exploitation of any Product solely by Dr. Reddy's, its Licensees or their respective Affiliates or the use of any Product by their customers.

7.3 Procedure.

7.3.1 A party seeking a claim (a "Claim") for indemnification (the "Indemnitee") pursuant to Section 7 shall promptly notify the other party (the "Indemnifying Party") in writing of a Claim after the Indemnitee becomes aware of any fact, condition or event that may give rise to Losses for which indemnification may be sought under Section 7.1 or 7.2 or receipt by the Indemnitee of notice of a claim involving the assertion of a claim by a Third Party that may give rise to Losses for which indemnification may be sought under Section 7.1 or 7.2 (whether pursuant to a lawsuit, other legal action or otherwise, a "Third Party Claim"); provided that an Indemnitee's failure to give such notice or delay in giving such notice shall not affect such Indemnitee's right to indemnification under this Section 7 except to the extent that the Indemnifying Party has been prejudiced by such failure or delay. The Indemnifying Party shall have the right to control the defense of all indemnification Claims hereunder. The Indemnitee shall have the right to participate at its own expense in the Third Party Claim with counsel of its own choosing. The Indemnifying Party shall consult with the Indemnitee in good faith with respect to all non-privileged aspects of the defense strategy. The Indemnitee shall cooperate with the Indemnifying Party as reasonably requested, at the Indemnifying Party's sole cost and expense. The Indemnifying Party shall not settle any Third Party Claim without the Indemnitee's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

7.4 Notwithstanding anything to the contrary herein, if the Indemnifying Party does not assume such defense and investigation or does not acknowledge in writing within a reasonable period, but no later than thirty (30) days, after receipt of a notice of a Third Party Claim and its obligation to indemnify the Indemnitee against any Losses arising from such Third Party Claim, then the Indemnitee shall have the right to retain separate counsel of its choosing, defend such Third Party Claim and have the sole power to direct and control such defense (all at the cost and expense of the Indemnifying Party if it is ultimately determined that the Indemnitee is entitled to indemnification hereunder); it being understood that the Indemnitee's right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim. Notwithstanding anything herein to the contrary, whether or not the Indemnitee shall have assumed the defense of such Third Party Claim, the Indemnitee shall not settle, compromise or pay such Third Party Claim for which it seeks indemnification hereunder without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed.

7.5 With respect to Claims other than Third Party Claims, after the giving of any notice of a Claim pursuant to Section 7.3.1 (a "Direct Claim Notice"), the amount of indemnification to which an Indemnitee shall be entitled under Section 7 shall be determined (i) by written agreement between the Indemnitee and the Indemnifying Party expressly stating that it is an agreement pursuant to this Section 7.5, or (ii) by a final, non-appealable judicial judgment, award (judicial arbitration or otherwise) or decree. If the applicable Indemnifying Party notifies the Indemnitee that they do not dispute such Claim described in such Direct Claim Notice within thirty (30) days following receipt of such Direct Claim Notice, the Losses identified in the Direct Claim Notice will be conclusively deemed a Liability of the Indemnifying Party under Section 7.1 or Section 7.2 as applicable. If the Indemnifying Party rejects such Claim or fails to respond during such thirty (30) day period (in which case the Indemnifying Party shall be deemed to have rejected such Claim), the Indemnifying Party and the Indemnitee shall negotiate in good faith for a period of thirty (30) days to solve such matter. If the Indemnifying Party and Indemnitee cannot resolve the dispute during such thirty (30) day period they shall have all rights and remedies available to them under applicable Law.

7.6 Each Indemnitee shall take, and cause its Affiliates to take, all reasonable steps to reasonably mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the extent necessary to remedy the breach that gives rise to such Loss.

7.7 Effect of Investigation. Eton shall not be liable for any Losses based upon or arising out of any inaccuracy in or breach of any of the representations or warranties of Eton contained in this Agreement if Dr. Reddy's had actual knowledge of such inaccuracy or breach prior to the Effective Date.

7.8 Exclusive Remedy. Except (a) in the case where a party seeks to obtain specific performance, injunctive relief or other equitable relief, (b) in the case of any dispute with regard to the payment of Milestone Payments triggered by Product Net Sales, which shall be resolved in accordance with Section 5.4.2, and (c) in the case of fraud, the sole and exclusive remedies of the parties for any Losses based upon, arising out of or otherwise in respect of the matters set forth in this Agreement (including representations, warranties, covenants and agreements) and the transactions contemplated hereby, whether based in contract or tort, or whether at Law or in equity, are the indemnification and reimbursement obligations of the parties set forth in this Section 7.

7.9 Payments. The Indemnifying Party shall pay or cause to be paid to the Indemnitee any Losses subject to indemnification hereunder within five (5) business days following the determination that such payment is due to such Indemnitee.

8. Miscellaneous.

8.1 Further Actions. Each party shall execute, acknowledge and deliver such further documents and instruments and to perform all such other acts as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

8.2 Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Assets to Dr. Reddy's.

8.3 Set-off. Dr. Reddy's shall have the right to and may at any time set-off and reduce any amounts otherwise payable to Eton under this Agreement by any amounts owed to Dr. Reddy's or a Dr. Reddy's Indemnitee under this Agreement.

8.4 LIMITATION OF LIABILITY.

8.4.1 EXCEPT WITH RESPECT TO CLAIMS ARISING OUT OF (A) FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, OR (B) BREACH OF SECTION 6.2 (CONFIDENTIALITY) OR 6.10 (NON-COMPETITION) BY ETON OR ITS AFFILIATES, IN NO EVENT SHALL A PARTY BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, INCLUDING LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES.

8.4.2 EXCEPT WITH RESPECT TO LOSSES ARISING OUT OF (A) FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, OR (B) BREACH BY OF SECTION 6.2 (CONFIDENTIALITY) OR 6.10 (NON-COMPETITION) BY ETON OR ITS AFFILIATES, IN NO EVENT SHALL ETON'S LIABILITY ARISING OUT OF CLAIMS ARISING FROM, OR IN CONNECTION WITH, OR RELATED TO (I) SECTION 7.1.1 (OTHER THAN WITH RESPECT TO CLAIMS ARISING FROM, OR IN CONNECTION WITH, OR RELATED TO A BREACH OF A FUNDAMENTAL REPRESENTATION) EXCEED **[*]** AND (II) A BREACH OF A FUNDAMENTAL REPRESENTATION EXCEED THE GREATER OF **[*]**. SOLELY FOR THE PURPOSES OF THIS SECTION 8.4.2, THE AMOUNT "PAID TO ETON" SHALL BE DEEMED TO INCLUDE ANY AMOUNTS OF THE ESCROW AMOUNT THAT ARE PAID TO THE ESCROW AGENT IN ACCORDANCE WITH THE TERMS HEREIN AND AMOUNTS "PAYABLE TO ETON" SHALL INCLUDE MILESTONES ACHIEVED AS OF THE DATE OF A NOTICE OF CLAIM BUT NOT YET PAID TO ETON.

8.4.3 SUBJECT TO THE LIMITATIONS AND OTHER PROVISIONS OF THIS AGREEMENT, THE REPRESENTATIONS AND WARRANTIES MADE BY ETON AND DR. REDDY'S IN THIS AGREEMENT (OTHER THAN WITH RESPECT TO ANY CLAIMS ARISING FROM, IN CONNECTION WITH OR RELATED TO FRAUD) SHALL SURVIVE THE EFFECTIVE DATE AND SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE DATE THAT IS **[*]** FOLLOWING THE EFFECTIVE DATE; PROVIDED, HOWEVER, THAT THE FUNDAMENTAL REPRESENTATIONS SHALL SURVIVE THE EFFECTIVE DATE UNTIL THE LONGER OF (A) THREE (3) YEARS FROM THE EFFECTIVE DATE, AND (B) EXPIRATION OF THE APPLICABLE STATUTE OF LIMITATIONS.

8.5 Residuals. Notwithstanding anything to the contrary in this Agreement, Eton shall have the right to use any general knowledge, skills and experience and any information retained in the unaided memory of an individual employed or otherwise engaged by Eton.

8.6 Assignment. Neither party shall assign or transfer this Agreement, or any of its rights or obligations hereunder, without the prior written consent of the other party (not to be unreasonably withheld, conditioned or delayed); provided, however, that (a) Dr. Reddy's may, without such consent, assign this Agreement and its rights and obligations hereunder, in whole or in part, to any (i) Affiliate, or (ii) successor to any Asset to which this Agreement relates, whether by merger, sale of assets, sale of stock, reorganization or otherwise and (b) Eton may, without such consent, (i) assign its rights to receive payment hereunder to any Affiliate or Third Party hereunder (provided that such assignee of rights agrees in writing to be bound (jointly and severally with Eton) by the obligations of Eton hereunder) or (ii) assign this Agreement and its rights and obligations hereunder to any successor to all or substantially all of Eton's assets or business. Any permitted assignee shall assume all obligations of its assignor under this Agreement in writing and the assignor shall remain liable for all obligations under this Agreement. Any purported assignment in violation of this Section 8.6 shall be void.

8.7 Severability. Each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable laws, but if any provision of this Agreement is found to be unenforceable or invalid under applicable laws, such provision will be ineffective only to the extent of such unenforceability or invalidity, and the parties shall negotiate in good faith to modify this Agreement so that the unenforceable or invalid provision is replaced by such valid and enforceable provision which the parties consider, in good faith, to match as closely as possible the invalid or unenforceable provision and to achieve the same or a similar economic effect and to give effect to the parties' original intent. The remaining provisions of this Agreement will continue to be binding and in full force and effect.

8.8 Governing Law; Exclusive Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law principles thereof. Each of the parties hereto irrevocably consents to the exclusive jurisdiction and venue of any federal court located in Wilmington, Delaware, having jurisdiction, in connection with any matter based upon or arising out of this Agreement or the matters contemplated herein, agrees that process may be served upon them in any manner authorized by laws of the State of Delaware for such persons and waives and covenants not to assert or plead any objection which they might otherwise have to such jurisdiction, venue and such process.

8.9 Entire Agreement; Amendment. This Agreement, together with the Schedules and exhibits hereto, and each additional document, instrument or other agreement to be executed and delivered pursuant hereto, constitute all of the agreements of the parties with respect to, and supersede all prior agreements and understandings relating to the subject matter of, this Agreement or the transactions contemplated by this Agreement. This Agreement may not be modified or amended except by a written instrument specifically referring to this Agreement signed by the parties hereto.

8.10 Waiver. No waiver by one party of the other party's obligations, or of any breach or default hereunder by any other party, shall be valid or effective, unless such waiver is set forth in writing and is signed by the party giving such waiver; and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature or any other breach or default by such other party.

8.11 Notices. Any consent, notice or report required or permitted to be given or made under this Agreement by a party to the other party shall be in writing, delivered by any lawful means to such other party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the addressor and (except as otherwise provided in this Agreement) shall be effective upon receipt by the addressee.

If to Eton: Eton Pharmaceuticals, Inc.
21925 Field Pkwy, Suite 235
Deer Park, Illinois 60010
Attention: Chief Executive Officer

If to Dr. Reddy's: Dr. Reddy's Laboratories SA
Elisabethenanlage 11,
CH - 4051,
Basel, Switzerland
Attention: **[*]**

with copy to (which shall not constitute notice):

Dr. Reddy's Laboratories, Inc.
107 College Road East
Princeton, NJ 08540
Attention: **[*]**
E-mail: **[*]**

Dr. Reddy's Laboratories, Inc.
107 College Road East
Princeton, NJ 08540
Attention: US Legal Affairs
Facsimile No.: **[*]**
E-mail: **[*]**

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

8.13 Construction. The section headings of this Agreement are for convenience only and have no interpretive value. Whenever the singular number is used in this Agreement and when required by the context, the same will include the plural and vice versa, and the masculine gender will include the feminine and neuter genders and vice versa. The words "include," "includes" and "including" will be deemed to be followed by "without limitation." Each party signing this Agreement acknowledges that it has had the opportunity to review this Agreement with legal counsel of its choice, and there will be no presumption that ambiguities will be construed or interpreted against the drafter. The word "will" shall be construed to have the same meaning and effect as the word "shall." The word "or" shall not be exclusive. The phrase "to the extent" shall mean the degree to which a subject or other matter extends, and such phrase shall not simply mean "if." Where a word is defined herein, references to the singular shall include references to the plural and vice versa. All references to "$" and dollars shall be deemed to refer to United States currency unless otherwise specifically provided. All references to a day or days shall be deemed to refer to a calendar day or calendar days, as applicable, unless otherwise specifically provided.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, each party has caused a duly authorized representative to execute and deliver this Asset Purchase Agreement as of the Effective Date.

Eton Pharmaceuticals, Inc.

By: _____
Name: _____
Title: _____

Dr. Reddy's Laboratories S.A.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean E. Brynjelsen, certify that:

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

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 11, 2022

By: */s/ Sean E. Brynjelsen*
Sean E. Brynjelsen
Principal Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James R. Gruber, certify that:

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

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

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 11, 2022

By: */s/ James R. Gruber*
James R. Gruber
Principal Financial and Accounting Officer

Exhibit 32.1

ETON PHARMACEUTICALS, INC.
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL 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), Sean E. Brynjelsen, President and Chief Executive Officer of Eton Pharmaceuticals, Inc. (the "Company"), and James R. Gruber, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended June 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic 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 Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 11th day of August 2022.

/s/ Sean E. Brynjelsen	*/s/ James R. Gruber*
Sean E. Brynjelsen President and Chief Executive Officer (*Principal Executive Officer*)	James R. Gruber Chief Financial Officer (*Principal Financial and Accounting 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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.