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

FORM 10-Q

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

For the quarterly period ended: June 30, 2020

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: 000-28508

AVADEL PHARMACEUTICALS PLC

(Exact name of registrant as specified in its charter)

Ireland	**000-28508**	**98-1341933**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10 Earlsfort Terrace
Dublin 2, Ireland
D02 T380
(Address of Principal Executive Office and Zip Code)

+011-1-485-1200
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares*	AVDL	The Nasdaq Global Market
Ordinary Shares, nominal value $0.01 per share**	N/A	

*American Depositary Shares may be evidenced by American Depositary Receipts. Each American Depositary Share represents one (1) Ordinary Share.

** Not for trading, but only in connection with the listing of American Depositary Shares on The 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 during the preceding 12 months (or for such shorter period 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, 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	☐	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 ☑

At August 6, 2020, 58,220,634 ordinary shares, nominal value $0.01 each, of the Company were outstanding.

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We own various trademark registrations and applications, and unregistered trademarks, including Avadel and MicroPump. All other trade names, trademarks and service marks of other companies appearing in this Quarterly Report are the property of their respective holders. Solely for convenience, the trademarks and trade names in this Quarterly Report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend to use or display other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

From time to time, we may use our website or our Twitter account (@AvadelPharma) to distribute material information. Our financial and other material information is routinely posted to and accessible on the Investors section of our website, available at **www.avadelpharmaceuticals.com**. Investors are encouraged to review the Investors section of our website because we may post material information on that site that is not otherwise disseminated by us. Information that is contained in and can be accessed through our website or our Twitter posts are not incorporated into, and does not form a part of, this Quarterly Report.

Cautionary Disclosure Regarding Forward-Looking Statements

This quarterly report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but are not always, made through the use of words or phrases such as "may," "will," "could," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue," and similar expressions, or the negative of these terms, or similar expressions. Accordingly, these statements involve estimates, assumptions, risks and uncertainties which could cause actual results to differ materially from those expressed in them.

This quarterly report on Form 10-Q contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. These statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- Our reliance on a single product candidate, FT218, and our ability to obtain regulatory approval of and successfully commercialize FT218, including any delays in submission or approval related to COVID-19;
- Our plans and expectations regarding the effectiveness of our restructuring plan announced in February 2019, including our ability to achieve the desired cost savings;
- Any further restructuring actions that may be required and our ability to obtain any required consents (including any consents required pursuant to the Indenture governing our exchange notes due 2023, or the 2023 Notes);
- Our ability to continue to service the 2023 Notes, including making the ongoing interest payments on the 2023 Notes, settling exchanges of the 2023 Notes in cash or completing any required repurchases of the 2023 Notes;
- The ability of our product candidates, if approved, to gain market acceptance;
- Our ability to enter into strategic partnerships for the development, commercialization, manufacturing and distribution of our product candidates;
- Our dependence on a limited number of suppliers for the manufacturing of our products and certain raw materials in our products and any failure of such suppliers to deliver sufficient quantities of these raw materials, which could have a material adverse effect on our business;
- Our ability to finance our operations on acceptable terms, either through the raising of capital, the incurrence of convertible or other indebtedness or through strategic financing or commercialization partnerships;
- Our expectations about the potential market sizes and market participation potential for our approved or proposed products;
- The potential impact of COVID-19 on our business and future operating results;
- Our ability to retain members of our management team and our employees; and
- Competition existing today or that will likely arise in the future.

These forward-looking statements are neither promises nor guarantees of future performance due to a variety of risks and uncertainties and other factors more fully discussed in the "Risk Factors" section in Part I, Item 1A of the Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 16, 2020 and the risk factors and cautionary statements described in other documents that we file from time to time with the SEC. Given these uncertainties, readers should not place undue reliance on our forward-looking statements. These forward-looking statements speak only as of the date on which the statements were made and are not guarantees of future performance. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to revise any forward-looking statements to reflect events or developments occurring after the date of this quarterly report, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Product sales	$ 10,091	$ 17,554	$ 22,334	$ 33,991
Operating expenses:				
Cost of products	3,285	3,622	5,742	6,888
Research and development expenses	4,057	10,292	9,587	17,621
Selling, general and administrative expenses	7,095	6,758	15,008	17,204
Intangible asset amortization	203	204	406	405
Changes in fair value of contingent consideration	918	(377)	3,396	1,757
Gain on sale of hospital business	(45,760)	—	(45,760)	—
Restructuring costs	24	1,506	183	2,734
Total operating (income) expense	(30,178)	22,005	(11,438)	46,609
Operating income (loss)	40,269	(4,451)	33,772	(12,618)
Investment and other (expense) income, net	(741)	950	(1,119)	1,767
Interest expense	(3,237)	(3,106)	(6,427)	(6,168)
Loss on deconsolidation of subsidiary	—	(167)	—	(2,840)
Other expense - changes in fair value of contingent consideration payable	(125)	(50)	(435)	(357)
Income (loss) before income taxes	36,166	(6,824)	25,791	(20,216)
Income tax provision (benefit)	5,292	1,781	(4,218)	1,407
Net income (loss)	$ 30,874	$ (8,605)	$ 30,009	$ (21,623)
Net income (loss) per share - basic	$ 0.57	$ (0.23)	$ 0.63	$ (0.58)
Net income (loss) per share - diluted	0.49	(0.23)	0.58	(0.58)
Weighted average number of shares outstanding - basic	54,272	37,356	47,665	37,355
Weighted average number of shares outstanding - diluted	69,942	37,356	63,083	37,355

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	$ 30,874	$ (8,605)	$ 30,009	$ (21,623)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation gain (loss)	182	62	5	(99)
Net other comprehensive income, net of ($81), ($23), ($130) and ($41) tax, respectively	927	293	283	667
Total other comprehensive income (loss), net of tax	1,109	355	288	568
Total comprehensive income (loss)	$ 31,983	$ (8,250)	$ 30,297	$ (21,055)

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 102,174	$ 9,774
Marketable securities	136,380	54,384
Accounts receivable	5,692	8,281
Inventories	—	3,570
Research and development tax credit receivable	—	2,107
Prepaid expenses and other current assets	32,773	4,264
Total current assets	277,019	82,380
Property and equipment, net	407	544
Operating lease right-of-use assets	3,117	3,612
Goodwill	16,836	18,491
Intangible assets, net	—	813
Research and development tax credit receivable	6,407	6,322
Other non-current assets	37,615	39,274
Total assets	$ 341,401	$ 151,436
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current portion of long-term contingent consideration payable	$ 1,914	$ 5,554
Current portion of operating lease liability	563	645
Accounts payable	4,879	6,100
Accrued expenses	15,820	19,810
Income taxes	354	43
Other current liabilities	3,488	3,832
Total current liabilities	27,018	35,984
Long-term debt	124,879	121,686
Long-term contingent consideration payable, less current portion	—	11,773
Long-term operating lease liability	2,087	2,319
Other non-current liabilities	5,292	8,873
Total liabilities	159,276	180,635
Shareholders' equity (deficit):		
Preferred shares, nominal value of $0.01 per share; 50,000 shares authorized; 488 issued and outstanding at June 30, 2020 and none issued and outstanding at December 31, 2019, respectively	5	—
Ordinary shares, nominal value of $0.01 per share; 500,000 shares authorized; 63,536 issued and 58,129 outstanding at June 30, 2020 and 42,927 issued and 37,520 outstanding at December 31, 2019	635	429
Treasury shares, at cost, 5,407 shares held at June 30, 2020 and December 31, 2019, respectively	(49,998)	(49,998)
Additional paid-in capital	615,207	434,391
Accumulated deficit	(361,206)	(391,215)
Accumulated other comprehensive loss	(22,518)	(22,806)
Total shareholders' equity (deficit)	182,125	(29,199)
Total liabilities and shareholders' equity (deficit)	$ 341,401	$ 151,436

See accompanying notes to unaudited condensed consolidated financial statements.

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands)
(Unaudited)

Six Months Ended June 30, 2020

	Ordinary shares		Preferred shares		Additional	Accumulated	Accumulated other comprehensive	Treasury shares		Total shareholders'
	Shares	Amount	Shares	Amount	paid-in capital	deficit	loss	Shares	Amount	equity (deficit)
Balance, December 31, 2019	42,927	$ 429	—	$ —	$ 434,391	$ (391,215)	$ (22,806)	5,407	$ (49,998)	$ (29,199)
Net loss	—	—	—	—	—	(865)	—	—	—	(865)
Other comprehensive loss	—	—	—	—	—	—	(821)	—	—	(821)
Exercise of stock options	146	2	—	—	1,387	—	—	—	—	1,389
February 2020 private placement	8,680	87	488	5	60,641	—	—	—	—	60,733
Vesting of restricted shares	19	—	—	—	—	—	—	—	—	—
Employee share purchase plan share issuance	40	—	—	—	88	—	—	—	—	88
Stock-based compensation expense	—	—	—	—	742	—	—	—	—	742
Balance, March 31, 2020	51,812	$ 518	488	$ 5	$ 497,249	$ (392,080)	$ (23,627)	5,407	$ (49,998)	$ 32,067
Net income	—	—	—	—	—	30,874	—	—	—	30,874
Other comprehensive income	—	—	—	—	—	—	1,109	—	—	1,109
Exercise of stock options	95	1	—	—	392	—	—	—	—	393
February 2020 private placement	—	—	—	—	(94)	—	—	—	—	(94)
May 2020 public offering	11,630	116	—	—	116,858	—	—	—	—	116,974
Employee share purchase plan share issuance	—	—	—	—	33	—	—	—	—	33
Stock-based compensation expense	—	—	—	—	769	—	—	—	—	769
Balance, June 30, 2020	63,537	$ 635	488	$ 5	$ 615,207	$ (361,206)	$ (22,518)	5,407	$ (49,998)	$ 182,125

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands)
(Unaudited)

Six Months Ended June 30, 2019

	Ordinary shares		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury shares		Total shareholders' equity (deficit)
	Shares	Amount				Shares	Amount	
Balance, December 31, 2018	42,720	$ 427	$ 433,756	$ (357,989)	$ (23,416)	5,407	$ (49,998)	$ 2,780
Net loss	—	—	—	(13,018)	—	—	—	(13,018)
Other comprehensive income	—	—	—	—	213	—	—	213
Vesting of restricted shares	1	—	—	—	—	—	—	—
Employee share purchase plan share issuance	42	—	92	—	—	—	—	92
Stock-based compensation expense	—	—	351	—	—	—	—	351
Balance, March 31, 2019	42,763	$ 427	$ 434,199	$ (371,007)	$ (23,203)	5,407	$ (49,998)	$ (9,582)
Net loss	—	—	—	(8,605)	—	—	—	(8,605)
Other comprehensive income	—	—	—	—	355	—	—	355
Stock-based compensation expense	—	—	55	—	—	—	—	55
Balance, June 30, 2019	42,763	$ 427	$ 434,254	$ (379,612)	$ (22,848)	5,407	$ (49,998)	$ (17,777)

AVADEL PHARMACEUTICALS PLC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities:		
Net income (loss)	$ 30,009	$ (21,623)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	975	1,064
Loss on disposal of property and equipment	—	478
Remeasurement of acquisition-related contingent consideration	3,396	1,757
Remeasurement of financing-related contingent consideration	435	357
Amortization of debt discount and debt issuance costs	3,193	2,918
Change in deferred tax and income tax deferred charge	161	1,900
Stock-based compensation expense	1,511	406
Gain on the disposition of the hospital business	(45,760)	—
Loss on deconsolidation of subsidiary	—	1,750
Other adjustments	477	(995)
Net changes in assets and liabilities		
Accounts receivable	2,589	579
Inventories	(1,353)	2,124
Prepaid expenses and other current assets	(1,149)	(1,829)
Research and development tax credit receivable	2,036	(593)
Accounts payable & other current liabilities	(1,550)	3,127
Accrued expenses	(6,906)	(3,737)
Accrued income taxes	321	(71)
Earn-out payments for contingent consideration in excess of acquisition-date fair value	(3,736)	(5,790)
Royalty payments for contingent consideration payable in excess of original fair value	(608)	(917)
Other assets and liabilities	(3,458)	(3,558)
Net cash used in operating activities	(19,417)	(22,653)
Cash flows from investing activities:		
Purchases of property and equipment	—	(29)
Proceeds from the disposal of property and equipment	—	154
Proceeds from the disposition of the hospital business	14,500	—
Proceeds from sales of marketable securities	15,716	52,202
Purchases of marketable securities	(97,878)	(21,991)
Net cash (used in) provided by investing activities	(67,662)	30,336
Cash flows from financing activities:		
Proceeds from the February 2020 private placement	60,639	—
Proceeds from the May 2020 public offering	116,974	—
Proceeds from stock option exercises and ESPP	1,903	92
Other financing activities, net	—	(37)
Net cash provided by financing activities	179,516	55
Effect of foreign currency exchange rate changes on cash and cash equivalents	(37)	48
Net change in cash and cash equivalents	92,400	7,786
Cash and cash equivalents at January 1,	9,774	9,325
Cash and cash equivalents at June 30,	$ 102,174	$ 17,111
Supplemental disclosures of cash flow information:		
Interest paid	$ 3,234	$ 3,234
Income taxes (refund) paid, net	$ (1,795)	$ 140

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1: Summary of Significant Accounting Policies

Nature of Operations. Avadel Pharmaceuticals plc (Nasdaq: AVDL) ("Avadel," the "Company," "we," "our," or "us") is an emerging biopharmaceutical company. Our lead product candidate, FT218, is an investigational once-nightly formulation of sodium oxybate for the treatment of excessive daytime sleepiness ("EDS") and cataplexy in narcolepsy patients. FT218 uses our Micropump drug-delivery technology.

We are primarily focused on the development and potential United States ("U.S.") Food and Drug Administration ("FDA") approval of FT218. Outside of our lead product candidate, we continue to evaluate opportunities to expand our product portfolio.

FT218 (Micropump sodium oxybate)

FT218 is a once-nightly formulation of sodium oxybate that uses our *Micropump* controlled release drug- delivery technology for the treatment of EDS and cataplexy in patients suffering from narcolepsy. Sodium oxybate is the sodium salt of gamma hydroxybutyrate, an endogenous compound and metabolite of the neurotransmitter gamma-aminobutyric acid. Sodium oxybate is approved in Europe and the United States as a twice-nightly formulation indicated for the treatment of EDS and cataplexy in patients with narcolepsy. In December 2019, we completed patient enrollment of our Phase 3 REST-ON clinical trial of FT218 to assess the safety and efficacy of a once-nightly formulation of FT218 for the treatment of EDS and cataplexy in patients suffering from narcolepsy and on April 27, 2020, we announced topline results from our Phase 3 REST-ON clinical trial of FT218. On July 13, 2020, we announced the dosing of the first patient of our open-label extension/switch study of FT218 as a potential treatment for excessive daytime sleepiness and cataplexy in patients with narcolepsy.

Commercial Products

To date, we have received FDA approvals for three previously unapproved prescription drugs:

- **Bloxiverz (neostigmine methylsulfate injection)** - Bloxiverz was approved by the FDA in May 2013 and was launched in July 2013. Bloxiverz is a drug used intravenously in the operating room to reverse the effects of non-depolarizing neuromuscular blocking agents after surgery. Bloxiverz was the first FDA-approved version of neostigmine methylsulfate. Today, neostigmine is one of the two most frequently used products for the reversal of the effects of other agents used for neuromuscular blocks.

- **Vazculep (phenylephrine hydrochloride injection)** - Vazculep was approved by the FDA in June 2014 and was launched in October 2014. Vazculep is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.

- **Akovaz (ephedrine sulfate injection)** - Akovaz, was approved by the FDA in April 2016 and was launched in August 2016. Akovaz was the first FDA approved formulation of ephedrine sulfate, an alpha- and beta- adrenergic agonist and a norepinephrine-releasing agent that is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia.

Nouress

In December 2019, we received FDA approval for Nouress (cysteine hydrochloride injection), a sterile injectable product for use in the hospital setting, and currently have two patents covering that product. Several additional patent applications for Nouress are pending with the U.S. Patent and Trademark Office ("USPTO").

On June 30, 2020 (“Closing Date”), we announced the sale of our portfolio of sterile injectable drugs used in the hospital setting, including our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, which is approved by the U.S. FDA to Exela Sterile Medicines LLC (“Exela Buyer”) pursuant to an asset purchase agreement by us, Avadel Legacy Pharmaceuticals, LLC and the Exela Buyer (“Purchase Agreement”). Pursuant to the Purchase Agreement, Exela paid us $14,500 on the Closing Date and will pay an additional $27,500 in ten equal monthly installments beginning 90 days following the Closing Date for total aggregate consideration of $42,000.

We were incorporated in Ireland on December 1, 2015 as a private limited company, and re-registered as an Irish public limited company on November 21, 2016. Our headquarters are in Dublin, Ireland and we have operations in St. Louis, Missouri, U.S.

Basis of Presentation. The unaudited condensed consolidated balance sheet as of June 30, 2020, which is derived from the prior year 2019 audited consolidated financial statements, and the interim unaudited condensed consolidated financial statements presented herein, have been prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP), the requirements of Form 10-Q and Article 10 of Regulation S-X and, consequently, do not include all information or footnotes required by U.S. GAAP for complete financial statements or all the disclosures normally made in an Annual Report on Form 10-K. Accordingly, the unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company’s 2019 Annual Report on Form 10-K filed with the SEC on March 16, 2020.

The unaudited condensed consolidated financial statements include the accounts of the Company and subsidiaries, and reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the dates and periods presented. All intercompany accounts and transactions have been eliminated. Results for interim periods are not necessarily indicative of the results to be expected during the remainder of the current year or for any future period.

On February 6, 2019, our indirect wholly-owned subsidiary, Avadel Specialty Pharmaceuticals, LLC (“Specialty Pharma”), filed a voluntary petition for reorganization under Chapter 11 of the U.S. Code (the “Bankruptcy Code”). in the U.S. District Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), Case No. 19-10248. Specialty Pharma is operating and managing its business as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and order of the Bankruptcy Court. As a result of Specialty Pharma’s voluntary bankruptcy filing on February 6, 2019, we no longer controlled the operations of Specialty Pharma; therefore, we deconsolidated Specialty Pharma effective with the bankruptcy filing and the Company recorded its investment in Specialty Pharma under the cost method. See *Note 3: Subsidiary Bankruptcy and Deconsolidation.* Our results of operations for the period January 1, 2019 through February 6, 2019 include the results of Specialty Pharma prior to its February 6, 2019 voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

Reclassifications

Certain reclassifications are made to prior year amounts whenever necessary to conform with the current year presentation.

In *Note 9: Goodwill and Intangible Assets*, we presented the December 31, 2019 amortizable intangible assets - Acquired developed technology - Vazculep amount as total accumulated depreciation in this Form 10-Q as compared to showing year-to-date amortization in the Company’s 2019 Annual Report on Form 10-K filed with the SEC on March 16, 2020.

Revenue. Prior to June 30, 2020, we generated revenue primarily from the sale of pharmaceutical products to customers, which we refer to as the hospital business. On June 30, 2020, we sold the hospital business. See *Note 4: Disposition of the Hospital Business.*

Product Sales

We sold products primarily through wholesalers and considered these wholesalers to be our customers. Revenue from product sales was recognized when the customer obtained control of our product and our performance obligations were met, which occurred typically upon receipt of delivery to the customer. As is customary in the pharmaceutical industry, our gross product sales were subject to a variety of price adjustments in arriving at reported net product sales. These adjustments included estimates for product returns, chargebacks, payment discounts, rebates, and other sales allowances and are estimated when the product is delivered based on analysis of historical data for the product or comparable products, as well as future expectations for such products.

For a complete discussion of the accounting for net product revenue, see *Note 5: Revenue Recognition*.

Accounts Receivable. Accounts receivable are stated at amounts invoiced and certain other gross to net variable consideration deductions. An allowance for credit losses is established based on expected losses. Expected losses are estimated by reviewing individual accounts, considering aging, financial condition of the debtor, payment history, current and forecast economic conditions and other relevant factors. A majority of our accounts receivable are due from four significant customers.

NOTE 2: Newly Issued Accounting Standards

Recent Accounting Guidance Not Yet Adopted

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. The FASB's amendments primarily impact *ASC 740, Income Taxes*, and may impact both interim and annual reporting periods. ASU 2019-12 will be effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years and early adoption is permitted. We are currently evaluating the impact of adopting ASU 2019-12.

NOTE 3: Subsidiary Bankruptcy and Deconsolidation

Bankruptcy Filing and Deconsolidation

As a result of Specialty Pharma's bankruptcy filing on February 6, 2019, Avadel has ceded authority for managing the business to the Bankruptcy Court, and Avadel management cannot carry on Specialty Pharma's activities in the ordinary course of business without Bankruptcy Court approval. Avadel manages the day-to-day operations of Specialty Pharma but does not have discretion to make significant capital or operating budgetary changes or decisions and purchase or sell significant assets, as Specialty Pharma's material decisions are subject to review by the Bankruptcy Court. For these reasons, we concluded that Avadel has lost control of Specialty Pharma, and no longer has significant influence over Specialty Pharma during the pendency of the bankruptcy. Therefore, we deconsolidated Specialty Pharma effective with the filing of the Chapter 11 bankruptcy in February 2019.

In order to deconsolidate Specialty Pharma, the carrying values of the assets and certain liabilities of Specialty Pharma were removed from our unaudited condensed consolidated balance sheet as of February 5, 2019, and we recorded our investment in Specialty Pharma at its estimated fair value of $0. As the estimated fair value of our investment in Specialty Pharma was lower than its net book value immediately prior to the deconsolidation, we recorded a non-cash charge of approximately $2,840 for the six months ended June 30, 2019 associated with the deconsolidation of Specialty Pharma. Subsequent to the deconsolidation of Specialty Pharma, we are accounting for our investment in Specialty Pharma using the cost method of accounting because Avadel does not exercise significant influence over the operations of Specialty Pharma due to the Chapter 11 filing.

On April 26, 2019, Specialty Pharma sold its intangible assets and remaining inventory to an unaffiliated third party in exchange for aggregate cash proceeds of approximately $250, pursuant to an order approving such sale which was issued by the Bankruptcy Court on April 15, 2019. As a result of such sale, Specialty Pharma has completed its divestment of the assets of the Noctiva business.

On July 2, 2019, Specialty Pharma was made aware of a $50,695 claim made by the Internal Revenue Service (IRS) as part of the bankruptcy claims process against Specialty Pharma. On October 2, 2019 the IRS amended the original claim filed in July, reducing the claim to $9,302. Specialty Pharma files its U.S. federal tax return as a member of the Company's consolidated U.S. tax group. As such, the IRS claim was filed against Specialty Pharma in the bankruptcy proceedings due to IRS tax law requirements for joint and several liability of all members in a consolidated U.S. tax group. Both Specialty Pharma and the Company disagreed with the merits of the amended IRS claim, and Specialty Pharma entered into negotiations regarding the treatment of the claim in the bankruptcy case. On November 19, 2019, Specialty Pharma and the IRS resolved their dispute, subject to Bankruptcy Court approval in Specialty Pharma's Chapter 11 plan, and without prejudice to the claims, rights and defenses of the IRS and other Avadel entities outside of the bankruptcy case. The resolution provided for allowance of the IRS claim as a priority claim but for the IRS to receive a distribution of not less than $125 from Specialty Pharma following confirmation of its chapter 11 plan, leaving a substantial amount of the bankruptcy estate for general unsecured creditors.

On July 24, 2020, Specialty Pharma sought bankruptcy court approval of a settlement agreement by and between it, Avadel US Holdings, Inc. and Serenity Pharmaceuticals, LLC ("Serenity") (the "Settlement Agreement"). Before the commencement of Specialty Pharma's bankruptcy case, Serenity asserted claims against Specialty Pharma and Avadel US Holdings collectively in an amount no less than $50,000, and after the commencement of the bankruptcy case, Serenity asserted a $3,096 claim against Specialty Pharma and voted to reject its Chapter 11 plan of liquidation. The Settlement Agreement provides for a global resolution

of these disputes by way of an $800 payment from Avadel US Holdings to Serenity, a mutual exchange of general releases, and the withdrawal of Serenity's claim and vote in Specialty Pharma's bankruptcy case. Specialty Pharma's entry into the Settlement Agreement is subject to approval by the Bankruptcy Court.

Debtor in Possession ("DIP") Financing – Related Party Relationship

In connection with the bankruptcy filing, Specialty Pharma entered into a Debtor in Possession Credit and Security Agreement with Avadel US Holdings ("DIP Credit Agreement") dated as of February 8, 2019, in an aggregate amount of up to $2,700, of which the funds are to be used by Specialty Pharma solely to fund operations through February 6, 2020. As of June 30, 2020, the Company had funded $407 under the DIP Credit Agreement. As the Company has assessed that it is unlikely that Specialty Pharma will pay back the loan to Avadel, the $407 has been recorded as part of the loss on deconsolidation of subsidiary within the unaudited condensed consolidated statements of income (loss) for the six months ended June 30, 2019.

NOTE 4: Disposition of the Hospital Business

On the Closing Date, we announced the sale of our portfolio of sterile injectable drugs used in the hospital setting, including our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, which is approved by the U.S. FDA to the Exela Buyer pursuant to the Purchase Agreement.

Pursuant to the Purchase Agreement, the Exela Buyer paid $14,500 on the Closing Date and will pay an additional $27,500 in ten equal monthly installments beginning 90 days following the Closing Date for total aggregate consideration of $42,000. In connection with the Transaction, the parties also agreed to cause the dismissal of the pending civil litigation related to Nouress in the District Court for the District of Delaware.

We are party to a Membership Interest Purchase Agreement, dated March 13, 2012, by and among us, Avadel Legacy, Breaking Stick Holdings, LLC, Deerfield Private Design International II, L.P. ("Deerfield International"), Deerfield Private Design Fund II, L.P. ("Deerfield Fund") and Horizon Santé FLML, Sarl ("Horizon") (the "Deerfield MIPA") and a Royalty Agreement, dated February 4, 2013, by and among us, Avadel Legacy, the Deerfield Fund and Horizon (the "Deerfield Royalty Agreement"). In connection with the closing of the Transaction, the Deerfield MIPA (with respect to certain sections thereof) and the Royalty Agreement were assigned to the Exela Buyer. Pursuant to the Purchase Agreement, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy under the Deerfield Royalty Agreement for obligations that arise after the Closing date.

We are also party to a Royalty Agreement, dated December 3, 2013, by and between us, Avadel Legacy and Broadfin Healthcare Master Fund, Ltd. (the "Broadfin Royalty Agreement"). In connection with the closing of the Transaction, the Broadfin Royalty Agreement was assigned to the Exela Buyer and the Exela Buyer assumed and shall pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy under the Broadfin Royalty Agreement for obligations that arise after the Closing Date.

We recorded a net gain on the sale of the hospital business of $45,760 during the three and six months ended June 30, 2020 which has been recorded on the unaudited condensed consolidated statement of income (loss). The $45,760 gain represents the aggregate consideration of $42,000, transaction fees of $2,928, plus the assets and liabilities either transferred to the Exela Buyer or eliminated by us due to the Transaction, which are listed below.

	June 30, 2020
Prepaid expenses and other current assets	$ (134)
Inventories	(4,922)
Goodwill	(1,654)
Intangible assets, net	(407)
Other non-current assets	(1,095)
Total long-term contingent consideration payable	14,900
Net liabilities disposed of	6,688
Aggregate consideration	42,000
Less transaction fees	(2,928)
Net gain on the sale of the hospital business	$ 45,760

We evaluated various qualitative and quantitative factors related to the disposition of the Business and determined that it did not meet the criteria for presentation as a discontinued operation.

NOTE 5: Revenue Recognition

Prior to June 30, 2020, we generated revenue primarily from the sale of pharmaceutical products to customers. On June 30, 2020, we sold the hospital business. See *Note 4: Disposition of the Hospital Business.*

Product Sales

We sold products primarily through wholesalers and considered these wholesalers to be our customers. Revenue from product sales was recognized when the customer obtained control of our product and our performance obligations were met, which occurred typically upon receipt of delivery to the customer. As is customary in the pharmaceutical industry, our gross product sales were subject to a variety of price adjustments in arriving at reported net product sales. These adjustments included estimates for product returns, chargebacks, payment discounts, rebates, and other sales allowances and are estimated when the product is delivered based on analysis of historical data for the product or comparable products, as well as future expectations for such products.

Reserves to Reduce Gross Revenues to Net Revenues

Revenues from product sales were recorded at the net selling price, which included estimated reserves to reduce gross product sales to net product sales resulting from product returns, chargebacks, payment discounts, rebates, and other sales allowances that are offered within contracts between the Company and its customers and end users. These reserves were based on the amounts earned or to be claimed on the related sales and are classified as reductions of accounts receivable if the amount is payable to the customer, except in the case of the estimated reserve for future expired product returns, which are classified as a liability. The reserves are classified as a liability if the amount is payable to a party other than a customer. Where appropriate, these estimated reserves take into consideration relevant factors such as the Company’s historical experience, current contractual and statutory requirements, specific known market events and trends, industry data and forecasted customer buying and payment patterns. Overall, these reserves reflect the Company’s best estimates to reduce gross selling price to net selling price to which it expects to be entitled based on the terms of its contracts. The actual selling price ultimately received may differ from the Company’s estimates. If actual results in the future vary from the Company’s estimates, the Company adjusts these estimates, which would affect net product revenue and earnings in the period such variances become known.

Product Returns

Consistent with industry practice, the Company maintains a returns policy that generally offers customers a right of return for product that has been purchased from the Company. The Company estimates the amount of product returns and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company currently estimates product return

liabilities based on analysis of historical data for the product or comparable products, as well as future expectations for such products and other judgments and analysis.

Chargebacks, Discounts and Rebates

Chargebacks, discounts and rebates represent the estimated obligations resulting from contractual commitments to sell products to its customers or end users at prices lower than the list prices charged to our wholesale customers. Customers charge the Company for the difference between the gross selling price they pay for the product and the ultimate contractual price agreed to between the Company and these end users. These reserves are established in the same period that the related revenue is recognized, resulting in a reduction of product revenue and accounts receivable. Chargebacks, discounts and rebates are estimated at the time of sale to the customer.

Revenue from licensing arrangements

The terms of the Company's licensing agreements may contain multiple performance obligations, including certain R&D activities. The terms of these arrangements typically include payment to the Company of one or more of the following: non-refundable, up-front license fees, development, regulatory and commercial milestone payments. Each of these payments results in license revenues.

Disaggregation of revenue

The Company's source of revenue was from the sale of pharmaceutical products, which are equally affected by the same economic factors as it relates to the nature, amount, timing, and uncertainty of revenue and cash flows. For further detail about the Company's revenues by product, see *Note 18: Revenue by Product*.

Contract Balances

The Company does not recognize revenue in advance of invoicing its customers and therefore has no related contract assets.

A receivable is recognized in the period the Company sells its products and when the Company's right to consideration is unconditional.

There were no material deferred contract costs at June 30, 2020.

Transaction Price Allocated to the Remaining Performance Obligation

For product sales, the Company generally satisfied its performance obligations within the same period the product was delivered. Product sales recognized in the second quarter of 2020 from performance obligations satisfied (or partially satisfied) in previous periods were immaterial.

For certain licenses of intellectual property, specifically those with performance obligations satisfied over time, the Company allocates a portion of the transaction price to that performance obligation and recognizes revenue using an appropriate measure of progress towards development of the product.

The Company has elected certain of the practical expedients from the disclosure requirement for remaining performance obligations for specific situations in which an entity need not estimate variable consideration to recognize revenue. Accordingly, the Company applies the practical expedient in ASC 606 to its stand-alone contracts and does not disclose information about variable consideration from remaining performance obligations for which the Company recognizes revenue.

NOTE 6: Fair Value Measurement

The Company is required to measure certain assets and liabilities at fair value, either upon initial recognition or for subsequent accounting or reporting. For example, we use fair value extensively when accounting for and reporting certain financial instruments, when measuring certain contingent consideration liabilities and in the initial recognition of net assets acquired in a business combination. Fair value is estimated by applying the hierarchy described below, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

ASC 820, “Fair Value Measurements and Disclosures,” defines fair value as a market-based measurement that should be determined based on the assumptions that marketplace participants would use in pricing an asset or liability. When estimating fair value, depending on the nature and complexity of the asset or liability, we may generally use one or each of the following techniques:

- Income approach, which is based on the present value of a future stream of net cash flows.
- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.

As a basis for considering the assumptions used in these techniques, the standard establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets.
- Level 2 - Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable, or inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 - Unobservable inputs that reflect estimates and assumptions.

The following table summarizes the financial instruments measured at fair value on a recurring basis classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation in the accompanying unaudited condensed consolidated balance sheets:

	As of June 30, 2020			As of December 31, 2019		
Fair Value Measurements:	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Marketable securities (see *Note 7*)						
Equity securities	$ —	$ —	$ —	$ 4,404	$ —	$ —
Money market and mutual funds	98,848	—	—	38,799	—	—
Corporate bonds	—	8,892	—	—	4,098	—
Government securities - U.S.	—	26,740	—	—	5,446	—
Other fixed-income securities	—	1,900	—	—	1,637	—
Total assets	$ 98,848	$ 37,532	$ —	$ 43,203	$ 11,181	$ —
Contingent consideration payable (see *Note 10*)	$ —	$ —	$ 1,914	$ —	$ —	$ 17,327
Total liabilities	$ —	$ —	$ 1,914	$ —	$ —	$ 17,327

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. During the periods ended June 30, 2020 and December 31, 2019, respectively, there were no transfers in and out of Level 1, 2, or 3. During the three and six month periods ended June 30, 2020 and 2019, respectively, we did not recognize any other-than-temporary impairment loss.

Some of the Company’s financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, are reflected in the balance sheet at carrying value, which approximates fair value due to their short-term nature.

Debt

We estimate the fair value of our $143,750 aggregate principal amount of 4.50% exchangeable senior notes due 2023 (the “2023 Notes”), a Level 2 input, based on interest rates that would be currently available to the Company for issuance of similar types of debt instruments with similar terms and remaining maturities or recent trading prices obtained from brokers. The estimated fair value of the 2023 Notes at June 30, 2020 of $124,879, which is the same as book value.

See *Note 11: Long-Term Debt* for additional information regarding our debt obligations.

NOTE 7: Marketable Securities

The Company has investments in equity and available-for-sale debt securities which are recorded at fair market value. The change in the fair value of equity investments is recognized in our unaudited condensed consolidated statements of income (loss) and the change in the fair value of available-for-sale debt investments is recorded as other comprehensive loss in shareholders' equity (deficit), net of income tax effects. As of June 30, 2020, we considered any decreases in fair value on our marketable securities to be driven by factors other than credit risk, including market risk.

The following tables show the Company's available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of June 30, 2020 and December 31, 2019, respectively:

	June 30, 2020			
Marketable Securities:	**Adjusted Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Money market and mutual funds	$ 98,024	$ 824	$ —	$ 98,848
Corporate bonds	8,720	180	(8)	8,892
Government securities - U.S.	26,424	317	(1)	26,740
Other fixed-income securities	1,867	33	—	1,900
Total	$ 135,035	$ 1,354	$ (9)	$ 136,380

	December 31, 2019			
Marketable Securities:	**Adjusted Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Equity securities	$ 4,234	$ 170	$ —	$ 4,404
Money market and mutual funds	38,028	771	—	38,799
Corporate bonds	4,021	77	—	4,098
Government securities - U.S.	5,341	110	(5)	5,446
Other fixed-income securities	1,614	23	—	1,637
Total	$ 53,238	$ 1,151	$ (5)	$ 54,384

We determine realized gains or losses on the sale of marketable securities on a specific identification method. We reflect these gains and losses as a component of investment and other income in the accompanying unaudited condensed consolidated statements of income (loss).

We recognized gross realized gains of $14 and $174 for the three months ended June 30, 2020, and 2019, respectively. These realized gains were offset by realized losses of $6 and $0 for the three months ended June 30, 2020, and 2019, respectively. We recognized gross realized gains of $290 and $268 for the six months ended June 30, 2020, and 2019, respectively. These realized gains were offset by realized losses of $878 and $147 for the six months ended June 30, 2020 and 2019, respectively. We reflect these gains and losses as a component of investment income in the accompanying unaudited condensed consolidated statements of income (loss).

The following table summarizes the estimated fair value of our investments in marketable debt securities, accounted for as available-for-sale debt securities and classified by the contractual maturity date of the securities as of June 30, 2020:

	Maturities				
Marketable Debt Securities:	**Less than 1 Year**	**1-5 Years**	**5-10 Years**	**Greater than 10 Years**	**Total**
Corporate bonds	$ 1,270	$ 6,350	$ 1,272	$ —	$ 8,892
Government securities - U.S.	—	25,965	320	455	26,740
Other fixed-income securities	51	1,849	—	—	1,900
Total	$ 1,321	$ 34,164	$ 1,592	$ 455	$ 37,532

The Company has classified our investment in available-for-sale marketable debt securities as current assets in the unaudited condensed consolidated balance sheets as the securities need to be available for use, if required, to fund current operations. There are no restrictions on the sale of any securities in our investment portfolio.

The following table shows the gross unrealized losses and fair value of our available-for-sale debt securities at June 30, 2020. The unrealized losses in the table below are driven by factors other than credit risk and have been in a unrealized loss position for less than one year. We do not intend to sell the investments and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost bases.

Marketable Debt Securities:	Fair Value	Unrealized Losses
Corporate bonds	$ 3,187	$ 7
Other fixed-income securities	506	1
Total	$ 3,693	$ 8

NOTE 8: Inventories

The principal categories of inventories, net of reserves of $0 and $914 at June 30, 2020 and December 31, 2019, respectively, are comprised of the following:

Inventory:	June 30, 2020	December 31, 2019
Finished goods	$ —	$ 3,020
Raw materials	—	550
Total	$ —	$ 3,570

The decrease in inventory at June 30, 2020 is a result of disposition of the hospital business. See *Note 4: Disposition of the Hospital Business*.

NOTE 9: Goodwill and Intangible Assets

The Company's amortizable and unamortizable intangible assets at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020			December 31, 2019		
Goodwill and Intangible Assets:	Gross Value	Accumulated Amortization	Net Carrying Amount	Gross Value	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets - Acquired developed technology - Vazculep [1]	$ —	$ —	$ —	$ 12,061	$ (11,248)	$ 813
Unamortizable intangible assets - Goodwill [2]	$ 16,836	$ —	$ 16,836	$ 18,491	$ —	$ 18,491

[1] This intangible asset was assumed by the Exela Buyer as part of the disposition of the hospital business on June 30, 2020. See *Note 4: Disposition of the Hospital Business.*

[2] In connection with the disposition of the hospital business (see *Note 4: Disposition of the Hospital Business*), the Company allocated goodwill of $1,655 on a relative fair value basis to the hospital business and included this amount in the net gain on the disposition of the hospital business on the unaudited condensed consolidated statements of income (loss) during the three and six months ended June 30, 2020.

The Company recorded amortization expense related to amortizable intangible assets of $203 and $204 for the three months ended June 30, 2020 and 2019, respectively of $406 and $405 for the six months ended June 30, 2020 and 2019, respectively.

NOTE 10: Contingent Consideration Payable

Contingent consideration payable and related activity are reported at fair value and consist of the following at June 30, 2020 and December 31, 2019:

		Activity during the six months ended June 30, 2020				
			Changes in Fair Value of Contingent Consideration Payable			
Contingent Consideration Payable:	**Balance, December 31, 2019**	**Payments**	**Operating Expense**	**Other Expense**	**Disposition of the Hospital Business**	**Balance, June 30, 2020**
Acquisition-related contingent consideration:						
Earn-out payments - Éclat Pharmaceuticals (a) (d)	$ 15,472	$ (3,736)	$ 3,396	$ —	(13,476)	$ 1,656
Financing-related:						
Royalty agreement - Deerfield (b) (d)	1,251	(412)	—	272	(936)	175
Royalty agreement - Broadfin (c) (d)	604	(196)	—	163	(488)	83
Total contingent consideration payable	17,327	$ (4,344)	$ 3,396	$ 435	$ (14,900)	1,914
Less: current portion	(5,554)					(1,914)
Long-term contingent consideration payable	$ 11,773					$ —

Long-term related party payable and related activity are reported at fair value and consist of the following at June 30, 2020 and March 31, 2020:

		Activity during the three months ended June 30, 2020				
			Changes in Fair Value of Contingent Consideration Payable			
Contingent Consideration Payable:	**Balance, March 31, 2020**	**Payments**	**Operating Expense**	**Other Expense**	**Disposition of the Hospital Business**	**Balance, June 30, 2020**
Acquisition-related contingent consideration:						
Earn-out payments - Éclat Pharmaceuticals (a) (d)	$ 16,176	$ (1,962)	$ 918	$ —	(13,476)	$ 1,656
Financing-related:						
Royalty agreement - Deerfield (b) (d)	1,242	(215)	—	84	(936)	175
Royalty agreement - Broadfin (c) (d)	632	(102)	—	41	(488)	83
Total contingent consideration payable	18,050	$ (2,279)	$ 918	$ 125	$ (14,900)	1,914
Less: current portion	(5,855)					(1,914)
Long-term contingent consideration payable	$ 12,195					$ —

(a) In March 2012, the Company acquired all of the membership interests of Éclat from Breaking Stick Holdings, L.L.C. (“Breaking Stick”, formerly Éclat Holdings), an affiliate of Deerfield. Breaking Stick is majority owned by Deerfield, with a minority interest owned by the Company’s former CEO, and certain other current and former employees. As part of the consideration, the Company committed to provide quarterly earn-out payments equal to 20% of any gross profit generated by certain Éclat products. These payments will continue in perpetuity, to the extent gross profit of the related products also continue in perpetuity. In connection with the disposition of the hospital business on June 30, 2020 as discussed in *Note 4: Disposition of the Hospital Business*, the Deerfield MIPA (with respect to certain sections thereof) and the Royalty Agreement were assigned to the Exela Buyer. Pursuant to the Purchase Agreement, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy and the Company under the Deerfield Royalty Agreement.

(b) As part of a February 2013 debt financing transaction conducted with Deerfield, the Company received cash of $2,600 in exchange for entering into a royalty agreement whereby the Company is obligated to pay quarterly a 1.75% royalty on the net sales of certain Éclat products until December 31, 2024. In connection with such debt financing transaction, the Company granted Deerfield a security interest in the product registration rights of the Éclat products. In connection with the disposition of the hospital business on June 30, 2020 as discussed in *Note 4: Disposition of the Hospital Business*, the Deerfield MIPA (with respect to certain sections thereof) and the Royalty Agreement were assigned to the Exela Buyer. Pursuant to the Purchase Agreement, the Exela Buyer assumed and will pay, perform, satisfy and discharge the liabilities and obligations of Avadel Legacy and the Company under the Deerfield Royalty Agreement.

(c) As part of a December 2013 debt financing transaction conducted with Broadfin Healthcare Master Fund, a former related party and shareholder, the Company received cash of $2,200 in exchange for entering into a royalty agreement whereby the Company is obligated to pay quarterly a 0.834% royalty on the net sales of certain Éclat products until December 31, 2024. In connection with the disposition of the hospital business on June 30, 2020 as discussed in *Note 4: Disposition of the Hospital Business*, the Broadfin Royalty Agreement was assigned to the Exela Buyer and the Exela Buyer assumed and shall pay, perform, satisfy and discharge the liabilities and obligations of the Company under the Broadfin Royalty Agreement.

(d) Deerfield and Broadfin Healthcare Master Trust disposed of their 2023 Notes and ordinary shares in the Company during the six months ended June 30, 2020 and are no longer considered related parties.

Before the sale of the hospital business on June 30, 2020, the fair value of each contingent consideration payable listed in (a), (b) and (c) above was estimated using a discounted cash flow model based on estimated and projected annual net revenues or gross profit, as appropriate, of each of the specified Éclat products using an appropriate risk-adjusted discount rate of 14%. These fair value measurements are based on significant inputs not observable in the market and thus represent a Level 3 measurement as defined in ASC 820. Subsequent changes in the fair value of the acquisition-related contingent consideration payables, resulting primarily from management's revision of key assumptions, will be recorded in the unaudited condensed consolidated statements of income (loss) in the line items entitled "Changes in fair value of contingent consideration" for items noted in (b) above and in "Other expense - changes in fair value of contingent consideration payable" for items (b) and (c) above. See *Note 1: Summary of Significant Accounting Policies* under the caption Acquisition-related Contingent Consideration and Financing-related Royalty Agreements in Part II, Item 8 of the Company's 2019 Annual Report on Form 10-K for more information on key assumptions used to determine the fair value of these liabilities.

The Company has chosen to make a fair value election pursuant to ASC 825, "Financial Instruments" for its royalty agreements detailed in items (b) and (c) above. These financing-related liabilities are recorded at fair market value on the unaudited condensed consolidated balance sheets and the periodic change in fair market value is recorded as a component of "Other expense – change in fair value of contingent consideration payable" on the unaudited condensed consolidated statements of income (loss).

The following table summarizes changes to the contingent consideration payables, a recurring Level 3 measurement, for the six-month periods ended June 30, 2020 and 2019, respectively:

Contingent Consideration Payable Rollforward:	**Balance**
Balance, December 31, 2018	$ 28,840
Payments of contingent consideration	(6,707)
Fair value adjustments [(1)]	2,114
Balance, June 30, 2019	$ 24,247
Balance, December 31, 2019	$ 17,327
Payments of contingent consideration	(4,344)
Fair value adjustments [(1)]	3,831
Disposition of the hospital business	(14,900)
Balance, June 30, 2020	$ 1,914

[(1)] Fair value adjustments are reported as changes in fair value of contingent consideration and other expense - changes in fair value of contingent consideration payable in the unaudited condensed consolidated statements of income (loss).

NOTE 11: Long-Term Debt

Long-term debt is summarized as follows:

	June 30, 2020	December 31, 2019
Principal amount of 4.50% exchangeable senior notes due 2023	$ 143,750	$ 143,750
Less: unamortized debt discount and issuance costs, net	(18,871)	(22,064)
Net carrying amount of liability component	124,879	121,686
Less: current maturities	—	—
Long-term debt	$ 124,879	$ 121,686

Equity component:		
Equity component of exchangeable notes, net of issuance costs	$ (26,699)	$ (26,699)

NOTE 12: Income Taxes

The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), enacted on March 27, 2020, includes significant business tax provisions. In particular, the CARES Act modified the rules associated with net operating losses ("NOLs"). Under the temporary provisions of CARES Act, NOL carryforwards and carrybacks may offset 100% of taxable income for taxable years beginning before 2021. In addition, NOLs arising in 2018, 2019 and 2020 taxable years may be carried back to each of the preceding five years to generate a refund. During the six months ended June 30, 2020, the income tax benefit includes a discrete tax benefit of $9,124 as a result of our ability under the CARES Act to carry back NOLs incurred to periods when the statutory U.S. Federal tax rate was 35% versus our current U.S. Federal tax rate of 21%. During the six months ended June 30, 2020, the Company received $3,351 in cash tax refunds from carryback claims related to the CARES Act.

The income tax expense was $5,292 for the three months ended June 30, 2020 resulting in an effective tax rate of 14.6%. The income tax expense was $1,781 for the three months ended June 30, 2019 resulting in an effective tax rate of (26.1%). The net increase in the effective income tax rate for the three months ended June 30, 2020, as compared to the same period in 2019, primarily due to increased income in the U.S. due to the sale of the hospital business during the three months ended June 30, 2020.

The income tax benefit was $4,218 for the six months ended June 30, 2020 resulting in an effective tax rate of (16.4%). The income tax provision was $1,407 for the six months ended June 30, 2019 resulting in an effective tax rate of (6.8%). The net decrease in the effective income tax rate for the six months ended June 30, 2020, as compared to the same period in 2019, is primarily due to the discrete tax benefits recognized under the CARES Act as described above, favorable income tax benefits from the U.S. Orphan Drug and Research & Development Tax Credit, which did not occur during the six months ended June 30, 2019, partially offset by increased income in the U.S. due to the sale of the hospital business during the six months ended June 30, 2020.

During the six months ended June 30, 2020, the Company substantially completed the 2015 through 2017 U.S. Federal Tax Audit. Completion of the audit resulted in an assessment of $1,937 for the 2015 through 2017 U.S. Federal Tax Returns compared to the IRS Claims of $50,695 made on July 2, 2019 and the updated IRS Claims of $9,302 on October 2, 2019 made as part of the Specialty Pharma bankruptcy proceedings, which at this time does not include interest and penalties. During the quarter, the Company paid $1,551, excluding interest and penalties, to settle the 2015 through 2017 U.S. Federal Tax Audit.

NOTE 13: Other Assets and Liabilities

Various other assets and liabilities are summarized as follows:

Prepaid Expenses and Other Current Assets:	**June 30, 2020**	**December 31, 2019**
Valued-added tax recoverable	$ 266	$ 1,051
Prepaid and other expenses	4,154	2,116
Guarantee from Armistice	410	454
Income tax receivable	149	536
Short term note receivable from Exela (see *Note 4*)	27,500	—
Other	294	107
Total	$ 32,773	$ 4,264

Other Non-Current Assets:	June 30, 2020	December 31, 2019
Deferred tax assets, net	$ 29,180	$ 29,427
Long-term deposits	1,477	1,477
Guarantee from Armistice	1,184	1,367
Right of use assets at contract manufacturing organizations	5,201	6,428
Other	573	575
Total	$ 37,615	$ 39,274

Accrued Expenses	June 30, 2020	December 31, 2019
Accrued compensation	$ 1,432	$ 3,944
Accrued social charges	219	592
Accrued restructuring (see *Note 14*)	1,009	2,949
Customer allowances	5,901	6,470
Accrued transaction fees related to the disposition of the hospital business	2,928	—
Accrued contract research organization charges	1,692	2,098
Accrued contract manufacturing organization costs	260	735
Other	2,379	3,022
Total	$ 15,820	$ 19,810

Other Non-Current Liabilities:	June 30, 2020	December 31, 2019
Customer allowances	$ 946	$ 981
Unrecognized tax benefits	3,143	6,465
Guarantee to Deerfield	1,188	1,372
Other	15	55
Total	$ 5,292	$ 8,873

NOTE 14: Equity Transactions

Shelf Registration Statement on Form S-3

In February 2020, we filed with the SEC a new shelf registration statement on Form S-3 (the 2020 Shelf Registration Statement) (File No. 333-236258) that allows issuance and sale by us, from time to time, of:

(a) up to $250,000 in aggregate of ordinary shares, nominal value US$0.01 per share (the "Ordinary Shares"), each of which may be represented by American Depositary Shares ("ADSs"), preferred shares, nominal value US$0.01 per share (the "Preferred Shares"), debt securities (the "Debt Securities"), warrants to purchase Ordinary Shares, ADSs, Preferred Shares and/or Debt Securities (the "Warrants"), and/or units consisting of Ordinary Shares, ADSs, Preferred Shares, one or more Debt Securities or Warrants in one or more series, in any combination, pursuant to the terms of the 2020 Shelf Registration Statement, the base prospectus contained in the 2020 Shelf Registration Statement (the "Base Prospectus"), and any amendments or supplements thereto (together, the "Securities"); including

(b) up to $50,000 of ADSs that may be issued and sold from time to time pursuant to the terms of an Open Market Sale Agreement℠ ("the Sales Agreement"), entered into with Jefferies LLC on February 4, 2020 (the "Sales Agreement"), the 2020 Shelf Registration Statement, the Base Prospectus and the terms of the sales agreement prospectus contained in the 2020 Shelf Registration Statement.

The transactions costs associated with the 2020 Shelf Registration Statement totaled approximately $328 of which $164 was charged against additional paid-in capital during the three months ended June 30, 2020 as a result of the May 2020 Public Offering, discussed below. The remaining costs of $164 are recorded as a prepaid asset at June 30, 2020.

February 2020 Private Placement

On February 21, 2020, we announced that we entered into a definitive agreement for the sale of our ADSs and Series A Non-Voting Convertible Preferred Shares ("Series A Preferred") in a private placement to a group of institutional accredited investors. The private placement resulted in gross proceeds of approximately $65,000 before deducting placement agent and other offering expenses, which resulted in net proceeds of $60,639.

Pursuant to the terms of the private placement, we issued 8,680 ADSs and 488 shares of Series A Preferred at a price of $7.09 per share, priced at-the-market under Nasdaq rules. Each share of non-voting Series A Preferred is convertible into one ADS, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.99% of the total number of Avadel ADSs outstanding. The closing of the private placement occurred on February 25, 2020.

Issuance costs of $4,361 have been recorded as a reduction of additional paid-in capital.

May 2020 Public Offering

In connection with the shelf registration statement described above, on April 28, 2020, we announced the pricing of an underwritten public offering of 11,630 Ordinary Shares, in the form of ADSs at a price to the public of $10.75 per ADS. Each ADS represents the right to receive one Ordinary Share. All of the ADSs were offered by us and the gross proceeds to us from the offering were approximately $125,000, before deducting underwriting discounts and commissions and offering expenses, which resulted in net proceeds of $116,974. The offering closed on May 1, 2020.

NOTE 15: Restructuring Costs

2019 French Restructuring

During the second quarter of 2019, the Company initiated a plan to substantially reduce all of its workforce at its Vénissieux, France site ("2019 French Restructuring"). This reduction was part of an effort to align the Company's cost structure with our ongoing and future planned projects. The reduction in workforce was completed during the three months ended June 30, 2020. Restructuring charges associated with this plan recognized during the three and six months ended June 30, 2020 were immaterial. Restructuring charges associated with this plan recognized during the three and six months ended June 30, 2019 were $1,939 and included charges for employee severance, benefits and other costs of $2,414, a charge of $525 related to fixed asset impairment, as well as a benefit of $1,000 related to the reversal of the French retirement indemnity obligation.

The following table sets forth activities for the Company's cost reduction plan obligations for the six months ended June 30, 2020 and 2019:

2019 French Restructuring Obligation:	**2020**	**2019**
Balance of restructuring accrual at January 1,	$ 1,922	$ —
Charges for employee severance, benefits and other costs	173	2,414
Payments	(1,784)	(1,332)
Foreign currency impact	(48)	20
Balance of restructuring accrual at June 30,	$ 263	$ 1,102

The 2019 French Restructuring liabilities of $263 are included in the unaudited condensed consolidated balance sheet in accrued expenses at June 30, 2020.

2019 Corporate Restructuring

During the first quarter of 2019, the Company announced a plan to reduce its Corporate workforce by more than 50% ("2019 Corporate Restructuring"). The reduction in workforce is primarily a result of the exit of Noctiva during the first quarter of 2019 (see *Note 3: Subsidiary Bankruptcy and Deconsolidation*), as well as an effort to better align the Company's remaining cost structure at our U.S. and Ireland locations with our ongoing and future planned projects. The reduction in workforce was substantially complete at the end of June 30, 2020, and has resulted in employee severance, benefits and other costs of up to approximately $3,000, which are likely to be recognized through August 31, 2020. The restructuring charges associated with this plan recognized during the three and six months ended June 30, 2020 were immaterial, compared to the restructuring benefit of $435 and restructuring charges of $963 recognized during the three and six months ended June 30, 2019, respectively. Included

in the 2019 Corporate Restructuring benefit of $435 for the three months ended June 30, 2019 were charges for employee severance, benefit and other costs of $541, as well as a benefit of $976 related to share based compensation forfeitures related to the employees affected by the global reduction in workforce. Included in the 2019 Corporate Restructuring charges of $963 for the six months ended June 30, 2019, were charges for employee severance, benefit and other costs of $2,359, as well as a benefit of $1,396 related to share based compensation forfeitures related to the employees affected by the global reduction in workforce.

The following table sets forth activities for the Company's cost reduction plan obligations for the six months ended June 30, 2020 and 2019:

2019 Corporate Restructuring Obligation:	**2020**	**2019**
Balance of restructuring accrual at January 1,	$ 1,080	$ —
Charges for employee severance, benefits and other costs	106	2,359
Payments	(440)	(2,016)
Balance of restructuring accrual at June 30,	$ 746	$ 343

The 2019 Corporate Restructuring liabilities of $746 are included in the unaudited condensed consolidated balance sheet in accrued expenses at June 30, 2020.

NOTE 16: Net Income (Loss) Per Share

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during each period. Diluted net income (loss) per share is calculated by dividing net income (loss) - diluted by the diluted number of shares outstanding during each period. Except where the result would be anti-dilutive to net income (loss), diluted net income (loss) per share would be calculated assuming the impact of the conversion of the 2023 Notes, the conversion of our preferred shares, the exercise of outstanding equity compensation awards, and ordinary shares expected to be issued under our employee stock purchase plan ("ESPP").

We have a choice to settle the conversion obligation under the 2023 Notes in cash, shares or any combination of the two. We utilize the if-converted method to reflect the impact of the conversion of the 2023 Notes, unless the result is anti-dilutive. This method assumes the conversion of the 2023 Notes into shares of our ordinary shares and reflects the elimination of the interest expense related to the 2023 Notes.

The dilutive effect of the warrants, stock options, restricted stock units, preferred shares and ordinary shares expected to be issued under or ESPP has been calculated using the treasury stock method.

A reconciliation of basic and diluted net income (loss) per share, together with the related shares outstanding in thousands is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
Net Income (Loss) Per Share:	**2020**	**2019**	**2020**	**2019**
Net income (loss)	$ 30,874	$ (8,605)	$ 30,009	$ (21,623)
Add: interest from 2023 Notes, net of tax	3,237	—	6,427	—
Net income (loss) - diluted	$ 34,111	$ (8,605)	$ 36,436	$ (21,623)
Weighted average shares:				
Basic shares	54,272	37,356	47,665	37,355
Effect of dilutive securities—employee and director equity awards outstanding, preferred shares and 2023 Notes	15,670	—	15,418	—
Diluted shares	69,942	37,356	63,083	37,355
Net income (loss) per share - basic	$ 0.57	$ (0.23)	$ 0.63	$ (0.58)
Net income (loss) per share - diluted	$ 0.49	$ (0.23)	$ 0.58	$ (0.58)

Potential common shares of 2,472 and 20,359 were excluded from the calculation of weighted average shares for the three months ended June 30, 2020 and 2019, respectively, and potential common shares of 2,537 and 20,502 were excluded from the calculation of weighted average shares for the six months ended June 30, 2020 and 2019, respectively, because their effect was considered to be anti-dilutive. For the three and six months ended June 30, 2019, the effects of dilutive securities were entirely excluded from the calculation of net loss per share as a net loss was reported in this period.

NOTE 17: Comprehensive Loss

The following table shows the components of accumulated other comprehensive loss for the three and six months ended June 30, 2020 and 2019, respectively, net of tax effects:

	Three Months Ended June 30,		Six Months Ended June 30,	
Accumulated Other Comprehensive Loss:	**2020**	**2019**	**2020**	**2019**
Foreign currency translation adjustment:				
Beginning balance	$ (23,915)	$ (23,782)	$ (23,738)	$ (23,621)
Net other comprehensive income (loss)	182	62	5	(99)
Balance at June 30,	$ (23,733)	$ (23,720)	$ (23,733)	$ (23,720)
Unrealized gain on marketable debt securities, net				
Beginning balance	$ 288	$ 579	$ 932	$ 205
Net other comprehensive income, net of ($81), ($23), ($130) and ($41) tax, respectively	927	293	283	667
Balance at June 30,	$ 1,215	$ 872	$ 1,215	$ 872
Accumulated other comprehensive loss at June 30,	$ (22,518)	$ (22,848)	$ (22,518)	$ (22,848)

The effect on the Company's unaudited condensed consolidated financial statements of amounts reclassified out of accumulated other comprehensive loss was immaterial for all periods presented.

NOTE 18: Revenue by Product

The Company has determined that it operates in one segment, the development and commercialization of pharmaceutical products, including controlled-release therapeutic products based on its proprietary polymer based technology. The Company's Chief Operating Decision Maker is the Chief Executive Officer (the "CEO"). The CEO reviews profit and loss information on a consolidated basis to assess performance and make overall operating decisions as well as resource allocations. All products are included in one segment because the Company's products have similar economic and other characteristics, including the nature of the products and production processes, type of customers, distribution methods and regulatory environment.

The following table presents a summary of total product sales by these products:

	Three Months Ended June 30,		Six Months Ended June 30,	
Product Sales by Product:	**2020**	**2019**	**2020**	**2019**
Bloxiverz	$ 800	$ 2,358	$ 2,201	$ 4,926
Vazculep	4,915	9,410	10,429	18,883
Akovaz	4,196	5,946	9,545	9,738
Other	180	(160)	159	444
Total product sales	$ 10,091	$ 17,554	$ 22,334	$ 33,991

On June 30, 2020, we sold the hospital business. See *Note 4: Disposition of the Hospital Business*.

NOTE 19: Commitments and Contingencies

Litigation

The Company is subject to potential liabilities generally incidental to our business arising out of present and future lawsuits and claims related to product liability, personal injury, contract, commercial, intellectual property, tax, employment, compliance and other matters that arise in the ordinary course of business. The Company accrues for potential liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. At June 30, 2020 and December 31, 2019, there were no contingent liabilities with respect to any litigation, arbitration or administrative or other proceeding that are reasonably likely to have a material adverse effect on the Company's unaudited condensed consolidated financial position, results of operations, cash flows or liquidity.

Litigation Related to Noctiva

Note 3: Subsidiary Bankruptcy and Deconsolidation briefly describes the Chapter 11 bankruptcy case which our subsidiary Specialty Pharma commenced on February 6, 2019, and which on April 26, 2019 resulted in the bankruptcy court-approved sale of all of Specialty Pharma's intangible assets and inventory to an unaffiliated third party. As a result of such sale, Specialty Pharma has completed its divestment of the assets of the Noctiva business. During the pendency of the bankruptcy case, all pending litigation against Specialty Pharma is automatically stayed and any new litigation against Specialty Pharma is precluded unless the bankruptcy court orders otherwise. Below are descriptions of a litigation to which Specialty Pharma is a party and a contract dispute involving Specialty Pharma, both of which matters are subject to the automatic stay during the bankruptcy case.

Ferring Litigation. Some of the patents covering the Noctiva product (the "Noctiva Patents") are the subject of litigation initiated by Ferring Pharmaceuticals Inc. and two of its foreign affiliates, Ferring B.V. and Ferring International Center S.A., who manufacture a competing product known as Nocdurna. Nocdurna was approved by the FDA in June 2018 and commercially launched in the U.S. in November 2018. Ferring initiated this litigation initially against Serenity Pharmaceuticals, LLC (the licensor of the Noctiva Patents) and Reprise Biopharmaceutics, LLC ("Reprise") on April 28, 2017. Avadel subsequently joined the litigation on June 28, 2018, shortly after Ferring received FDA approval for Nocdurna. In this litigation, filed in the United States District Court for the Southern District of New York, Ferring seeks to invalidate and disputes the inventorship of the Noctiva Patents, seeks damages for various alleged breaches of contractual and common law duties, and seeks damages for alleged infringement by Noctiva of Ferring's "Nocdurna" trademark. Specialty Pharma, Serenity, and Reprise have defended this litigation, and have made counterclaims against Ferring, including for infringement of the Noctiva Patents and a declaratory judgment of noninfringement with respect to Ferring's "Nocdurna" trademark. The court dismissed Ferring's inventorship claim and its claims for alleged breaches of contractual and common law duties, although these dismissals may be appealed by Ferring. On February 15, 2019, Specialty Pharma and its co-defendants moved to stay the litigation pending completion of the bankruptcy proceeding of Specialty Pharma. On May 15, 2019, that motion was denied due to a pending settlement of the litigation with respect to just Ferring and Specialty Pharma. On February 25, 2020, Ferring and Specialty Pharma jointly moved for bankruptcy court approval of a settlement agreement with respect to the claims alleged in the litigation. In accordance with the terms of the settlement agreement, promptly following bankruptcy court approval of the settlement agreement, the parties would dismiss with prejudice their respective claims against each other in the litigation. On March 13, 2020, the Bankruptcy Court entered an order approving the settlement with Ferring. Pursuant to the terms of the settlement, the parties were to dismiss their respective claims against each other in the District Court litigation in the Southern District of New York, with such dismissals to be effective concurrently. The joint dismissal was filed with District Court for the Southern District of New York on May 13, 2020 and entered by the Court on May 14, 2020, thus concluding this litigation for Avadel.

Contract Dispute. On January 21, 2019, Serenity gave notice to Specialty Pharma of an alleged breach of the parties' Noctiva license agreement. Serenity alleges that Specialty Pharma breached its contractual obligation to devote commercially reasonable efforts to the commercialization of Noctiva and seeks unspecified damages. On January 27, 2019, Specialty Pharma notified Serenity of a claim for $1.7 million in damages as a result of Serenity's breach of its contractual obligation to pay the costs of the Ferring Litigation. Serenity's notice to Specialty Pharma invoked the dispute resolution provisions of the Noctiva license agreement, which culminate in arbitration, but neither party has yet initiated an arbitration proceeding or filed suit. On July 24, 2020, Specialty Pharma sought bankruptcy court approval of a settlement agreement by and between it, Avadel US Holdings, and Serenity. Before the commencement of Specialty Pharma's bankruptcy case, Serenity asserted claims against Specialty Pharma and Avadel US Holdings collectively in an amount no less than $50,000, and after the commencement of the bankruptcy case, Serenity asserted a $3,096 claim against Specialty Pharma and voted to reject its Chapter 11 plan of liquidation. The settlement agreement provides for a global resolution of these disputes by way of an $800 payment from Avadel US Holdings to Serenity, a mutual exchange of general releases, and the withdrawal of Serenity's claim and vote in Specialty Pharma's bankruptcy case. Specialty Pharma's entry into the settlement agreement is subject to approval by the Bankruptcy Court.

Exela Litigation. On January 7, 2020, Exela filed a complaint against us and our subsidiary, Avadel Legacy, in the United States District for the District of Delaware. The complaint alleges infringement of a certain Exela patent related to its cysteine hydrochloride product. Exela is most notably seeking i) a declaratory judgment that the Nouress product infringes its patent, ii) an injunction (both preliminary and permanent) precluding the launch of Nouress, and iii) monetary damages (including enhanced damages, prejudgment interest and attorneys' fees) in the event Nouress is commercially launched and found to infringe Exela's patent. On July 8, 2020, the parties jointly filed a Stipulation and Proposed Order of Dismissal with the United States District Court for the District of Delaware, and the Court signed and approved that proposed order the same day, thus concluding this litigation for the Avadel entities involved.

Material Commitments

We have been relieved of all purchase commitments disclosed in *Note 16: Contingent Liabilities and Commitments* to the Company's audited consolidated financial statements included in Part II, Item 8 of the Company's 2019 Annual Report on Form 10-K due to the sale of the hospital business described in *Note 4: Disposition of the Hospital Business*. There were no other material commitments outside of the normal course of business. Material commitments in the normal course of business include long-term debt obligations which are disclosed in *Note 11: Long-Term Debt* to the Company's unaudited condensed consolidated financial statements included in Part I, Item 1 of this report. Our long-term contingent consideration payable as disclosed in *Note 10: Contingent Consideration Payable* has also been relieved due to the sale of the hospital business.

Guarantees

Deerfield Guarantee

The fair values of our guarantee to Deerfield and the guarantee received by us from Armistice largely offset and when combined are not material.

In connection with our February 2018 divestiture of our pediatric assets, we guaranteed to Deerfield the quarterly royalty payment of 15% on net sales of the FSC products through February 6, 2026 ("FSC Product Royalties"), in an aggregate amount of up to approximately $10,300. Given our explicit guarantee to Deerfield, the Company recorded the guarantee in accordance with ASC 460. The balance of this guarantee liability was $1,599 at June 30, 2020. This liability is being amortized proportionately based on undiscounted cash outflows through the remainder of the contract with Deerfield.

Armistice Guarantee

In connection with our February 2018 divestiture of the pediatric assets, Armistice Capital Master Fund, Ltd., the majority shareholder of Cerecor, guaranteed to us the FSC Product Royalties. The Company recorded the guarantee in accordance with ASC 460. The balance of this guarantee asset was $1,594 at June 30, 2020. This liability is being amortized proportionately based on undiscounted cash outflows through the remainder of the contract with Deerfield.

Off-Balance Sheet Arrangements

As of June 30, 2020, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

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

Management's Discussion and Analysis

(In thousands, except per share data)

(Unaudited)

You should read the discussion and analysis of our financial condition and results of operations set forth in this Item 2 together with our unaudited condensed consolidated financial statements and the related notes appearing elsewhere in this quarterly report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this quarterly report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties, and reference is made to the "Cautionary Note Regarding Forward-Looking Statements" set forth immediately following the Table of Contents of this Quarterly Report on Form 10-Q for further information on the forward looking statements herein. In addition, you should read the "Risk Factors" section in Part I, Item 1A of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on March 16, 2020 and Part II, Item 1A in this quarterly report on Form 10-Q for a discussion of additional important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this quarterly report.

Overview

General Overview

Avadel Pharmaceuticals plc (Nasdaq: AVDL) ("Avadel," the "Company," "we," "our," or "us") is an emerging biopharmaceutical company. Our lead product candidate, FT218, is an investigational once-nightly formulation of sodium oxybate for the treatment of excessive daytime sleepiness ("EDS") and cataplexy in narcolepsy patients. FT218 uses our Micropump drug-delivery technology.

We are primarily focused on the development and potential United States ("U.S.") Food and Drug Administration ("FDA") approval of FT218. Outside of our lead product candidate, we continue to evaluate opportunities to expand our product portfolio.

Recent Developments

On June 30, 2020 ("Closing Date"), we announced the sale of our portfolio of sterile injectable drugs used in the hospital setting, including our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, which is approved by the U.S. FDA to Exela Sterile Medicines LLC ("Exela Buyer") pursuant to an asset purchase agreement by us, Avadel Legacy Pharmaceuticals, LLC and the Exela Buyer ("Purchase Agreement"). Pursuant to the Purchase Agreement, Exela paid us $14,500 on the Closing Date and will pay an additional $27,500 in ten equal monthly installments beginning 90 days following the Closing Date for total aggregate consideration of $42,000. For more information, see our Current Report on Form 8-K filed with the SEC on July 2, 2020.

FT218 (Micropump sodium oxybate)

FT218 is a once-nightly formulation of sodium oxybate that uses our Micropump controlled release drug-delivery technology for the treatment of EDS and cataplexy in patients suffering from narcolepsy. Sodium oxybate is the sodium salt of gamma hydroxybutyrate, an endogenous compound and metabolite of the neurotransmitter gamma-aminobutyric acid. Sodium oxybate is approved in Europe and the U.S. as a twice-nightly formulation indicated for the treatment of EDS and cataplexy in patients with narcolepsy.

The REST-ON trial is a randomized, double-blind, placebo-controlled study that enrolled 212 patients and was being conducted in clinical sites in the U.S., Canada, Western Europe and Australia. The last patient, last visit was completed at the end of the first quarter of 2020 and positive top line data from the REST-ON trial was announced on April 27, 2020. Patients who received 9g of once-nightly FT218 demonstrated a statistically significant and clinically meaningful improvement compared to placebo across the three co-primary endpoints of the trial: maintenance of wakefulness test, or MWT, clinical global impression-improvement, or CGI-I, and mean weekly cataplexy attacks. We observed the 9g dose of once-nightly FT218 to be generally well tolerated. Adverse reactions commonly associated with sodium oxybate were observed in a small number of patients (nausea 1.3%, vomiting 5.2%, decreased appetite 2.6%, dizziness 5.2%, somnolence 3.9%, tremor 1.3%, enuresis 9%) and 3.9% of the patients who received 9g of FT218 discontinued the trial due to adverse reactions. We also assessed the three co-primary endpoints in patients who received 7.5g and 6g of once-nightly FT218. Patients who received either 7.5g or 6g of once-nightly FT218 also demonstrated statistically significant, clinically meaningful improvements compared to placebo for each of the three co-primary endpoints.

In January 2018, the FDA granted FT218 Orphan Drug Designation, which makes the drug eligible for certain development and commercial incentives, including a potential U.S. market exclusivity for up to seven years. Additionally, in April 2019, our first FT218 patent was issued, providing intellectual property protection into 2037. There are additional patent applications currently in development and/or pending at the U.S. Patent and Trademark Office ("USPTO"), as well as foreign patent offices.

In July 2020, we announced that the first patient has been dosed initiating an open-label extension ("OLE")/switch study of FT218 as a potential treatment for excessive daytime sleepiness and cataplexy in patients with narcolepsy. The OLE/switch study will examine the long-term safety and maintenance of efficacy of FT218 in patients with narcolepsy who participated in the REST-ON study, as well as dosing and preference data for patients switching from twice-nightly sodium oxybate to once-nightly FT218 regardless if they participated in REST-ON or not. We anticipate that the study will enroll about 250 patients at most of the North American clinical trial sites that participated in the REST-ON study.

We believe FT218 has the potential to demonstrate improved dosing compliance, safety and patient satisfaction over the current standard of care for EDS and cataplexy in patients with narcolepsy, which is a twice-nightly sodium oxybate formulation. If approved, we believe FT218 has the potential to take a significant share of the sodium oxybate market. The current market size for the twice-nightly administration of sodium oxybate is estimated at an annualized revenue run rate of $1.6 billion.

Micropump Drug-Delivery Technology

Our Micropump drug-delivery technology allows for the delayed delivery of small molecule drugs taken orally, which has the potential to improve dosing compliance, reduce toxicity and improve patient compliance. Beyond FT218, we believe there could be other product development opportunities for our Micropump drug delivery technology, representing either "life cycle" opportunities, whereby additional intellectual property can be added to a pharmaceutical product to extend the commercial viability of a currently marketed product, or innovative formulation opportunities for new chemical entities.

Commercial Products

On June 30, 2020, we announced the sale of our portfolio of sterile injectable drugs used in the hospital setting, including our three commercial products, Akovaz, Bloxiverz and Vazculep, as well as Nouress, which is approved by the U.S. FDA to Exela Sterile Medicines LLC.

To date, we have received FDA approvals for three previously unapproved prescription drugs:

- **Bloxiverz (neostigmine methylsulfate injection)** - Bloxiverz was approved by the FDA in May 2013 and was launched in July 2013. Bloxiverz is a drug used intravenously in the operating room to reverse the effects of non-depolarizing neuromuscular blocking agents after surgery. Bloxiverz was the first FDA-approved version of neostigmine methylsulfate. Today, neostigmine is one of the two most frequently used products for the reversal of the effects of other agents used for neuromuscular blocks. There are approximately 2,500 vials of neostigmine sold annually in the U.S.

- **Vazculep (phenylephrine hydrochloride injection)** - Vazculep was approved by the FDA in June 2014 and was launched in October 2014. Vazculep is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia. There are approximately 7,400 vials of *Vazculep* sold annually in the U.S.

- **Akovaz (ephedrine sulfate injection)** - Akovaz, was approved by the FDA in April 2016 and was launched in August 2016. Akovaz was the first FDA approved formulation of ephedrine sulfate, an alpha- and beta- adrenergic agonist and a norepinephrine-releasing agent that is indicated for the treatment of clinically important hypotension occurring in the setting of anesthesia. There are approximately 6,800 vials of *Akovaz* sold annually in the U.S.

Nouress

In December 2019, we received FDA approval for Nouress (cysteine hydrochloride injection), a sterile injectable product for use in the hospital setting, and currently have two patents covering that product. Several additional patent applications for Nouress are pending with the USPTO.

Corporate Information

We were incorporated on December 1, 2015 as an Irish private limited company, and re-registered as an Irish public limited company ("plc"), on November 21, 2016. Our registered address is at 10 Earlsfort Terrace, Dublin 2, Ireland and our phone number is +353-1-920-1000. We file annual, quarterly and current reports, proxy statements and other documents with the U.S. Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our website is www.avadel.com, where we make available free of charge our reports (and any amendments thereto) on Forms 10-K, 10-Q and 8-K as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These filings are also available to the public at www.sec.gov.

We currently have five direct wholly-owned subsidiaries: (a) Avadel US Holdings, Inc., (b) Flamel Ireland Limited, which conducts business under the name Avadel Ireland, (c) Avadel Investment Company Limited, (d) Avadel Finance Ireland Designated Activity Company and (e) Avadel France Holding SAS. Avadel US Holdings, Inc., a Delaware corporation, is the holding entity of (i) Avadel Specialty Pharmaceuticals, LLC (currently the subject of a voluntary Chapter 11 bankruptcy proceeding), (ii) Avadel Legacy Pharmaceuticals, LLC, (iii) Avadel Management Corporation, (iv) FSC Holding Company, (v) Avadel Operations Company, Inc. and (vi) Avadel CNS Pharmaceuticals LLC. Avadel Finance Ireland Designated Activity Company is the holding entity of Avadel Finance Cayman Limited. Flamel Ireland Limited (operating under the trade name Avadel Ireland) is an Irish corporation. Avadel France Holding SAS, a French société par actions simplifiée, is the holding entity of Avadel Research SAS through which Avadel conducts substantially all of its R&D activities. A complete list of our subsidiaries can be found in Exhibit 21.1 of our Annual Report on Form 10-K filed with the SEC on March 16, 2020.

References in these unaudited condensed consolidated financial statements and the notes thereto to "Avadel," the "Company," "we," "our," "us," and similar terms shall be deemed to be references to Flamel prior to the completion of the Merger, unless the context otherwise requires.

Key Business Trends and Highlights

In operating our business and monitoring our performance, we consider a number of performance measures, as well as trends affecting our industry as a whole, which include the following:

- **Healthcare and Regulatory Reform**: Various health care reform laws in the U.S. may impact our ability to successfully commercialize our products and technologies. The success of our commercialization efforts may depend on the extent to which the government health administration authorities, the health insurance funds in the E.U. Member States, private health insurers and other third-party payers in the U.S. will reimburse consumers for the cost of healthcare products and services.

- **Competition and Technological Change:** Competition in the pharmaceutical and biotechnology industry continues to be intense and is expected to increase. We compete with academic laboratories, research institutions, universities, joint ventures, and other pharmaceutical and biotechnology companies, including other companies developing niche branded or generic specialty pharmaceutical products or drug delivery platforms. Furthermore, major technological changes can happen quickly in the pharmaceutical and biotechnology industries. Such rapid technological change, or the development by our competitors of technologically improved or differentiated products, could render our drug delivery platforms obsolete or noncompetitive.

- **Pricing Environment for Pharmaceuticals**: The pricing environment continues to be in the political spotlight in the U.S. As a result, the need to obtain and maintain appropriate pricing for our products may become more challenging due to, among other things, the attention being paid to healthcare cost containment and other austerity measures in the U.S. and worldwide.

- **Generics Playing a Larger Role in Healthcare**: Generic pharmaceutical products will continue to play a large role in the U.S. healthcare system. Specifically, we have seen, or likely will see, additional generic competition to our current and future products and we continue to expect generic competition in the future.

- **Access to and Cost of Capital**: The process of raising capital and associated cost of such capital for a company of our financial profile can be difficult and potentially expensive. If the need were to arise to raise additional capital, access to that capital may be difficult and/or expensive and, as a result, could create liquidity challenges for the Company.

- **Net Loss from Operations in 2020:** Since we sold our hospital products at June 30, 2020 and will no longer generate revenue from sales and we will incur substantial expenses to further the clinical development of FT218, we expect to incur a net loss in 2020, which we are unable to estimate at this time.

Impact of COVID-19

Over the past few months, we have seen the profound impact that the novel coronavirus (COVID-19) is having on human health, the global economy and society at large. We have been actively monitoring the COVID-19 situation and have taken measures to mitigate the potential impacts to our employees and business, such as implementing a work from home policy. We believe the impact of COVID-19 and measures to prevent its spread could impact our business in a number of ways, including weakened customer demand, disruptions to our supply chain and third parties that we use and requiring that our employees work from home for an extended period of time. An extended period of global supply chain and economic disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition.

Financial Highlights

Highlights of our consolidated results for the three and six months ended June 30, 2020 are as follows:

- Revenue was $10,091 and $22,334 for the three and six months ended June 30, 2020, respectively, compared to $17,554 and $33,991 in the same period last year, respectively. This year over year decrease was primarily the result of increased competition driving lower prices as noted above in our discussion of *Key Business Trends and Highlights.* Our Bloxiverz and Vazculep products experienced price and unit volume declines due to additional competition.

- Operating income was $40,269 and $33,772 for the three and six months ended June 30, 2020, respectively, compared to an operating loss of $4,451 and $12,618 and for the same period last year, respectively. The increase in operating income for the three months ended June 30, 2020 was driven the gain on the disposition of hospital products of $45,760 and lower research and development ("R&D") expense of $6,235, partially offset by a decline in gross margin (*i.e.*, total revenues minus cost of products) of $7,126. The increase in operating income for the six months ended June 30, 2020 was driven by the gain on the disposition of hospital products of $45,760, lower R&D expense of $8,034, lower restructuring costs of $2,551, partially offset by lower gross margin of $10,511.

- Gain on the disposition of the hospital business was $45,760 for the three and six months ended June 30, 2020. The net gain included sale proceeds of $42,000 ($27,500 recorded as a current note receivable), write-off of our inventory, intangible asset, a portion of goodwill and other related assets of $8,212, estimated transaction fees of $2,928 and the reversal of our contingent consideration liability of $14,900.

- Net income was $30,874 and $30,009 for the three and six months ended June 30, 2020, respectively, compared to net loss of $8,605 and $21,623 in the same period last year, respectively. Included in the net income during the three and six months ended June 30, 2020 was a gain on the disposition of the hospital business of $45,760.

- Diluted net income per share was $0.49 and $0.58 for the three and six months ended June 30, 2020, respectively, compared to diluted net loss per share of $0.23 and $0.58 in the same period last year, respectively.

- Cash and marketable securities increased $174,396 to $238,554 at June 30, 2020, from $64,158 at December 31, 2019. This increase was driven by the February private placement which resulted in proceeds, net of placement fees of approximately $61,000, the May public offering, which resulted in proceeds, net of placement fees of approximately $117,000, cash proceeds from the disposition of the hospital business of $14,500, partially offset by $19,417 use of cash in operations during the six months ended June 30, 2020.

Critical Accounting Estimates

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. To prepare these financial statements, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosures of contingent assets and liabilities. Actual results could be significantly different from these estimates.

Our significant accounting policies are described in Note 1 of the audited consolidated financial statements included in our Annual Report Form 10-K for the year ended December 31, 2019 (the "2019 Form 10-K"). The SEC suggests companies provide additional disclosure on those accounting policies considered most critical. The SEC considers an accounting policy to be critical if it is important to our financial condition and results of operations and requires significant judgments and estimates on the part of management in its application. Our estimates are often based on complex judgments, probabilities and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "Critical Accounting Policies" section of the MD&A in our 2019 Form 10-K.

Results of Operations

The following is a summary of our financial results (in thousands, except per share amounts) for the three months ended June 30, 2020 and 2019, respectively:

			Three Months Ended *Increase / (Decrease)*	
	Three Months Ended June 30,		2020 vs. 2019	
Comparative Statements of Income (loss)	**2020**	**2019**	**$**	**%**
Product sales	$ 10,091	$ 17,554	$ (7,463)	(42.5)%
Operating expenses:				
Cost of products	3,285	3,622	(337)	(9.3)%
Research and development expenses	4,057	10,292	(6,235)	(60.6)%
Selling, general and administrative expenses	7,095	6,758	337	5.0 %
Intangible asset amortization	203	204	(1)	(0.5)%
Changes in fair value of contingent consideration	918	(377)	1,295	343.5 %
Gain on sale of hospital business	(45,760)	—	(45,760)	(100.0)%
Restructuring costs	24	1,506	(1,482)	(98.4)%
Total operating (income) expense	(30,178)	22,005	(52,183)	(237.1)%
Operating income (loss)	40,269	(4,451)	44,720	1,004.7 %
Investment and other income, net	(741)	950	(1,691)	(178.0)%
Interest expense	(3,237)	(3,106)	(131)	(4.2)%
Loss on deconsolidation of subsidiary	—	(167)	167	100.0 %
Other expense - changes in fair value of contingent consideration payable	(125)	(50)	(75)	(150.0)%
Income (loss) before income taxes	36,166	(6,824)	42,990	630.0 %
Income tax benefit	5,292	1,781	3,511	197.1 %
Net income (loss)	$ 30,874	$ (8,605)	$ 39,479	458.8 %
Net income (loss) per share - diluted	$ 0.49	$ (0.23)	$ 0.72	313.0 %

The following is a summary of our financial results (in thousands, except per share amounts) for the six months ended June 30, 2020 and 2019, respectively:

			Six Months Ended *Increase / (Decrease)*	
	Six Months Ended June 30,		2020 vs. 2019	
Comparative Statements of Income (Loss)	**2020**	**2019**	**$**	**%**
Product sales	$ 22,334	$ 33,991	$ (11,657)	(34.3)%
Operating expenses:				
Cost of products	5,742	6,888	(1,146)	(16.6)%
Research and development expenses	9,587	17,621	(8,034)	(45.6)%
Selling, general and administrative expenses	15,008	17,204	(2,196)	(12.8)%
Intangible asset amortization	406	405	1	0.2 %
Changes in fair value of contingent consideration	3,396	1,757	1,639	93.3 %
Gain on sale of hospital business	(45,760)	—	(45,760)	(100.0)%
Restructuring costs	183	2,734	(2,551)	(93.3)%
Total operating (income) expense	(11,438)	46,609	(58,047)	(124.5)%
Operating income (loss)	33,772	(12,618)	46,390	367.6 %
Investment and other (expense) income, net	(1,119)	1,767	(2,886)	(163.3)%
Interest expense	(6,427)	(6,168)	(259)	(4.2)%
Loss on deconsolidation of subsidiary	—	(2,840)	2,840	100.0 %
Other expense - changes in fair value of contingent consideration payable	(435)	(357)	(78)	(21.8)%
Income (loss) before income taxes	25,791	(20,216)	46,007	227.6 %
Income tax (expense) benefit	(4,218)	1,407	(5,625)	(399.8)%
Net income (loss)	$ 30,009	$ (21,623)	$ 51,632	238.8 %
Net income (loss) per share - diluted	$ 0.58	$ (0.58)	$ 1.16	200.0 %

Product sales for each of the Company's significant products for the three months ended June 30, 2020 and 2019 were as follows:

			Six Months Ended *Increase / (Decrease)*	
	Three Months Ended June 30,		2020 vs. 2019	
Product sales:	**2020**	**2019**	**$**	**%**
Bloxiverz	$ 800	$ 2,358	(1,558)	(66.1)%
Vazculep	4,915	9,410	(4,495)	(47.8)%
Akovaz	4,196	5,946	(1,750)	(29.4)%
Other	180	(160)	340	212.5 %
Product sales	$ 10,091	$ 17,554	$ (7,463)	(42.5)%

Product sales were $10,091 for the three months ended June 30, 2020, compared to $17,554 for the same prior year period. Product sales from Bloxiverz and Akovaz declined $1,558 and $1,750, respectively, and in the current quarter when compared to the same prior year period primarily due to lower net selling price and lower unit volumes sold driven largely by new competition which entered the market driving price and unit volumes lower. Vazculep's product sales declined $4,495 driven largely by lower unit volumes sold due to new competition which entered the market driving unit volumes lower.

Product sales for each of the Company's significant products for the six months ended June 30, 2020 and 2019 were as follows:

	Six Months Ended June 30,		Six Months Ended *Increase / (Decrease)* 2020 vs. 2019	
Product sales:	**2020**	**2019**	**$**	**%**
Bloxiverz	$ 2,201	$ 4,926	$ (2,725)	(55.3)%
Vazculep	10,429	18,883	(8,454)	(44.8)%
Akovaz	9,545	9,738	(193)	(2.0)%
Other	159	444	(285)	(64.2)%
Product sales	$ 22,334	$ 33,991	$ (11,657)	(34.3)%

Product sales were $22,334 for the six months ended June 30, 2020, compared to $33,991 for the same prior year period. Bloxiverz's product sales declined $2,725 when compared to the same period last year, primarily due to lower unit volumes and net selling prices driven largely by new competitors that entered the market. Vazculep's product sales declined $8,454 compared to the same period last year, due primarily to lower unit volumes driven largely by new competitors that entered the market. Akovaz's product sales remained consistent with the prior year.

	Three Months Ended June 30,		Three Months Ended *Increase / (Decrease)* 2020 vs. 2019	
Cost of Products:	**2020**	**2019**	**$**	**%**
Cost of products	$ 3,285	$ 3,622	$ (337)	(9.3)%
Percentage of total revenues	32.6%	20.6%		

Cost of products decreased $337 or 9.3% during the three months ended June 30, 2020 compared to the same prior year period driven by lower sold units, partially offset by an increase in the obsolescence reserve.

	Six Months Ended June 30,		Six Months Ended *Increase / (Decrease)* 2020 vs. 2019	
Cost of Products:	**2020**	**2019**	**$**	**%**
Cost of products	$ 5,742	$ 6,888	$ (1,146)	(16.6)%
Percentage of total revenues	25.7%	20.3%		

Cost of products decreased $1,146 or 16.6% during the six months ended June 30, 2020 compared to the same prior year period driven by lower sold units, partially offset by an increase in the obsolescence reserve.

	Three Months Ended June 30,		Three Months Ended *Increase / (Decrease)* 2020 vs. 2019	
Research and Development Expenses:	**2020**	**2019**	**$**	**%**
Research and development expenses	4,057	10,292	$ (6,235)	(60.6)%
Percentage of total revenues	40.2%	58.6%		

Research and development ("R&D") expenses decreased $6,235 or 60.6% during the three months ended June 30, 2020 as compared to the same period in 2019. This decline was driven by the completion of the FT218 clinical study during the three months ending March 31, 2020, as well as lower payroll, benefits and share-based compensation of $1,400 related to the 2019 Corporate and French restructuring plans. The Company continues to invest a substantial portion of R&D in its FT218 development program.

	Six Months Ended June 30,		Six Months Ended Increase / (Decrease) 2020 vs. 2019	
Research and Development Expenses:	**2020**	**2019**	**$**	**%**
Research and development expenses	$ 9,587	$ 17,621	$ (8,034)	(45.6)%
Percentage of total revenues	42.9%	51.8%		

R&D expenses decreased $8,034 or 45.6% during the six months ended June 30, 2020 as compared to the same period in 2019. This decline was driven by the completion of the FT218 clinical study during the three months ending March 31, 2020 and lower payroll, benefits and share-based compensation of approximately $2,900 related to the 2019 Corporate and French restructuring plans. The Company continues to invest a substantial portion of R&D in its FT218 development program.

	Three Months Ended June 30,		Three Months Ended Increase / (Decrease) 2020 vs. 2019	
Selling, General and Administrative Expenses:	**2020**	**2019**	**$**	**%**
Selling, general and administrative expenses	$ 7,095	$ 6,758	$ 337	5.0%
Percentage of total revenues	70.3%	38.5%		

Selling, general and administrative (“SG&A) expenses increased $337 or 5.0% during the three months ended June 30, 2020 as compared to the same prior year period. This increase was due to an increase in consulting and professional fees of approximately $400, an increase in market research costs of $400, partially offset by lower travel and entertainment expense of approximately $300.

	Six Months Ended June 30,		Six Months Ended Increase / (Decrease) 2020 vs. 2019	
Selling, General and Administrative Expenses:	**2020**	**2019**	**$**	**%**
Selling, general and administrative expenses	$ 15,008	$ 17,204	$ (2,196)	(12.8)%
Percentage of total revenues	67.2%	50.6%		

SG&A expenses decreased $2,196 or 12.8% during the six months ended June 30, 2020 as compared to the same prior year period. This decrease was primarily due to a decrease of $2,200 of sales and marketing costs related to the exit of Noctiva during the first quarter 2019.

	Three Months Ended June 30,		Three Months Ended Increase / (Decrease) 2020 vs. 2019	
Intangibles Asset Amortization:	**2020**	**2019**	**$**	**%**
Intangible asset amortization	$ 203	$ 204	$ (1)	(0.5)%
Percentage of total revenues	2.0%	1.2%		

Intangible asset amortization expense for the three months ended June 30, 2020 and 2019 relates to the amortization of our acquired developed technology - Vazculep. This intangible asset was transferred to Exela Sterile Medicines LLC on June 30, 2020 as part of the disposition of the hospital business. See *Note 4: Disposition of the Hospital Business*.

Intangibles Asset Amortization:	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	Six Months Ended Increase / (Decrease) 2020 vs. 2019 %
Intangible asset amortization	$ 406	$ 405	$ 1	0.2%
Percentage of total revenues	1.8%	1.2%		

Intangible asset amortization expense for the six months ended June 30, 2020 and 2019 relates to the amortization of our acquired developed technology - Vazculep. This intangible asset was transferred to Exela Sterile Medicines LLC on June 30, 2020 as part of the disposition of the hospital business. See *Note 4: Disposition of the Hospital Business*.

Changes in Fair Value of Contingent Consideration:	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Three Months Ended Increase / (Decrease) 2020 vs. 2019 $	Three Months Ended Increase / (Decrease) 2020 vs. 2019 %
Changes in fair value of contingent consideration	$ 918	$ (377)	$ 1,295	343.5%
Percentage of total revenues	9.1%	(2.1)%		

We compute the fair value of the contingent consideration using several significant assumptions and when these assumptions change, due to underlying market conditions, the fair value of these liabilities change as well. Each of the underlying assumptions used to determine the fair values of these contingent liabilities can, and often do, change based on adjustments in current market conditions, competition and other factors. These changes can have a material impact on our unaudited condensed consolidated statements of income (loss) and balance sheet.

As a result of changes in the underlying assumptions used to determine the estimated fair values of our acquisition-related contingent consideration earn-out payments - Éclat, we recorded an expense of $918 and income of $377 and increased and decreased the fair value of the acquisition-related contingent consideration earn-out payments - Éclat for the three months ended June 30, 2020 and 2019, respectively. As noted in our critical accounting estimates included in the 2019 Form 10-K, there are numerous assumptions and estimates we use when determining the fair value of the acquisition-related earn-out payments - Éclat. These assumptions include estimates of pricing, market size, the market share the related products are forecast to achieve, the cost of goods related to such products and an appropriate discount rate to use when present valuing the related cash flows.

For the three months ended June 30, 2020, as a result of changes to these estimates when compared to the same estimates at December 31, 2019, we recorded an increase in the fair value of our contingent consideration liabilities due to changes in certain underlying market conditions of the acquisition-related contingent consideration earn-out payments - Éclat.

For the three months ended June 30, 2019, as a result of changes to these estimates when compared to the same estimates at December 31, 2018, we recorded a decrease in the fair value of our contingent consideration liabilities, largely due to changes in certain underlying market conditions of the acquisition-related contingent consideration earn-out payments - Éclat.

Changes in Fair Value of Contingent Consideration:	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	Six Months Ended Increase / (Decrease) 2020 vs. 2019 %
Changes in fair value of contingent consideration	$ 3,396	$ 1,757	$ 1,639	93.3%
Percentage of total revenues	15.2%	5.2%		

We compute the fair value of the contingent consideration using several significant assumptions and when these assumptions change, due to underlying market conditions, the fair value of these liabilities change as well. Each of the underlying assumptions used to determine the fair values of these contingent liabilities can, and often do, change based on adjustments in current market conditions, competition and other factors. These changes can have a material impact on our unaudited condensed consolidated statements of income (loss) and balance sheet.

As a result of changes in the underlying assumptions used to determine the estimated fair values of our acquisition-related contingent consideration earn-out payments - Éclat, we recorded an expense of $3,396 and $1,757 and increased the fair value of the acquisition-related contingent consideration earn-out payments - Éclat for the six months ended June 30, 2020 and 2019, respectively. As noted in our critical accounting estimates included in the 2019 Form 10-K, there are numerous assumptions and estimates we use when determining the fair value of the acquisition-related earn-out payments - Éclat. These assumptions include estimates of pricing, market size, the market share the related products are forecast to achieve, the cost of goods related to such products and an appropriate discount rate to use when present valuing the related cash flows.

For the six months ended June 30, 2020, as a result of changes to these estimates when compared to the same estimates at December 31, 2019, we recorded an increase in the fair value of our contingent consideration liabilities due to changes in certain underlying market conditions of the acquisition-related contingent consideration earn-out payments - Éclat.

For the six months ended June 30, 2019, as a result of changes to these estimates when compared to the same estimates at December 31, 2018, we recorded an increase in the fair value of our contingent consideration liabilities, largely due to changes in certain underlying market conditions of the acquisition-related contingent consideration earn-out payments - Éclat.

			Three Months Ended	
			Increase / (Decrease)	
	Three Months Ended June 30,		2020 vs. 2019	
Gain on Sale of Hospital Business	**2020**	**2019**	**$**	**%**
Gain on sale of hospital business	$ 45,760	$ —	$ 45,760	100.0%
Percentage of total revenues	453.5%	—%		

On June 30, 2020, we sold our assets, rights and interests related to Bloxiverz, Vazculep, Akovaz and Nouress to the Exela Buyer pursuant to an asset purchase agreement by and among us and the Exela Buyer. We recognized a net $45,760 gain on this transaction. See *Note 4: Disposition of the Hospital Business*.

			Six Months Ended	
			Increase / (Decrease)	
	Six Months Ended June 30,		2020 vs. 2019	
Gain on Sale of Hospital Business	**2020**	**2019**	**$**	**%**
Gain on sale of hospital business	$ 45,760	$ —	$ 45,760	100.0%
Percentage of total revenues	204.9%	—%		

On June 30, 2020, we sold our assets, rights and interests related to Bloxiverz, Vazculep, Akovaz and Nouress to the Exela Buyer pursuant to an asset purchase agreement by and among us and the Exela Buyer. We recognized a net $45,760 gain on this transaction. See *Note 4: Disposition of the Hospital Business*.

			Three Months Ended	
			Increase / (Decrease)	
	Three Months Ended June 30,		2020 vs. 2019	
Restructuring Costs	**2020**	**2019**	**$**	**%**
Restructuring costs	$ 24	$ 1,506	$ (1,482)	(98.4)%
Percentage of total revenues	0.2%	8.6%		

Restructuring charges of $24 and $1,506 were recognized during the three months ended June 30, 2020 and 2019. These charges were primarily related to the 2019 French and Corporate restructuring actions and mainly included severance and legal costs, see *Note 15: Restructuring Costs* for further details.

Restructuring Costs	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	Six Months Ended Increase / (Decrease) 2020 vs. 2019 %
Restructuring costs	$ 183	$ 2,734	$ (2,551)	(93.3)%
Percentage of total revenues	0.8%	8.0%		

Restructuring charges of $183 and $2,734 were recognized during the six months ended June 30, 2020 and 2019. These charges were primarily related to the 2019 French and Corporate restructuring actions and mainly included severance and legal costs, see *Note 15: Restructuring Costs* for further details.

Investment and Other (Expense) Income, net	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Three Months Ended Increase / (Decrease) 2020 vs. 2019 $	Three Months Ended Increase / (Decrease) 2020 vs. 2019 %
Investment and other (expense) income, net	$ (741)	$ 950	$ (1,691)	(178.0)%
Percentage of total revenues	(7.3)%	5.4%		

Investment and other (expense) income, net decreased for the three months ended June 30, 2020 when compared to the same period in the prior year driven by lower realized gains on our marketable securities during the current period when compared to the prior period.

Investment and Other (Expense) Income, net	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	Six Months Ended Increase / (Decrease) 2020 vs. 2019 %
Investment and other (expense) income, net	$ (1,119)	$ 1,767	$ (2,886)	(163.3)%
Percentage of total revenues	(5.0)%	5.2%		

Investment and other (expense) income, net decreased for the six months ended June 30, 2020 when compared to the same period in the prior year driven by a $800 legal settlement related to a bankruptcy claim, an increase in net unrealized losses on our marketable equity securities and net realized losses on our marketable securities during the current period when compared to net unrealized gains on our marketable securities during the prior period.

Interest Expense	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Three Months Ended Increase / (Decrease) 2020 vs. 2019 $	Three Months Ended Increase / (Decrease) 2020 vs. 2019 %
Interest expense	$ 3,237	$ 3,106	$ 131	4.2%
Percentage of total revenues	32.1%	17.7%		

Interest expense of $3,237 and $3,106 for the three months end June 30, 2020 and 2019 is related to interest on the 2023 Notes that were issued in February 2018.

Interest Expense	Six Months Ended June 30, 2020	2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	%
Interest expense	$ 6,427	$ 6,168	$ 259	4.2%
Percentage of total revenues	28.8%	18.1%		

Interest expense of $6,427 and $6,168 for the six months end June 30, 2020 and 2019 is related to interest on the 2023 Notes that were issued in February 2018.

Loss on Deconsolidation of Subsidiary	Three Months Ended June 30, 2020	2019	Three Months Ended Increase / (Decrease) 2020 vs. 2019 $	%
Loss on deconsolidation of subsidiary	$ —	$ (167)	$ 167	100.0%
Percentage of total revenues	—%	(1.0)%		

As a result of Specialty Pharma's bankruptcy filing on February 6, 2019, the Company concluded that it no longer controls its operations and accordingly deconsolidated this subsidiary. The Company recorded a loss on the deconsolidation during the three months ended June 30, 2019 as a result of removing the net assets and certain liabilities of this subsidiary from our unaudited condensed consolidated financial statements. See *Note 3: Subsidiary Bankruptcy and Deconsolidation* for more discussion.

Loss on Deconsolidation of Subsidiary	Six Months Ended June 30, 2020	2019	Six Months Ended Increase / (Decrease) 2020 vs. 2019 $	%
Loss on deconsolidation of subsidiary	$ —	$ (2,840)	$ 2,840	100.0%
Percentage of total revenues	—%	(8.4)%		

As a result of Specialty Pharma's bankruptcy filing on February 6, 2019, the Company concluded that it no longer controls its operations and accordingly deconsolidated this subsidiary. The Company recorded a loss on the deconsolidation during the six months ended June 30, 2019 as a result of removing the net assets and certain liabilities of this subsidiary from our unaudited condensed consolidated financial statements. See *Note 3: Subsidiary Bankruptcy and Deconsolidation* for more discussion.

Other Expense - Changes in Fair Value of Contingent Consideration Payable	Three Months Ended June 30, 2020	2019	Three Months Ended Increase / (Decrease) 2020 vs. 2019 $	%
Other expense - changes in fair value of contingent consideration payable	$ (125)	$ (50)	$ (75)	(150.0)%
Percentage of total revenues	(1.2)%	(0.3)%		

We recorded expense of $125 and $50 to increase of the fair value of these liabilities during the three months ended June 30, 2020 and 2019, respectively, due to the same reasons associated with the Éclat product sales forecasts as described in the section "Changes in Fair Value of Related Party Contingent Consideration" for these periods. As noted in our critical accounting estimates section included in our 2019 Form 10-K, there are a number of assumptions and estimates we use when determining the fair value of the contingent consideration payable payments. These estimates include pricing, market size, the market share the related products

are forecast to achieve and an appropriate discount rate to use when present valuing the related cash flows. These estimates often do change based on changes in current market conditions, competition and other factors.

The items accounting for the difference between the income tax benefit computed at the statutory rate and the Company's effective tax rate for the three months ended June 30, 2020 and 2019, are as follows:

			Six Months Ended	
			Increase / (Decrease)	
	Six Months Ended June 30,		2020 vs. 2019	
Other Expense - Changes in Fair Value of Contingent Consideration Payable	**2020**	**2019**	**$**	**%**
Other expense - changes in fair value of contingent consideration payable	$ (435)	$ (357)	$ (78)	(21.8)%
Percentage of total revenues	(1.9)%	(1.1)%		

We recorded expense of $435 and $357 to increase the fair value of these liabilities during the six months ended June 30, 2020 and 2019, respectively, due to the same reasons associated with the Éclat product sales forecasts as described in the section "Changes in Fair Value of Related Party Contingent Consideration" for these periods. As noted in our critical accounting estimates section included in our 2019 Form 10-K, there are a number of assumptions and estimates we use when determining the fair value of the contingent consideration payable payments. These estimates include pricing, market size, the market share the related products are forecast to achieve and an appropriate discount rate to use when present valuing the related cash flows. These estimates often do change based on changes in current market conditions, competition and other factors.

			Three Months Ended	
			Increase / (Decrease)	
	Three Months Ended June 30,		2020 vs. 2019	
Income Tax Provision:	**2020**	**2019**	**$**	**%**
Income tax provision	$ 5,292	$ 1,781	$ 3,511	197.1%
Percentage of loss before income taxes	(14.6)%	26.1%		

The income tax expense was $5,292 for the three months ended June 30, 2020 resulting in an effective tax rate of 14.6%. The income tax expense was $1,781 for the three months ended June 30, 2019 resulting in an effective tax rate of (26.1%). The net increase in the effective income tax rate for the three months ended June 30, 2020, as compared to the same period in 2019, primarily due to increased income in the U.S. due to the sale of the hospital business during the three months ended June 30, 2020.

			Six Months Ended	
			Increase / (Decrease)	
	Six Months Ended June 30,		2020 vs. 2019	
Income Tax (Benefit) Provision:	**2020**	**2019**	**$**	**%**
Income tax (benefit) provision	$ (4,218)	$ 1,407	$ (5,625)	(399.8)%
Percentage of loss before income taxes	(16.4)%	(6.8)%		

The income tax benefit was $4,218 for the six months ended June 30, 2020 resulting in an effective tax rate of (16.4%). The income tax provision was $1,407 for the six months ended June 30, 2019 resulting in an effective tax rate of (6.8%). The net decrease in the effective income tax rate for the six months ended June 30, 2020, as compared to the same period in 2019, is primarily due to the discrete tax benefits recognized under the CARES Act as described above, favorable income tax benefits from the U.S. Orphan Drug and Research & Development Tax Credit, which did not occur during the six months ended June 30, 2019, partially offset by increased income in the U.S. due to the sale of the hospital business during the six months ended June 30, 2020.

Liquidity and Capital Resources

The Company's cash flows from operating, investing and financing activities, as reflected in the unaudited condensed consolidated statements of cash flows, are summarized in the following table:

	Six Months Ended June 30,		Six Months Ended *Increase / (Decrease)* 2020 vs. 2019	
Net cash (used in) provided by:	**2020**	**2019**	**$**	**%**
Operating activities	$ (19,417)	$ (22,653)	$ 3,236	14.3 %
Investing activities	(67,662)	30,336	(97,998)	(323.0)%
Financing activities	179,516	55	179,461	326,292.7 %

Operating Activities

Net cash used in operating activities of $19,417 for the six months ended June 30, 2020 decreased $3,236 compared to the same prior year period. This decrease in cash used in operating cash flow is due to higher cash earnings (net income (loss) adjusted for non-cash credits and charges) of $6,385 when compared to the same period last year.

Investing Activities

Cash used in investing activities was $67,662 for the six months ended June 30, 2020 compared to cash provided by investing activities of $30,336 for the six months ended June 30, 2019. Cash used in investing activities for the six months ended June 30, 2020 was driven by higher net purchases of marketable securities during the current quarter, partially offset by proceeds received from the disposition of the hospital business. Cash provided by investing activities for the six months ended June 30, 2019 was due to net proceeds from the sales of marketable securities.

Financing Activities

Cash provided by financing activities for the six months ended June 30, 2020 was $179,516 and was driven by the May public offering that resulted in net proceeds of $116,974, the February private placement that resulted in net proceeds of $60,639, and stock option exercises of $1,782.

Liquidity and Risk Management

The adequacy of our cash resources depends on the outcome of certain business conditions including the cost of our FT218 clinical development plan, our cost structure, our hospital products revenue stream and other factors set forth in "Risk Factors" within Part I, Item 1A of the 2019 Form 10-K and within Part II, Item 1A of this quarterly report on Form 10-Q. To complete the FT218 clinical development plan and to ensure an adequate and robust NDA for filing with the FDA we will need to commit substantial resources, which could result in future losses or otherwise limit our opportunities or affect our ability to operate our business. Our assumptions concerning the outcome of certain business conditions may prove to be wrong or other factors may adversely affect our business, and as a result we could exhaust or significantly decrease our available cash and marketable securities balances which could, among other things, force us to raise additional funds and/or force us to reduce our expenses, either of which could have a material adverse effect on our business. Additionally, we are unable to estimate the near or long term impact that COVID-19, which may have a material adverse impact on our business.

In February 2020, we announced that we had entered into a definitive agreement for the sale of our ADSs and Series A Non-Voting Convertible Preferred Shares ("Series A Preferred") in a private placement to a group of institutional accredited investors. The private placement resulted in gross proceeds of approximately $65,000 before deducting placement agent and other offering expenses, which resulted in net proceeds of approximately $60,639.

Also, in February 2020, we filed a shelf registration statement on Form S-3 that allows issuance and sale by us, from time to time, of :

- up to $250,000 in aggregate of ordinary shares, nominal value US$0.01 per share (the "Ordinary Shares"), each of which may be represented by ADSs, preferred shares, nominal value US$0.01 per share (the "Preferred Shares"), debt securities (the "Debt Securities"), warrants to purchase Ordinary Shares, ADSs, Preferred Shares and/or Debt Securities (the "Warrants"), and/or units consisting of Ordinary Shares, ADSs, Preferred Shares, one or more Debt Securities or Warrants in one or more series, in any combination, pursuant to the terms of the 2020 Shelf Registration Statement, the base

prospectus contained in the 2020 Shelf Registration Statement (the "Base Prospectus"), and any amendments or supplements thereto (together, the "Securities"); including

- up to $50,000 of ADSs that may be issued and sold from time to time pursuant to the terms of an Open Market Sale Agreement[SM] ("the Sales Agreement"), entered into with Jefferies LLC on February 4, 2020, the 2020 Shelf Registration Statement, the Base Prospectus and the terms of the sales agreement prospectus contained in the 2020 Shelf Registration Statement.

On April 28, 2020, we announced the pricing of an underwritten public offering of 11,630 ordinary shares, in the form of American Depositary Shares ("ADSs") at a price to the public of $10.75 per ADS. Each ADS represents the right to receive one ordinary share. All of the ADSs are being offered by Avadel. The gross proceeds to us from the offering was approximately $125,000, before deducting underwriting discounts and commissions and estimated offering expenses, which resulted in net proceeds of approximately $116,974.

If available to us, raising additional capital may be accomplished through one or more public or private debt or equity financings, collaborations or partnering arrangements. Any equity financing would be dilutive to our shareholders.

Cash, cash equivalent and marketable security balances as of June 30, 2020 and unused financing sources are expected to provide the Company with the flexibility to meet its liquidity needs in 2020, including its operating requirements related to the development of FT218.

Other Matters

Litigation

The Company is subject to potential liabilities generally incidental to our business arising out of present and future lawsuits and claims related to product liability, personal injury, contract, commercial, intellectual property, tax, employment, compliance and other matters that arise in the ordinary course of business. The Company accrues for potential liabilities when it is probable that future costs (including legal fees and expenses) will be incurred and such costs can be reasonably estimated. At June 30, 2020 and December 31, 2019, there were no contingent liabilities with respect to any litigation, arbitration or administrative or other proceeding that are reasonably likely to have a material adverse effect on the Company's unaudited condensed consolidated financial position, results of operations, cash flows or liquidity.

Litigation Related to Noctiva

Note 3: Subsidiary Bankruptcy and Deconsolidation briefly describes the Chapter 11 bankruptcy case which our subsidiary Specialty Pharma commenced on February 6, 2019, and which on April 26, 2019 resulted in the bankruptcy court-approved sale of all of Specialty Pharma's intangible assets and inventory to an unaffiliated third party. As a result of such sale, Specialty Pharma has completed its divestment of the assets of the Noctiva business. During the pendency of the bankruptcy case, all pending litigation against Specialty Pharma is automatically stayed and any new litigation against Specialty Pharma is precluded unless the bankruptcy court orders otherwise. Below are descriptions of a litigation to which Specialty Pharma is a party and a contract dispute involving Specialty Pharma, both of which matters are subject to the automatic stay during the bankruptcy case.

Ferring Litigation. Some of the patents covering the Noctiva product (the "Noctiva Patents") are the subject of litigation initiated by Ferring Pharmaceuticals Inc. and two of its foreign affiliates, Ferring B.V. and Ferring International Center S.A., who manufacture a competing product known as Nocdurna. Nocdurna was approved by the FDA in June 2018 and commercially launched in the U.S. in November 2018. Ferring initiated this litigation initially against Serenity Pharmaceuticals, LLC (the licensor of the Noctiva Patents) and Reprise Biopharmaceutics, LLC ("Reprise") on April 28, 2017. Avadel subsequently joined the litigation on June 28, 2018, shortly after Ferring received FDA approval for Nocdurna. In this litigation, filed in the United States District Court for the Southern District of New York, Ferring seeks to invalidate and disputes the inventorship of the Noctiva Patents, seeks damages for various alleged breaches of contractual and common law duties, and seeks damages for alleged infringement by Noctiva of Ferring's "Nocdurna" trademark. Specialty Pharma, Serenity, and Reprise have defended this litigation, and have made counterclaims against Ferring, including for infringement of the Noctiva Patents and a declaratory judgment of noninfringement with respect to Ferring's "Nocdurna" trademark. The court dismissed Ferring's inventorship claim and its claims for alleged breaches of contractual and common law duties, although these dismissals may be appealed by Ferring. On February 15, 2019, Specialty Pharma and its co-defendants moved to stay the litigation pending completion of the bankruptcy proceeding of Specialty Pharma. On May 15, 2019, that motion was denied due to a pending settlement of the litigation with respect to just Ferring and Specialty Pharma. On February 25, 2020, Ferring and Specialty Pharma jointly moved for bankruptcy court approval of a settlement agreement with respect to the claims alleged in the litigation. In accordance with the terms of the settlement agreement, promptly following bankruptcy court approval of the settlement agreement, the parties would dismiss with prejudice

their respective claims against each other in the litigation. On March 13, 2020, the Bankruptcy Court entered an order approving the settlement with Ferring. Pursuant to the terms of the settlement, the parties were to dismiss their respective claims against each other in the District Court litigation in the Southern District of New York, with such dismissals to be effective concurrently. The joint dismissal was filed with District Court for the Southern District of New York on May 13, 2020 and entered by the Court on May 14, 2020, thus concluding this litigation for Avadel.

Contract Dispute. On January 21, 2019, Serenity gave notice to Specialty Pharma of an alleged breach of the parties' Noctiva license agreement. Serenity alleges that Specialty Pharma breached its contractual obligation to devote commercially reasonable efforts to the commercialization of Noctiva and seeks unspecified damages. On January 27, 2019, Specialty Pharma notified Serenity of a claim for $1.7 million in damages as a result of Serenity's breach of its contractual obligation to pay the costs of the Ferring Litigation. Serenity's notice to Specialty Pharma invoked the dispute resolution provisions of the Noctiva license agreement, which culminate in arbitration, but neither party has yet initiated an arbitration proceeding or filed suit. On July 24, 2020, Specialty Pharma sought bankruptcy court approval of a settlement agreement by and between it, Avadel US Holdings, and Serenity. Before the commencement of Specialty Pharma's bankruptcy case, Serenity asserted claims against Specialty Pharma and Avadel US Holdings collectively in an amount no less than $50,000, and after the commencement of the bankruptcy case, Serenity asserted a $3,096 claim against Specialty Pharma and voted to reject its Chapter 11 plan of liquidation. The settlement agreement provides for a global resolution of these disputes by way of an $800 payment from Avadel US Holdings to Serenity, a mutual exchange of general releases, and the withdrawal of Serenity's claim and vote in Specialty Pharma's bankruptcy case. Specialty Pharma's entry into the settlement agreement is subject to approval by the Bankruptcy Court.

Exela Litigation. On January 7, 2020, Exela filed a complaint against us and our subsidiary, Avadel Legacy, in the United States District for the District of Delaware. The complaint alleges infringement of a certain Exela patent related to its cysteine hydrochloride product. Exela is most notably seeking i) a declaratory judgment that the Nouress product infringes its patent, ii) an injunction (both preliminary and permanent) precluding the launch of Nouress, and iii) monetary damages (including enhanced damages, prejudgment interest and attorneys' fees) in the event Nouress is commercially launched and found to infringe Exela's patent. On July 8, 2020, the parties jointly filed a Stipulation and Proposed Order of Dismissal with the United States District Court for the District of Delaware, and the Court signed and approved that proposed order the same day, thus concluding this litigation for the Avadel entities involved.

Tax Matters. On July 2, 2019, Specialty Pharma was made aware of a $50,695 claim made by the Internal Revenue Service (IRS) as part of the bankruptcy claims process against Specialty Pharma. On October 2, 2019 the IRS amended the original claim filed in July, reducing the claim to $9,302. Specialty Pharma files its U.S. federal tax return as a member of the Company's consolidated U.S. tax group. As such, the IRS claim was filed against Specialty Pharma in the bankruptcy proceedings due to IRS tax law requirements for joint and several liability of all members in a consolidated U.S. tax group. Both Specialty Pharma and the Company disagreed with the merits of the amended IRS claim, and Specialty Pharma entered into negotiations regarding the treatment of the claim in the bankruptcy case. On November 19, 2019, Specialty Pharma and the IRS resolved their dispute, subject to Bankruptcy Court approval in Specialty Pharma's Chapter 11 plan, and without prejudice to the claims, rights and defenses of the IRS and other Avadel entities outside of the bankruptcy case. The resolution provided for allowance of the IRS claim as a priority claim but for the IRS to receive a distribution of not less than $125 from Specialty Pharma following confirmation of its chapter 11 plan, leaving a substantial amount of the bankruptcy estate for general unsecured creditors.

Material Commitments

We have been relieved of all purchase commitments disclosed in *Note 16: Contingent Liabilities and Commitments* to the Company's audited consolidated financial statements included in Part II, Item 8 of the Company's 2019 Annual Report on Form 10-K due to the sale of the hospital business described in *Note 4: Disposition of the Hospital Business*. There were no other material commitments outside of the normal course of business. Material commitments in the normal course of business include long-term debt obligations which are disclosed in *Note 11: Long-Term Debt* to the Company's unaudited condensed consolidated financial statements included in Part I, Item 1 of this report. Our long-term contingent consideration payable as disclosed in *Note 10: Contingent Consideration Payable* has also been relieved due to the sale of the hospital business.

Contractual Obligations

Disclosures regarding contractual obligations are included in Part II, Item 7 of the Company's 2019 Annual Report on Form 10-K and updated in *Note 10: Contingent Consideration Payable* to the Company's unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

The Company is subject to interest rate risk as a result of its portfolio of marketable securities. The primary objectives of our investment policy are as follows: safety and preservation of principal and diversification of risk; liquidity of investments sufficient to meet cash flow requirements; and competitive yield. Although our investments are subject to market risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or certain types of investment. Our investment policy allows us to maintain a portfolio of cash equivalents and marketable securities in a variety of instruments, including U.S. federal government and federal agency securities, European Government bonds, corporate bonds or commercial paper issued by U.S. or European corporations, money market instruments, certain qualifying money market mutual funds, certain repurchase agreements, tax-exempt obligations of states, agencies, and municipalities in the U.S and Europe, and equities. A hypothetical 50 basis point change in interest rates would not result in a material decrease or increase in the fair value of our securities due to the general short-term nature of our investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES.

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2020, the end of the period covered by this quarterly report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on their evaluation, as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of June 30, 2020.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 or 15d-15 that occurred during the three months ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to work from home due to the COVID-19 pandemic and will continue to monitor the impact on the design and operating effectiveness of our internal controls.

PART II – OTHER INFORMATION

ITEM 1.LEGAL PROCEEDINGS.

The information contained in *Note 19: Commitments and Contingencies* to the Company's unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report is incorporated by reference herein.

ITEM 1A. RISK FACTORS.

Except as set forth below, there have been no material changes in our risk factors from those disclosed in our annual report on Form 10-K for the year ended December 31, 2019 filed with the SEC on March 16, 2020.

COVID-19 may materially and adversely affect our business and our financial results.

The recent COVID-19 pandemic is understood to have originated in Wuhan, China in December 2019 and has since spread globally, including to the United States and European countries. The continued spread of COVID-19 could adversely impact our operations, including our ability to initiate or complete clinical trials, manufacture sufficient supply of our product candidates, file our New Drug Application, or NDA, for FT218 or to manufacture FT218 at sufficient scale for commercialization, if approved. Any delay in submission of our NDA could adversely affect our ability to obtain regulatory approval for and to commercialize FT218, particularly on our current projected timelines, increase our operating expenses and have a material adverse effect on our business and financial results.

In addition, COVID-19 has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions, social distancing and business shutdowns. We have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring all employees to work remotely. We have already suspended non-essential travel worldwide for our employees and are discouraging employee attendance at other gatherings. These measures could negatively affect our business. For instance, temporarily requiring all employees to work remotely may induce absenteeism, disrupt our operations or increase the risk of a cybersecurity incident. COVID-19 has also caused volatility in the global financial markets and threatened a slowdown in the global economy, which may negatively affect our ability to raise additional capital on attractive terms or at all.

The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, the severity of COVID-19 or the effectiveness of actions to contain and treat COVID-19, particularly in the geographies where we or our third party suppliers and contract manufacturers, or contract research organizations operate. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions. If we or any of the third parties with whom we engage, however, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively affected, which could have a material adverse impact on our business and our results of operations and financial condition.

Third parties may claim that our product candidates infringe their rights, and we may incur significant costs resolving these claims.

Third parties may claim infringement of their patents and other intellectual property rights by the manufacture, use, import, offer for sale or sale of our drug delivery technologies or our other products. As an example, approximately 14 Orange Book patents exist related to Jazz Pharmaceuticals' currently marketed sodium oxybate product and other Jazz Pharmaceuticals patent applications are pending with claims directed to sodium oxybate formulations, and, in connection with us seeking regulatory approval for FT218, Jazz may allege that FT218 infringes its patents or other intellectual property rights and file suit attempting to prevent us from commercializing FT218. In response to any claim of infringement, we may choose or be forced to seek licenses, defend infringement actions or challenge the validity or enforceability of those patent rights in court or administrative proceedings. If we cannot obtain required licenses on commercially reasonably terms, or at all, are found liable for infringement or are not able to have such patent rights declared invalid or unenforceable, our business could be materially harmed. We may be subject to claims (and even held liable) for significant monetary damages (including enhanced damages and/or attorneys' fees), encounter significant delays in bringing products to market or be precluded from the manufacture, use, import, offer for sale or sale of products or methods of drug delivery covered by the patents of others. Even if a license is available, it may not be available on commercially reasonable terms or may be non-exclusive, which could result in our competitors gaining access to the same intellectual property. We may not have identified, or be able to identify in the future, U.S. or foreign patents that pose a risk of potential infringement claims.

Parties making claims against us may be able to sustain the costs of patent litigation more effectively than we can because they have substantially greater resources. In addition, any claims, with or without merit, that our product candidates or drug delivery technologies infringe proprietary rights of third parties could be time-consuming, result in costly litigation or divert the efforts of our technical and management personnel, any of which could disrupt our relationships with our partners and could significantly harm our financial positions and operating results.

Disruptions at the FDA, the SEC and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

As of June 23, 2020, the FDA noted it was continuing to ensure timely reviews of applications for medical products during the COVID-19 pandemic in line with its user fee performance goals and conducting mission critical domestic and foreign inspections to ensure compliance of manufacturing facilities with FDA quality standards. However, the FDA may not be able to maintain this pace and delays or setbacks are possible in the future. On July 10, 2020, the FDA announced its goal of restarting domestic on-site inspections during the week of July 20, but such activities will depend on data about the virus' trajectory in a given state and locality and the rules and guidelines that are put in place by state and local governments. The FDA has developed a rating system to assist in determining when and where it is safest to conduct prioritized domestic inspections. Regulatory authorities outside the U.S. may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic and may experience delays in their regulatory activities. We cannot guarantee that the FDA will be able to complete any required inspections or take other necessary actions in respect to our product candidates.

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

Securities Purchase Agreement

On February 21, 2020, we announced that we entered into a definitive agreement for the sale of our ADSs and Series A Non-Voting Convertible Preferred Shares ("Series A Preferred") in a private placement to a group of institutional accredited investors. The private placement resulted in gross proceeds of approximately $65 million before deducting placement agent and other offering expenses which resulted in net proceeds of approximately $61 million.

Pursuant to the terms of the private placement, we issued 8,680,225 ADSs and 487,614 shares of Series A Preferred at a price of $7.09 per share, priced at-the-market under Nasdaq rules. Each share of non-voting Series A Preferred is convertible into one ADS, provided that conversion will be prohibited if, as a result, the holder and its affiliates would own more than 9.99% of the total number of Avadel ADSs outstanding. The closing of the private placement occurred on February 25, 2020. Proceeds from the private placement will be used to fund continued clinical and program development of FT218, including our open-label extension study for REST-ON, a switch study to evaluate patients switching from twice-nightly sodium oxybate to once-nightly FT218, as well as for general corporate purposes.

The private placement was exempt from registration pursuant to Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

In connection with the shelf registration statement, on April 28, 2020 we announced the pricing of an underwritten public offering of 11,630,000 ADSs at a price to the public of $10.75 per ADS. Each ADS represents the right to receive one Ordinary Share. All of the ADSs were offered by us and the gross proceeds to us from the offering were approximately $125,000, before deducting underwriting discounts and commissions and offering expenses, which resulted in net proceeds of $116,974. The offering closed on May 1, 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
10.1	Asset Purchase Agreement, dated as of June 30, 2020, by and between Avadel Seller, Seller Parent, Exela Buyer and Buyer Parent. (incorporated by reference to Exhibit 10.1 to the registrants current report on Form 8-K, filed on July 2, 2020)
10.2+	Employment agreement by and between Avadel Management Corporation and Thomas S. McHugh dated May 15, 2020
31.1*	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) promulgated under the Exchange Act
31.2*	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) promulgated under the Exchange Act
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the 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.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) (filed herewith)

* Filed herewith.

** Furnished herewith.

\+ Indicates management contract or compensatory plan or arrangement.

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.

AVADEL PHARMACEUTICALS PLC
(Registrant)

Date: August 10, 2020

By: /s/ Gregory J. Divis
Gregory J. Divis
Chief Executive Officer
(Duly Authorized Officer and *Principal Executive Officer)*

Date: August 10, 2020

By: /s/ Thomas S. McHugh
Thomas S. McHugh
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer and *Principal Financial and Accounting Officer)*

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the fifteenth (15th) day of May 2020 by and among Thomas S. McHugh, currently residing at 6 Harborage Court, Bluffton, South Carolina 29910 (the "Executive"), and Avadel Management Corporation, a Delaware corporation with a principal office located at 16640 Chesterfield Grove Road, Suite 200, Chesterfield, Missouri 63005 (the "Company"). The Company is an indirect wholly owned subsidiary of Avadel Pharmaceuticals plc, an Irish public limited company with a principal office located at Block 10-1, Blanchardstown Corporate Park, Ballycoolin, Dublin 15 Ireland ("Avadel plc").

W I T N E S S E T H

WHEREAS, the Executive began his employment with the Company as of December 2, 2019 (the "Effective Date"), and the Executive and the Company wish to set forth in this Agreement the terms of such employment.

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

1. EMPLOYMENT TERMS

1. Position.

(a) Positions. The Executive shall serve as the Chief Financial Officer of Avadel plc and as the Chief Financial Officer of the Company, and shall carry out such work as may be reasonably required by the Company in connection with the business of Avadel plc and the Company consistent with such positions and the terms and conditions of this Agreement. The Executive shall primarily work at the Company's headquarters (currently in Chesterfield, Missouri), provided that the Executive may be required to travel frequently for business, consistent with the Company's business needs. The reasonable costs associated with such travel will be reimbursed by the Company. The Executive will devote substantially all of the Executive's business time, attention and efforts to Avadel plc and the Company and during such time the Executive will make the best use of his energy, knowledge and training for the purpose of advancing the interests of Avadel plc and the Company. Except as may be otherwise expressly authorized in writing by the Chief Executive Officer of Avadel plc, during his employment with the Company the Executive will accept no other employment nor serve as an officer, director or principal of any other company or organization (other than a member of the Avadel Group of Companies (as hereinafter defined). Notwithstanding the foregoing, the Executive may engage in religious, charitable or other community activities (which may include service as a board member of a religious, charitable or other not-for-profit organization) as long as such activities do not interfere with the Executive's performance of his duties to or with respect to Avadel plc and each of its direct or indirect subsidiaries including the Company (collectively, the "Avadel Group of Companies"). The Executive will comply with all written policies of the Avadel Group of Companies to the extent applicable to the Executive.

(b) Reporting. In his capacities as the Chief Financial Officer of Avadel plc and the Company, the Executive shall report directly to the Company's Chief Executive Officer, currently Gregory J. Divis.

2. Duration. The duration of the Executive's employment commenced as of the Effective Date and shall continue under the terms and condition of this Agreement, for one (1) year following the Effective Date, with this Agreement automatically renewing thereafter for successive periods of one (1) year unless the Executive or the Company provides written notice to the other of his or its intention not to renew the Agreement at least thirty (30) days prior to the next upcoming expiration date. Notwithstanding

the foregoing, this Agreement and the Executive's at-will employment hereunder may be terminated at any time pursuant to Section 3.1 hereof. At the termination of this Agreement, the Executive's employment with the Company shall terminate simultaneously.

2. COMPENSATION; BENEFITS

1. Base Salary. The Company shall pay to the Executive a gross annual base salary of Three Hundred Eighty-Five Thousand Dollars ($385,000) per year, paid on a semi-monthly basis and subject to ordinary and lawful deductions. The Company will review the Executive's base salary on or about the first of every calendar year, and, in the Company's sole discretion, make any increases that the Company deems warranted. If the Executive's base salary is increased, the new increased base salary will be the base salary for purposes of this Agreement.

2. Bonus. The Executive shall be eligible for a potential annual bonus with a target payout of no less than forty percent (40%) of the Executive's base salary based upon the Executive's achievement of certain business and individual performance objectives as well as the performance of Avadel plc against its objectives as determined by the Company. Subject to the requirement that the Executive shall be employed by a member of the Avadel Group of Companies on the date that the bonus is deemed earned by the Compensation Committee of the Company's Board of Directors, any bonus payments due hereunder shall be paid to the Executive no later than March 15 of the calendar year following the applicable year to which the annual bonus relates, subject to ordinary and lawful deductions.

3. Stock Options and Additional Equity Grants. In connection with the commencement of his employment, the Executive has been awarded 250,000 stock options that will vest pursuant to the terms of the applicable stock option agreement and the Avadel plc 2017 Omnibus Incentive Compensation Plan (together, the "Equity Documents"). The Executive will also be eligible to participate in future equity awards which may be granted to executive management, based upon Company and individual performance, at the sole discretion of the Company's Board of Directors.

4. Insurance and Benefits.

(a) Plan Participation. The Company shall facilitate the participation by the Executive and his family in medical, health, vision, dental, hospitalization, term life, and workers compensation insurance, long-term disability, short-term disability, and 401k savings plan programs of the Company, to the extent now existing or hereafter established, that are generally made available to executives or employees of the Company, in each case according to the terms and conditions (including eligibility requirements) of such plans or programs. Under current policies, the Company pays 85% annually toward employee medical (United Healthcare) coverage, plus 70% of dependent medical coverage; 85% employee coverage for dental insurance (Principal); optional vision coverage (Eyemed); and a $1000 annual corporate contribution to a health savings account (HSA) (if such medical insurance is elected). The Executive acknowledges that the current insurance plans and Company policies are subject to changes at the business discretion of the Company.

(b) Vacation and Paid Time Off. The Executive shall be eligible for vacation of twenty (20) days per year which shall be accrued or earned each month. The Executive shall also be entitled to the Company's usual and customary holidays, including two (2) floating holidays per year and corporate holidays (of which there are eleven (11) scheduled during 2020) to be taken in accordance with the normal Company paid vacation and time-off policies. The Company also grants the Executive five (5) sick days annually.

(c) Indemnification; General Liability.

(i) To the fullest extent permitted by applicable law, the Company, its receiver, or its trustee shall indemnify, defend, and hold the Executive harmless from and against any expense, loss, damage, or liability incurred or connected with any claim, suit, demand, loss, judgment, liability, cost, or expense (including reasonable attorneys' fees) arising from or related to the services performed by him under the terms of this Agreement and amounts paid in settlement of any of the foregoing; provided that the same were not the result of the

Executive's fraud, gross negligence, or reckless or intentional misconduct. The Company may advance to the Executive the costs of defending any claim, suit, or action against him if he undertakes to repay the funds advanced, with interest, should it later be determined that he is not entitled to indemnification under this Section 2.4(c); provided, however, and notwithstanding the foregoing, this sentence shall not apply to the defense of any claim that may be brought by the Company or any of the Avadel Group of Companies against the Executive.

(ii) The Company shall provide coverage to the Executive for his general liability, director and officer liability, and professional liability insurance at the same levels and on the same terms as provided to its other executive officers.

5. Reimbursement of Expenses. The Company shall reimburse the Executive, subject to presentation of adequate substantiation, including receipts, for the reasonable travel, entertainment, lodging and other business expenses incurred by the Executive in accordance with the Company's expense reimbursement policy in effect at the time such expenses are incurred. In no event will such reimbursements, if any, be made later than the last day of the year following the year in which the Executive incurs the expense.

3. TERMINATION AND SEVERANCE

1. Termination.

(a) Nothing in this Agreement shall prevent the Company from terminating the Executive's employment with the Company and this Agreement at any time, with or without "Cause." "Cause" means: (i) conviction of the Executive of, or the Executive's plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud, theft, or misappropriation by the Executive of any asset or property of any member of the Avadel Group of Companies, including, without limitation, any theft or embezzlement or any diversion of any corporate opportunity; (iii) breach by the Executive of any of the material obligations contained in this Agreement; (iv) conduct by the Executive materially contrary to the material policies of any member of the Avadel Group of Companies; (v) material failure by the Executive to meet the goals and objectives established by any member of the Avadel Group of Companies; provided that the Executive has failed to cure such failure within a reasonable period of time after written notice to him regarding such failure; or (vi) conduct by the Executive that results in a material detriment to any member of the Avadel Group of Companies, or its program, or goals or that is inimical to its reputation and interest; provided that the Executive has failed to cure such failure within a reasonable period of time after written notice to him regarding such conduct. Any reoccurrence of such acts constituting Cause within one (1) year of the original occurrence will require no such pre-termination right of the Executive to cure.

(b) The Executive may terminate the Executive's employment with the Company and this Agreement for or other than for "Good Reason". "Good Reason" means, without the Executive's consent, any of the following: (i) the Company's diminution in the Executive's authority, duties or responsibilities with respect to Avadel plc or the Company in any material respect or the Company's assignment to the Executive of duties or responsibilities that are materially inconsistent with the Executive's position with Avadel plc or the Company as stated in this Agreement; (ii) a change in the location of the Executive's employment which increases the Executive's one-way commute by more than sixty (60) miles; or (iii) a material breach by the Company of this Agreement.

(c) In the event that the Executive desires to resign from the Company, he shall promptly give the Company written notice of the date that such resignation will be effective, provided that the notice period shall be no less than thirty (30) days; provided further, that the Company may unilaterally accelerate the date of termination and such acceleration shall not result in a termination by the Company for purposes of this Agreement. In the event that the Executive desires to resign from the Company for Good Reason, he shall provide the Company with written notice setting forth the acts constituting Good Reason within ninety (90) days of the initial occurrence of the Good Reason condition and providing that

the Company may cure such acts within thirty (30) days of receipt of such notice. If such condition is not remedied within such thirty- (30-) day cure period, any termination of employment by the Executive for "Good Reason" must occur within ninety (90) days after the period for remedying such condition has expired.

(d) In the event that the Company desires to terminate the Executive's employment, with or without Cause, the Company shall give the Executive written notice thereof, and the termination shall be effective as of the date specified in the written notice.

(e) The Executive's employment and this Agreement shall terminate automatically upon the Executive's death. If the Company determines that the Executive is subject to an Incapacity (as hereinafter defined), the Company may terminate the Executive's employment and this Agreement effective upon the Executive's Incapacity. "Incapacity" shall mean the inability of the Executive to perform the essential functions of the Executive's job, with or without reasonable accommodation, for a period of 90 days in the aggregate in any 180-day period.

(f) If the Executive's employment is terminated for any reason, the Company shall pay to the Executive (or, after the Executive's death, his estate) any accrued or awarded but unpaid annual bonus and accrued but unused vacation pay, expense reimbursement and other benefits due to the Executive under any Company-provided benefit plans, policies and arrangements, with such accrued but unpaid annual bonus and vacation pay and expense reimbursements payable no later than thirty (30) days after the date of termination of employment (sooner to the extent required by applicable law or to the extent the bonus is payable prior to such time) and any other benefits payable in accordance with the applicable terms of the benefit plans, policies and arrangements. The payments in this Section 3.1(f) are collectively referred to as the "Accrued Obligations."

2. Severance. If the Executive terminates this Agreement and his employment with the Company for Good Reason or if the Executive's employment with the Company is terminated by the Company without Cause or by non-renewal of this Agreement by the Company, the Company shall pay severance to the Executive as follows:

(i) severance pay in an amount equal to 1.0 times the Executive's then-current annual base salary, such amount to be paid in a one-time installment; and

(ii) if the Executive elects continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), then the Company each month will pay for the Executive's COBRA premiums for such coverage (at coverage levels in effect immediately prior to the Executive's termination) until the earlier of: (A) the expiration of a period of twelve (12) months from the date of termination or (B) the date upon which the Executive becomes covered under similar plans of any subsequent employer or is otherwise ineligible for COBRA; provided, however, if the Company determines that it cannot pay such amounts to the group health plan provider or the COBRA provider (if applicable) without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then the Company shall convert such payments to payroll payments directly to the Executive for the time period specified above. Such payments shall be subject to applicable tax-related deductions and withholdings and paid on the Company's regular payroll dates.

All payments and benefits set forth in the foregoing items (i) and (ii) hereof are defined as the "Severance Pay and Benefits." The Executive's receipt of the foregoing Severance Pay and Benefits is conditioned upon his execution and delivery to the Company of a separation and release agreement acceptable to the Company governing the termination of the employment relationship between the Executive and the

Company and the Executive's release of all claims against all members of the Avadel Group of Companies and their employees, officers, directors, contractors and other related persons (the "Separation and Release Agreement"), and allowing the applicable revocation period required by law to expire without revoking or causing revocation of same, within the time period set forth in the Separation and Release Agreement and in no event more than sixty (60) days following the date of termination of the Executive's employment. The amounts payable under this Section 3.2, to the extent taxable, shall be paid or commence to be paid within 60 days after the Executive's date of termination; provided, however, that if the 60-day period spans more than one calendar year, any payments that the Executive is entitled to receive during such period shall be accumulated and paid in a lump sum only in the subsequent calendar year.

3. Change of Control.

(a) If the Executive terminates this Agreement and his employment with the Company for Good Reason or if the Executive's employment with the Company is terminated by the Company without Cause or by non-renewal of this Agreement by the Company, and such termination occurs during a Change of Control Period (as hereinafter defined), then, in addition to the Executive being eligible for the Severance Pay and Benefits, subject to the terms of Section 3.2 above, and notwithstanding any other provision in any applicable equity compensation plan and/or individual stock option plan or agreement, the Executive's outstanding and vested stock options as of the Executive's termination of employment date will remain exercisable until the eighteen (18) month anniversary of the termination of employment date; provided, however, that the post-termination exercise period for any individual stock option right will not extend beyond its original maximum term as of the original date of the grant (the "Extended Exercise Period").

(b) The Executive's receipt of the foregoing Extended Exercise Period is conditioned upon his execution and delivery to the Company of the Separation and Release Agreement within the time period set forth in the Separation and Release Agreement and in no event more than sixty (60) days following the date of termination of the Executive's employment.

4. Change of Control Definitions. For purposes of Section 3.3 above, the following definitions shall apply:

(a) "Change of Control" means the occurrence of any of the following events:

(i) a change in the ownership of Avadel plc, Avadel US Holdings, Inc. or the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company that, together with the other equity interests held by such Person, constitute more than fifty percent (50%) of the total voting power of the equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable); provided, however, that for purposes of this subsection, the acquisition of additional equity interests by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the equity interests of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) will not be considered a Change or Control; or

(ii) a change in the effective control of Avadel plc, Avadel US Holdings, Inc. or the Company which occurs on the date that a majority of the members of the Board of Directors of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) prior to the date of the

appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable), the acquisition of additional control of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) by the same Person will not be considered a Change of Control; or

(iii) a change in the ownership of a substantial portion of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) immediately prior to such acquisition or acquisitions.

Notwithstanding the foregoing, the Change in Control must constitute a change in ownership, effective control or substantial portion of the assets of Avadel plc, Avadel US Holdings, Inc. or the Company (as applicable) within the meaning of Section 409A of the Code.

(b) "Change of Control Period" means the period ending eighteen (18) months following a Change of Control.

5. Other Termination. If the Executive terminates this Agreement and his employment with the Company other than for Good Reason or by non-renewal of this Agreement by the Executive, or if the Executive's employment with the Company is terminated by the Company for Cause or as the result of the Executive's Incapacity, or the Executive dies while employed by the Company, the Company shall pay to the Executive the Accrued Obligations, but the Executive shall not be entitled to any further compensation from the Company pursuant to this Agreement or otherwise.

6. Resignations. Notwithstanding any other provision of this Agreement, the Executive agrees to resign, as soon as administratively practicable, from any and all positions held with all members of the Avadel Group of Companies, at the time of termination of the Executive's employment with any member of the Avadel Group of Companies.

4. RESTRICTIVE COVENANTS

1. Confidentiality.

(a) Restriction. To the fullest extent permitted under applicable law, at all times during the Executive's employment by the Company and for a period of five (5) years after termination of the Executive's employment with the Company, the Executive (i) shall hold in strictest confidence all Restricted Information (as hereinafter defined), (ii) shall not directly or indirectly use, copy, disclose or otherwise distribute any Restricted Information, except for the benefit of a member of the Avadel Group of Companies to the extent necessary to perform his obligations to Avadel plc and the Company under this Agreement, and (iii) shall not disclose any Restricted Information to any person, firm, corporation or other entity without written authorization of the Chief Executive Officer or Board of Directors of Avadel plc. Any breach of any provision of this Section 4.1(a) shall be considered a material breach of this Agreement.

(b) Definitions. As used in this Section 4, the following terms shall have the meanings set forth below:

(i) "Restricted Information" means any Confidential Information (as hereinafter defined) and any Trade Secrets (as hereinafter defined).

(ii) "Confidential Information" means any information of or about any member of

the Avadel Group of Companies, and any of the employees, customers and/or suppliers of any member of the Avadel Group of Companies, which is not generally known outside of the Avadel Group of Companies, which the Executive obtains (whether before, on or after the date of this Agreement) in connection with the Executive's employment with the Company, and which may be useful to any competitor of the Avadel Group of Companies or the disclosure of which would be damaging to any member of the Avadel Group of Companies. Confidential Information includes, but is not limited to, any and all of the following information about any member of the Avadel Group of Companies: (A) information about products, product candidates, and research and development plans, activities and results (including information about planned and in-process clinical trials); (B) information about business and employment policies, marketing methods and the targets of those methods, finances, business plans, promotional materials and price lists; (C) the manner or terms upon which products or services are obtained from suppliers or on which products or services are provided to customers; (D) without duplication of item (A) above, the nature, origin, composition, performance and development of any products or services; (E) information about finances, financial condition, results of operations and prospects; and (F) information about employees, consultants or customers or suppliers. For the avoidance of doubt, Confidential Information shall not include information that (1) is or has been made generally available to the public through the disclosure thereof in a manner that was authorized by the Company and did not violate any common law or contractual right of the applicable party; (2) is or becomes generally available to the public other than as a result of a disclosure by the Executive in violation of the provisions hereof; or (3) was already in the possession of the Executive without an obligation of confidentiality prior to the date his employment with the Company began.

(iii) "Trade Secret" means any Confidential Information to the extent such information constitutes a trade secret under applicable law.

(c) Certain Permitted Disclosures. Notwithstanding the foregoing, the Executive will not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that (i) is made (A) in confidence to a Federal, State or local government official, either directly or indirectly, or to an attorney, and (B) solely for purposes of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding filed in a lawsuit or other proceeding, if such filing is made under seal. If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Trade Secret to the Executive's attorney and use the Trade Secret in the court proceeding, if the Executive (i) files any document containing the Trade Secret under seal and (ii) does not disclose the Trade Secret, except pursuant to court order.

2. Non-Solicitation of Employees and Contractors. During the Executive's employment with the Company and for a period of one (1) year after the termination of the Executive's employment with the Company, the Executive shall not directly or indirectly solicit or attempt to solicit any employee, consultant or other contractor of or service provider to any member of the Avadel Group of Companies with whom the Executive had Material Contact to perform services for the Executive or for any other business or entity, whether as an executive, consultant, partner or participant in any such business or entity, or to terminate or lessen any such employee's, consultant's or other contractor's service with any member of the Avadel Group of Companies. "Material Contact" means contact in person, by telephone, or by paper or electronic correspondence in furtherance of the business of any member of the Avadel Group of Companies. This Section 4.2 shall cease to be applicable to any activity of the Executive from

and after such time as all members of the Avadel Group of Companies have ceased all business activities or have made a decision to cease all business activities.

3. Non-Solicitation of Customers and Suppliers. During the Executive's employment with the Company and for a period of one (1) year after the termination of the Executive's employment with the Company, the Executive shall not directly or indirectly solicit any actual or prospective customers or suppliers of any member of the Avadel Group of Companies with whom the Executive had material contact, for the purpose of selling any products or services which compete with the business of any member of the Avadel Group of Companies. This Section 4.3 shall cease to be applicable to any activity of the Executive from and after such time as all members of the Avadel Group of Companies have ceased all business activities or have made a decision to cease all business activities.

4. Relief. The Executive agrees that it would be difficult to measure any damages caused to the Company that might result from any breach by the Executive of any portion of Sections 4.1 through 4.3, and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, the Executive agrees that if the Executive breaches, or proposes to breach, any portion of Section 4.1 through 4.3, the Company shall be entitled, in addition to all other remedies that it may have, to an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damage to the Company and without the posting of a bond.

5. Protected Rights. Notwithstanding any other provision of this Agreement, the Company and the Executive hereby acknowledge and agree that:

(i) Nothing in this Agreement shall prohibit the Executive from reporting possible violations of Federal, State or other law or regulations to, or filing a charge or other complaint with, any governmental agency or entity, including but not limited to the Department of Justice, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, Congress, and any Inspector General, or making any other disclosures that are protected under any whistleblower provisions of Federal, State or other law or regulation or assisting in any such investigation or proceeding.

(ii) Nothing herein limits the Executive's ability to communicate with any such governmental agency or entity or otherwise participate in any such investigation or proceeding that may be conducted by any such governmental agency or entity, including providing documents or other information, without notice to the Company.

(iii) The Executive does not need the prior authorization of the Company to make any such reports or disclosures, and the Executive is not required to notify the Company that the Executive made any such reports or disclosures or is assisting in any such investigation.

(iv) The Executive (A) does not waive any rights to any individual monetary recovery or other awards in connection with reporting any such information to any such governmental agency or entity, (B) does not breach any confidentiality or other provision hereunder in connection with any such reporting or disclosures, and (C) will not be prohibited from receiving any amounts hereunder as the result of making any such reports or disclosures or assisting with any such investigation or proceeding.

5. MISCELLANEOUS

1. Entire Agreement. This Agreement (including any exhibits hereto) supersedes any and all other understandings and agreements, either oral or in writing, among the parties (including affiliates of the Company) with respect to the subject matter, including without limitation the offer letter dated October 24, 2019, and constitutes the sole agreement among the parties with respect to the subject matter hereof; provided, however, and notwithstanding the foregoing, the Equity Documents and any

confidentiality or nondisclosure agreements between the Company and the Executive shall remain in full force and effect.

2. Severability. If any term or provision of this Agreement or any application of this Agreement shall be declared or held invalid, illegal, or unenforceable, in whole or in part, whether generally or in any particular jurisdiction, such provision shall be deemed amended to the extent, but only to the extent, necessary to cure such invalidity, illegality, or unenforceability, and the validity, legality, and enforceability of the remaining provisions, both generally and in every other jurisdiction, shall not in any way be affected or impaired thereby.

3. Survival. Notwithstanding any expiration or termination of this Agreement, Section 2.4(c) hereof, Section 4 hereof and this Section 5 shall survive such expiration or termination to the extent necessary to effectuate the terms contained herein.

4. Interpretation of Agreement.

(a) Unless otherwise indicated to the contrary herein by the context or use thereof: (i) the words, "herein," "hereto," "hereof," and words of similar import refer to this Agreement as a whole and not to any particular Article, Section, subsection, or paragraph hereof; (ii) words importing the masculine gender shall include the feminine and neuter genders and vice versa; and (iii) words importing the singular shall include the plural, and vice versa.

(b) All parties to this Agreement have participated in the drafting and negotiation of this Agreement. This Agreement has been prepared by all parties equally, and is to be interpreted according to its terms. No inference shall be drawn that the Agreement was prepared by or is the product of any particular party or parties.

5. Taxes.

(a) The parties hereto acknowledge that the requirements of Section 409A of the Internal Revenue Code ("Section 409A") are still being developed and interpreted by government agencies and that the parties hereto have made a good faith effort to comply with current guidance under Section 409A. Notwithstanding anything in this Agreement to the contrary, in the event that amendments to this Agreement are necessary in order to continue to comply with future guidance or interpretations under Section 409A, including amendments necessary to ensure that compensation will not be subject to tax under Section 409A (which may require deferral of severance or other compensation), the Company and the Executive agree to negotiate in good faith the applicable terms of such amendments and to implement such negotiated amendments, on a prospective and/or retroactive basis as needed. Further, to the extent any amount or benefit under this Agreement is subject to the requirements of Section 409A, then, with respect to such amount or benefit, this Agreement will be interpreted in a manner to comply with the requirements of Section 409A.

(b) Further, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or as a result of a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A and, for purposes of any such provision of this Agreement, references to a "termination", "termination of employment", "Termination Date", or the like shall mean "separation from service".

(c) For purposes of this Agreement, all rights to payments and benefits hereunder shall be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Section 409A of the Code.

(d) If the Executive is a key employee (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof) and any of Avadel's securities are publicly traded on an established securities market or otherwise, then payment of any amount or provision of any benefit under this Agreement which is considered deferred compensation subject to Section 409A of the Code shall be deferred for six (6) months after termination of Executive's employment or, if earlier, Executive's death, if and as required by Section 409A(a)(2)(B)(i) of the Code (the "409A Deferral Period"). In the event such payments are

otherwise due to be made in installments or periodically during the 409A Deferral Period, the payments which would otherwise have been made in the 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Executive's expense, with the Executive having a right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits shall be provided as otherwise scheduled.

(e) To the extent that some portion of the payments under this Agreement may be bifurcated and treated as exempt from Code Section 409A under the "short-term deferral" or "separation pay" exemptions, then such amounts shall be so treated as exempt from Code Section 409A (and in particular, the earliest amounts to be paid under Section 3 of the Agreement will be first treated as exempt from Code Section 409A under the short-term deferral exemption and then the separation pay exemption to the extent available).

(f) Any reimbursements, in-kind benefits or offset provided under this Agreement that constitutes deferred compensation under Code Section 409A shall be made or provided in accordance with the requirement of Code Section 409A, including, where applicable, the requirement that (i) any reimbursement is for expense incurred during the period of time specified in this Agreement, (ii) the amount of expense eligible for reimbursement, or in-kind benefits, provided during a calendar year may not affect the expense eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made no later than the last day of the calendar year following the calendar in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation of exchange for another benefit.

(g) The Company makes no warranty regarding the tax treatment to the Executive of payments provided for under this Agreement, including the tax treatment of such payments that may be subject to Section 409A. The Executive will be responsible for paying all federal, state, and local income and employment taxes that may be due on such payment, provided that the Company will be responsible for any withholding obligations under applicable law. The Company will not be liable to the Executive if any payment or benefit which is to be provided pursuant to this Agreement and which is considered deferred compensation subject to Code Section 409A otherwise fails to comply with, or be exempt from, the requirements of Code Section 409A.

6. Mandatory Reduction of Payments in Certain Events. Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Code, then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). In that event, cash payments shall be modified or reduced first from the latest amounts to be paid and then any other benefits. The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to in clauses (i) and (ii) of the foregoing sentence shall be made by an independent accounting firm selected by Company and reasonably acceptable to the Executive, at the Company's expense (the "Accounting Firm"), and the Accounting Firm shall provide detailed supporting calculations. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to this Section 5.6 could have been made without the imposition

of the Excise Tax ("Underpayment"). In such event, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

7. Governing Law**.** Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all of the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of Missouri, or, to the extent applicable the laws of the United States of America, in each case without giving effect to the principles of choice or conflicts of laws thereof. Each of the parties hereto consents and agrees to the exclusive personal jurisdiction of any state or federal court sitting in the State of Missouri, and waives any objection based on venue or *forum non conveniens* with respect to any action instituted therein, and agrees that any dispute concerning the conduct of any party in connection with this Agreement shall be heard only in the courts described above.

8. Binding Arbitration.

(a) All disputes arising under this Agreement or arising out of or relating to the Executive's employment relationship with the Company shall be submitted to final and binding arbitration. Arbitration of such matters shall proceed consistent with the Employment Arbitration Rules and Mediation Procedures as established by the American Arbitration Association ("AAA"). Venue for any arbitration shall be St. Louis, Missouri or any other location mutually agreed upon by the Executive and the Company.

(b) The arbitration shall be conducted using the Expedited Procedures of the AAA Rules, regardless of the amount in dispute.

(c) The disputing parties shall agree on an arbitrator qualified to conduct AAA arbitration. If the disputing parties cannot agree on the choice of arbitrator, then each party shall choose one independent arbitrator. The two arbitrators so chosen shall jointly select a third arbitrator, who shall conduct the arbitration.

(d) All disputes relating to this Agreement shall be governed by the laws of the State of Missouri, and the arbitrator shall apply such law without regard to the principles of choice or conflicts of laws thereof.

(e) All aspects of the arbitration shall be treated as confidential.

(f) The Company and the Executive shall each pay 50% of the arbitrator's fees and costs. Each party shall pay its own deposition, witness, expert, and attorneys' fees and other expenses to the same extent as if the matter were being heard in court. However, if any party prevails on a statutory claim that affords the prevailing party attorneys' fees and costs, or if there is a written agreement providing for attorneys' fees and costs to be awarded to the prevailing party, the arbitrator may award reasonable attorneys' fees in accordance with the applicable statute or written agreement. The arbitrator shall resolve any dispute as to the reasonableness of any fees or costs awarded under this paragraph.

(g) The decision of the arbitrator shall be final, and the parties agree to entry of such decision as judgments in all courts of appropriate jurisdiction.

(h) Notwithstanding the foregoing, this Section 5.8 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or a preliminary injunction in circumstances in which such relief is appropriate, including, without limitation, relief sought under Section 4 of this Agreement; provided that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 5.8.

9. Amendments. This Agreement shall not be modified or amended except by a writing signed by all of the parties.

10. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of each party hereto.

11. Assignment.

(a) This Agreement and all of the Executive's rights and obligations hereunder are personal to the Executive and may not be transferred or assigned by him at any time, except that any assets accruing to the Executive in connection with this Agreement shall accrue to the benefit of the Executive's heirs, executors, administrators, successors, permitted assigns, trustees, and legal representatives.

(b) The Company may assign its rights under this Agreement to any entity that assumes the Company's obligations hereunder in connection with a merger, consolidation or sale or transfer of all or substantially all of the Company's assets to such entity; provided further, that the Company will require any successor to the Company in the case of a merger, consolidation or sale or transfer of all or substantially all of the assets of Avadel plc or the Company to assume this Agreement.

12. Waiver. Any of the terms or conditions of this Agreement may be waived at any time by the party or parties entitled to the benefit thereof, but only by a writing signed by the party or parties waiving such terms or conditions. No waiver of any provision of this Agreement or of any right or benefit arising hereunder shall be deemed to constitute or shall constitute a waiver of any other provision of this Agreement (whether or not similar), nor shall any such waiver constitute a continuing waiver, unless otherwise expressly so provided in writing.

13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures on this Agreement may be conveyed by facsimile or other electronic transmission and shall be binding upon the parties so transmitting their signatures. Counterparts with original signatures shall be provided to the other parties following the applicable facsimile or other electronic transmission; provided, that failure to provide the original counterpart shall have no effect on the validity or the binding nature of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF**,** the parties hereto have executed this Employment Agreement as of the date and year first above written.

THE COMPANY

AVADEL MANAGEMENT CORPORATION

By: _____

Name: Gregory J. Divis

Title: President

THE EXECUTIVE

_____

Name: Thomas S. McHugh

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory J. Divis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc;

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 10, 2020

/s/ Gregory J. Divis

Gregory J. Divis
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas S. McHugh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc:

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 10, 2020

/s/ Thomas S. McHugh

Thomas S. McHugh

Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc (the "Company") for the period ended June 30, 2020 (the "Report"), the undersigned hereby certifies in his capacity as Chief Executive Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Gregory J. Divis

Gregory J. Divis
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Avadel Pharmaceuticals plc (the "Company") for the period ended June 30, 2020 (the "Report"), the undersigned hereby certifies in his capacity as Chief Financial Officer of the Company pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2020

/s/ Thomas S. McHugh

Thomas S. McHugh

Senior Vice President and Chief Financial Officer