REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS

SENTYNL THERAPEUTICS, INC.

For The Fiscal Years Ended March 31, 2022 and 2021

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Ram Associates

CERTIFIED PUBLIC ACCOUNTANTS

FIRMFOUNDATION
INDEPENDENTLY OWNED MEMBER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder's
of Sentynl Therapeutics, Inc.

Opinion

We have audited the accompanying financial statements of Sentynl Therapeutics, Inc. (a Delaware Corporation), which comprise the balance sheets as of March 31, 2022 and 2021, and the related statements of operations, statements of stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sentynl Therapeutics, Inc. as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sentynl Therapeutics, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sentynl Therapeutics, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sentynl Therapeutics, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sentynl Therapeutics, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ram Associates

Ram Associates

Hamilton, NJ

May 19, 2022

Sentynl Therapeutics, Inc.
Balance Sheets
As of March 31,
(in thousands)

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	**$ 1,204**	$ 6,435
Accounts receivable, net	**306**	163
Inventories	**1,874**	1,296
Prepaid expenses and other current assets	**3,478**	9,093
Note and interest receivable – affiliates	**30,068**	30,084
Other receivable – affiliates	**506**	629
Total current assets	**37,436**	47,701
DEFERRED TAX ASSETS, NET	**5,945**	2,235
PROPERTY AND EQUIPMENT, net	**8**	11
OPERATING LEASE RIGHT-OF-USE ASSET	**173**	-
IDENTIFIABLE INTANGIBLE ASSETS, net	**10,873**	7,340
GOODWILL	**73,896**	73,896
Total assets	**$ 128,331**	$ 131,183
CURRENT LIABILITIES		
Accounts payable	**$ 202**	$ 548
Accrued expenses and other current liabilities	**14,340**	21,425
Note payable - affiliate	**73,151**	12,013
Current portion of operating lease liabilities	**142**	-
Current portion of note payable, net	**-**	39,869
Total current liabilities	**87,835**	73,856
LONG-TERM LIABILITIES		
Long-term operating lease liabilities, net of current portion	**48**	-
Other long-term liabilities, net	**124**	171
Total long-term liabilities	**172**	171
Total liabilities	**88,007**	74,027
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDER'S EQUITY		
Common stock (par value, $0.0001 per share, 2,000 shares authorized, 100 shares outstanding)	**30,010**	30,010
Retained earnings	**10,314**	27,146
Total stockholder's equity	**40,324**	57,156
Total liabilities and stockholder's equity	**$ 128,331**	$ 131,182

See accompanying notes to financial statements.

Sentynl Therapeutics, Inc.
Statements of Operations
For the Fiscal Years Ended March 31,
(in thousands)

	2022	2021
NET REVENUE	**$ 7,720**	$ 12,152
OPERATING COSTS AND EXPENSES		
Cost of sales	**2,096**	2,230
Research and development, manufacturing support, quality and regulatory	**9,202**	1,459
General and administrative	**7,192**	8,440
Selling and marketing	**2,369**	1,436
Depreciation	**12**	45
Amortization	**6,877**	6,878
Intangible asset impairment loss	**-**	9,854
Total operating costs and expenses	**27,748**	30,342
OPERATING INCOME (LOSS)	**(20,028)**	(18,190)
INTEREST EXPENSE (INCOME)		
Interest expense	**828**	1,537
Interest income	**(285)**	(690)
Total interest expense, net	**543**	847
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	**(20,571)**	(19,037)
PROVISION (BENEFIT) FOR INCOME TAXES	**(3,739)**	(4,356)
NET INCOME (LOSS)	**$ (16,832)**	$ (14,681)

See accompanying notes to financial statements.

Sentynl Therapeutics, Inc.
Statements of Stockholder's Equity
For the Fiscal Years Ended March 31,
(in thousands)

	Common Stock		Retained	Total Stockholder's
	Units	Amount	Earnings	Equity
BALANCE, April 1, 2020	100	$ 30,010	$ 41,827	$ 71,837
Net loss	-	-	(14,681)	(14,681)
BALANCE, March 31, 2021	100	30,010	27,146	57,156
Net loss	-	-	(16,832)	(16,832)
BALANCE, March 31, 2022	**100**	**$ 30,010**	**$ 10,314**	**$ 40,324**

See accompanying notes to financial statements.

Sentynl Therapeutics, Inc.
Statements of Cash Flows
For the Fiscal Years Ended March 31,
(in thousands)

	2022	2021
OPERATING ACTIVITIES		
Net income (loss)	**$ (16,832)**	$ (14,681)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	**12**	45
Amortization	**6,877**	6,878
Amortization of deferred financing costs	**131**	163
Deferred compensation expense	**243**	(47)
Impairment Loss	**-**	9,854
Changes in operating assets and liabilities:		
Accounts receivable	**(143)**	1,863
Inventories	**446**	(269)
Prepaid expenses and other current assets	**5,615**	(6,274)
Income taxes payable	**(31)**	(1,493)
Accrued expenses and other current liabilities	**(7,321)**	(2,171)
Deferred tax liabilities	**(3,710)**	(3,750)
Accounts payable	**(346)**	290
Interest and other receivable – affiliate	**269**	628
Net cash used in operating activities	**(14,790)**	(8,964)
INVESTING ACTIVITIES		
Loan repayments from affiliate	**-**	40,000
Cash paid for asset acquisition	**(11,433)**	-
Purchase of property and equipment	**(8)**	-
Net cash provided by (used in) investing activities	**(11,441)**	40,000
FINANCING ACTIVITIES		
Note payable repayments	**(40,000)**	(40,000)
Loan advances from affiliates	**61,000**	8,000
Net cash provided by (used in) financing activities	**21,000**	(32,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,231)**	(964)
CASH AND CASH EQUIVALENTS		
Beginning of period	**6,435**	7,399
End of period	**$ 1,204**	$ 6,435
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest:		
Paid to a third party	**$ 303**	$ 880
Paid to a related party	**394**	39
Total interest paid	**$ 698**	$ 919
Income Taxes Paid (Refunded)	**$ -**	$ (1,237)

See accompanying notes to financial statements.

Note 1 - Organization and Description of Business

Sentynl Therapeutics, Inc. (the Company, or STI) was formed as a Delaware corporation in August 2011, and is headquartered in San Diego, California. STI is a specialty pharmaceutical company principally engaged in acquiring and commercializing prescription drug products. STI sells and distributes its products through wholesale, specialty retail, and conventional retail drug distributors. On April 30, 2015, the Company was acquired by Sentynl Holdings LLC (SHL). On January 19, 2017, SHL sold all of its shares to Zydus Holding Inc. (Zydus), a wholly owned subsidiary of Zydus Lifesciences Limited. (ZLL), and Zydus was merged into STI with STI being the surviving company and ZLL being sole owner of STI.

In 2015, STI acquired the intellectual property and exclusive rights to manufacture and distribute levorphanol tartrate tablets (Levorphanol) in the United States and its territories from Roxane Laboratories, Inc. (now Hikma Labs Inc.). Levorphanol is a Food and Drug Administration (FDA) approved opioid medication indicated for the management of pain severe enough to require an opioid analgesic and for which alternative treatments are inadequate.

On February 23, 2021, the Company entered into an Asset Purchase Agreement with Cyprium Therapeutics, Inc. (Cyprium) pursuant to which the Company committed development funding for and will acquire the rights to a copper histidinate injection (CUTX-101) for treatment of diseases involving copper deficiency or insufficiency, including Menkes Disease, which is currently in a Phase 3 clinical study. The FDA has granted Orphan Drug, Fast Track, and Rare Pediatric Disease Designations to CUTX-101 and, in December 2020, Breakthrough Therapy Designation for the treatment of Menkes. Breakthrough Therapy Designation is meant to expedite the development and review of drugs for serious or life-threatening conditions. Cyprium began a rolling submission of a New Drug Application (NDA) to the FDA. See Note 4 for further discussion.

On March 31, 2022, the Company and Origin Biosciences, Inc. (Origin) entered into an Asset Purchase Agreement pursuant to which the Company acquired the intellectual property and exclusive global rights to manufacture and distribute Nulibry (fosdenopterin). Nulibry is indicated to reduce the risk of mortality in patients with molybdenum cofactor deficiency (MoCD) Type A. MoCD Type A is a rare and devastating inborn error of metabolism (IEM) that presents shortly after birth, progresses rapidly, causes irreparable damage, and often leads to an early death (median survival age is 4 years). STI will be responsible for ongoing development and commercialization of Nulibry in the US, and developing, manufacturing and commercializing fosdenopterin globally. Origin will share development responsibilities for fosdenopterin through approval of the marketing authorization application already under accelerated assessment with the European Medicines Agency and through approval of its regulatory submission with the Israeli Ministry of Health. The transaction was accounted for as an asset acquisition. See Note 4 for further discussion.

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Note 2 – Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue recognition and related deductions and allowances – Revenue is accounted for in accordance with Accounting Standard Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue

The Company's products are distributed through an exclusive distribution model with third-party distributor (the Distributor) whereby the Company directly sells its products to this Distributor. The Distributor subsequently sells to a limited number of wholesalers (Customers), who have agreements in place with STI.

The Company recognizes net revenue for product sales when control of the promised goods is transferred to its Customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods. Revenues are recorded, net of provisions, for variable consideration, including trade discounts and distribution fees, rebates, governmental rebate programs, product returns, group purchasing organization (GPO) chargebacks, other sales allowances. Accruals for these provisions are presented in the financial statements as reductions in determining net revenue and as a contra asset in accounts receivable, net (if settled via credit) and other current liabilities (if paid in cash). The following briefly describes the nature of the Company's provisions for variable consideration and how such provisions are estimated. These provisions represent accrual estimates, which are based on the terms and conditions of contracts and other agreements with the direct and indirect customers and are supported by relevant historical experience. The Company periodically reviews and, if necessary, adjusts the estimated amounts accrued for these deductions and allowances. It is reasonably possible that estimates could change in the near term.

Government rebates / chargebacks: Provision for rebates and chargebacks represent a significant estimate used in revenue recognition.

The Company contracts with Medicaid and other government agencies (Government Payors). It estimates the rebates, chargebacks and discounts it will provide to Government Payors and deducts these estimated amounts from its gross product revenue at the time revenue is recognized and establishes a current liability. The estimate of these rebates is based on the historical trends of rebates paid as well as estimated levels of inventory in the distribution channel.

Chargebacks relate to sales terms under which the Company agrees to reimburse wholesalers for differences between the gross sales prices at which the Company sells its products to wholesalers and the actual prices of such products that wholesalers resell under the Company's various contractual arrangements. Under these arrangements, the Company provides credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. The provision for chargebacks is based on expected sell-through levels by the Company's wholesalers to indirect customers, as well as estimated wholesaler inventory stocking levels. This provision is recorded in the same period the revenue is recognized, resulting in a reduction of product revenue.

Trade discounts and Distribution fees: Trade discounts relate to prompt settlement discounts provided to the Distributor and Customers. Distribution fees include fees, based on sales amount, paid to Distributor for the distribution of the product. In addition, the Company compensates Customers for data and other activities. Estimates of these payments are recorded as a reduction of revenue based on contractual terms.

Product returns: Consistent with industry practice, the Company maintains a return policy that allows Customers to return a product within a period which begins six months prior to and ends twelve months subsequent to the expiration date. The Company's estimate of the provision for returns is generally based upon historical experience with actual returns and records this estimate as a reduction of revenue in the period the related product revenue is recognized. The Company also assesses other factors that could affect product returns including market conditions, product obsolescence, and the introduction of new competition. Although these factors do not normally give the Company's Customers the right to return products outside of the regular return policy, the Company realizes that such factors could ultimately lead

Note 2 – Summary of Significant Accounting Policies (continued)

to increased returns. The Company analyzes these situations and makes adjustments to the product return reserve as appropriate.

The net revenue of the Company for the fiscal years ended on March 31 are as follows:

(in thousands)	**2022**	2021
Invoiced revenue	**$ 10,024**	$ 20,058
Less deductions and allowances:		
Government rebates / chargebacks	**3,188**	5,255
`Product returns	**(1,027)**	921
Distribution fees, trade discounts and other	**143**	1,730
Total deductions and allowances	**2,305**	7,906
Net sales	**$ 7,720**	$ 12,152

Concentrations – Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade accounts receivable. The Company maintains all of its cash balances in the form of bank depository accounts that have immediate liquidity with a large United States-based financial institution. As on March 31, 2022, the Company had uninsured cash balances totalling $0.95 million held in one institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

During the fiscal year ended on March 31, 2022, three indirect wholesale drug and specialty pharmacy distributors, each of whom individually accounted for more than 10 percent, accounted for 87 percent in aggregate of the Company's invoiced revenue. During the fiscal year ended on March 31, 2021, three indirect wholesale drug and specialty pharmacy distributors, each of whom individually accounted for more than 10 percent, accounted for 85 percent in aggregate of the Company's invoiced revenue. The Company extends unsecured credit to a Distributor, and that balance represents the amount classified as accounts receivable. The Distributor and all of the Company's indirect customers are located in the United States.

Four AB-rated (therapeutically equivalent) generic products to the Company's Levorphanol 2mg strength product were approved and launched and, as of the date of this report, the generic equivalent products are having an impact on the Company's unit volumes, net revenue, operating profit and cash flows.

In 2018, the FDA approved the Company's submission for a 3mg strength of Levorphanol, which was commercially launched in the United States in mid-January 2019. In early 2021, an AB-rated (therapeutically equivalent) generic product to the Company's Levorphanol 3mg strength product was approved.

During the fiscal years 2022 and 2021, Levorphanol made up 100% of gross sales.

Cost of sales – Cost of sales consist primarily of third-party product manufacturing costs, product royalties, third-party distribution and destruction costs, product stability costs, and provision for estimated excess and obsolete inventory.

Cash and cash equivalents – Cash and cash equivalents includes cash held in bank accounts and short-term investments with original maturities of three months or less when purchased that are highly liquid and readily convertible to cash.

Accounts receivables, net – During the fiscal years 2022 and 2021, the Distributor was the only direct customer of the Company. As such, the amount recorded at March 31, 2022 and 2021, reflects unpaid

Note 2 – Summary of Significant Accounting Policies (continued)

amounts invoiced to this customer under the terms and conditions of the contract. The allowance for trade discounts was $0.2 million and $0.04 million as of March 31, 2022 and 2021, respectively.

Inventories, net – Inventories consist of pharmaceutical drug products that are manufactured by FDA-approved third-party suppliers for sale to direct and indirect customers. Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. The Company's existing products have an initial shelf-life which ranges from 18-24 months. The Company records an estimated allowance for excess and obsolete inventory based on projected future sales, reported and estimated unit quantities of products held by its direct and indirect customers, remaining product shelf-life, historical trends, and other relevant factors.

Note receivable – affiliates – The Company entered into loan agreements with its affiliates, Zydus Pharmaceuticals (USA) Inc. (ZPUI) and Zydus Worldwide DMCC (ZWWD). See Note 11 for further discussion.

Property and equipment – Property and equipment purchased by the Company is stated at cost, net of accumulated depreciation. Assets acquired pursuant to a business combination are stated at their fair value on the date of the acquisition. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 2 to 5 years.

Identifiable intangible assets – Intangible assets are stated at cost, less accumulated amortization and impairment adjustments. Amortization is generally recorded on a straight-line basis over estimated useful lives having ranged from 4 to 10 years. The Company evaluates the estimated remaining useful lives of intangible assets based on relevant factors that include market size and growth trends, stability of therapeutic class, and further strength of competing products and periodically reviews the estimated useful lives of intangible assets and makes adjustments when events indicate that a shorter life is appropriate.

Impairment of long-lived assets (other than goodwill) – The Company periodically evaluates whether changes in facts and circumstances indicate that the carrying amounts of long-lived assets might not be recoverable. Impairment is determined to exist when the carrying amount exceeds the estimated future undiscounted cash flows associated with the asset over its estimated remaining economic life (fair value). Fair value is determined using the market, income or cost approaches as appropriate for the asset. The estimated remaining economic life of product rights and other related intellectual property rights is subject to change in the near term based on, among other things, third-party generic competition, regulatory changes, the reliability of future product supply, competition from products prescribed for similar indications, physician loyalty, and promotional efforts or lack thereof. If an asset is impaired, an impairment loss is recognized based on the excess of the asset's carrying amount over its estimated fair value. Any write-downs are treated as permanent reductions in the carrying amount of the asset and recognized as an operating loss.

The Company did not perform impairment testing of the Levorphanol product and license right asset as of March 31, 2022 since the unamortized carrying value of the asset was less than the estimated fair value. The Company performed impairment testing as of March 31, 2021 due to an expected reduction in long-term revenue forecasts from the negative impact of competing products. The scope of this testing included determination of the recoverable value of the long-lived intangible assets and determination of the fair value of the Company. The Company recorded an impairment charge of $9.9 million in the year ended March 31, 2021 to reduce the unamortized carrying value of the Levorphanol product and license right. See Note 5.

Note 2 – Summary of Significant Accounting Policies (continued)

Management judgment is involved in estimating the recoverability of these assets and is dependent upon the accuracy of the assumptions used in making these estimates, as well as how the estimates compare to the eventual future operating performance of the intangible assets. Any future long-lived assets impairment charges could have an impact on the Company's financial condition and results of operations.

Goodwill – The Company does not amortize goodwill and, accordingly, periodically reviews goodwill for impairment if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable based on management's assessment of the fair value of the Company compared to its carrying value. If the Company determines that it is more likely than not that the fair value of the Company is less than its carrying amount, then the goodwill impairment test is performed. The goodwill impairment test requires the Company to estimate the fair value of the Company and to compare with its carrying amount. If the carrying amount is less than its fair value then there is no impairment recognized. If the carrying value recorded exceeds the fair value calculated, an impairment charge is recorded for the difference. The judgments made in determining the projected cash flows used to estimate the fair value can materially impact the Company's financial condition and results of operations.

Based on the conclusions of the impairment testing performed as of March 31, 2022 and 2021, no instances of impairment of goodwill were identified and, accordingly, no impairment of goodwill has been recorded in the years ended March 31, 2022 and 2021.

Leases – In the period ended March 31, 2022, the Company adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), as amended ("ASC Topic 842"). This standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months and classify as either operating or finance leases.

In accordance with ASC Topic 842, the Company, at the inception of an amendment to its facility operating lease, made the determination that the arrangement was a lease based on the terms of the lease including whether the agreement involved the use of a distinct identified asset, whether the Company obtained the right to substantially all the economic benefit from the use of the asset, and whether the Company had the right to direct the use of the asset. Leases with a term greater than one year are recognized on the balance sheet as ROU assets, lease liabilities and, if applicable, long-term lease liabilities.

Lease liability and the corresponding ROU assets were recorded based on the present value of lease payments over the expected lease term. The implicit rate was not determinable and, therefore, the Company used the risk-free rate in effect at the time of the lease commencement. ASC Topic 842 provides a practical expedient for nonpublic business entities, which allows the use of a risk-free rate for a period comparable to the lease term. See Note 9.

Research and development – Research and development expenses consist of costs associated with regulatory activities, development efforts associated with the CUTX-101 and expenses related to milestone payments made before regulatory approval. Research and development expenses are charged to operations as incurred.

Income taxes – The Company accounts for income taxes payable based on the asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statements and income tax returns. A deferred tax asset valuation allowance is recorded if it is more likely than not that a deferred tax asset will not be realized. Interest and penalties on tax underpayments are recorded as other expense in the statement of operations. As of March 31, 2022 and 2021, no valuation allowance was recorded and no interest and penalties were incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications and adjustments – Certain items in the prior year's financial statements have been reclassified to conform to the current presentation.

New accounting pronouncements

In March 2020, the FASB issued ASU 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. This guidance is effective for all entities upon issuance on March 12, 2020 and may be applied through December 31, 2022. The expedients and exceptions in this guidance are optional, and the Company is evaluating the potential future financial statement impact of any such expedient or exception that it may elect to apply as the Company evaluates the effects of adopting this guidance on its financial statements.

In October 2021, the FASB released ASU 2021-08—Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption of the amendments is permitted, including adoption in an interim period. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In November 2021, the FASB issued ASU 2021-10—Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Note 3 – Balance Sheet Details

Balance sheet details as of March 31, 2022 and 2021, are as follows:

(in thousands)	**2022**	2021
Accounts receivable, net		
Trade accounts receivable	**$ 471**	$ 203
Trade discounts	**(165)**	(40)
Accounts receivable, net	**$ 306**	$ 163
Inventories		
Trade accounts receivable	**$ 105**	$ 230
Trade discounts	**1,769**	1,067
Accounts receivable, net	**$ 1,874**	$ 1,296
Note Receivable – Affiliate		
Note receivable (principal)	**$ 30,000**	$ 30,000
Interest receivable, affiliate	**68**	84
Note receivable and interest receivable – affiliate	**$ 30,068**	$ 30,084

Note 3 – Balance Sheet Details (continued)

(in thousands)	2022	2021
Prepaid expenses and other current assets		
Capitalized R&D costs	**$ 1,552**	$ 7,845
Prepaid market data	**670**	177
Income tax receivable	**433**	433
Prepaid commercial insurance	**412**	413
Employer Retention Tax Credit Receivable	**215**	-
Other	**196**	225
Prepaid expenses and other current assets	**$ 3,478**	$ 9,093
Property and equipment, net		
Computer hardware and software	**$ 324**	$ 315
Furniture and fixtures	**153**	153
Manufacturing equipment and tooling	**-**	-
	477	468
Accumulated depreciation	**(469)**	(457)
Property and equipment, net	**$ 8**	$ 11
Accrued expenses and other current liabilities		
Accrued product returns	**$ 7,433**	$ 8,671
Accrued rebates and wholesaler fees	**1,800**	4,027
Accrued credit reimbursement	**-**	3,298
Deferred revenue	**566**	3,129
Accrued incentive compensation	**1,292**	544
Accrued legal fees	**192**	526
Accrued regulatory and medical affairs costs	**389**	182
Accrued patient co-pay assistance and voucher program redemptions	**10**	98
Accrued contract manufacturing costs	**1,021**	66
Accrued market data Costs	**614**	129
Accrued product royalties	**22**	48
Other	**1,000**	706
Accrued expenses and other current liabilities	**$ 14,340**	$ 21,425

Note 4 – Asset Acquisition & Acquired In-Process R&D

As described in Note 1, on March 31, 2022 (Closing Date), the Company consummated an Asset Purchase Agreement with Origin (Origin APA) pursuant to which the Company acquired the intellectual property and exclusive global rights to manufacture and distribute Nulibry (fosdenopterin) indicated to reduce the risk of mortality in patients with molybdenum cofactor deficiency (MoCD) Type A.

Pursuant to the terms of the Origin APA, STI will be responsible for its ongoing development and commercialization in the US, and developing, manufacturing and commercializing fosdenopterin globally. Origin will share development responsibilities for fosdenopterin through approval of the marketing authorization application already under accelerated assessment with the European Medicines Agency and through approval of its regulatory submission with the Israeli Ministry of Health. Origin will be eligible to receive commercial milestone payments as well as tiered royalties on adjusted net sales of Nulibry.

Note 4 – Asset Acquisition & Acquired In-Process R&D (continued)

In connection with the Origin APA, STI assumed certain agreements including Origin's rights and interests in previous asset purchase agreements (Assigned Agreements). Certain of Origin's future obligations under such agreements were assumed by STI pursuant to assignments. These agreements could commit the Company to additional development, approval and sale-based milestone payments and additional royalty payments. Other liabilities associated with contracts assigned to the Company are limited to those arising and accruing after the Closing Date.

It is unclear when, if ever, the Company may be required to pay any additional milestone amounts. Accordingly, no contingent consideration was recognized as of the acquisition date.

This transaction was accounted for as an asset acquisition. STI paid $10.0 million in cash at closing and incurred $1.4million in transaction costs, the total of which was allocated to product rights in the amount of $10.4 million and acquired inventory totaling $1.0 million. The product rights will be amortized over a period of seven years.

The Company entered into a Transition Services Agreement (TSA) pursuant to which Origin will provide the Company transition services on an interim basis to assist the Company with the transition of product development activities as defined in the TSA. The Company will reimburse Origin for the costs it incurs and the TSA can be terminated by the Company prior to the stated term.

In February 2021, the Company entered into an Asset Purchase Agreement with Cyprium (Cyprium APA) pursuant to which the Company committed development funding for and will acquire the rights to a copper histidinate injection (CUTX-101) for treatment of diseases involving copper deficiency or insufficiency, including Menkes Disease.

Up-front payments, as well as other milestone payments to be made before regulatory approval (pre-approval), are considered as acquired IPR&D. As of March 31, 2021, the Company paid Cyprium an upfront payment of $8.0 million in connection with this agreement, and incurred $0.6 million in transaction costs. The Company recorded this payment and transaction costs totaling $8.6 million as deferred research and development and is classified in prepaid expenses. The Company is expensing this over the estimated period Cyprium will perform development services, estimated to be over twelve to seventeen months. In the year ended March 31, 2022 and March 31, 2021, it expensed $6.3 million and $0.7 million, respectively, and the expense is included within research and development expenses on the Company's statements of operations.

Pursuant to the terms of the Cyprium APA, the Company has committed to make an additional pre-approval payment and, if FDA approval is received, future post-approval milestone payments, including sales-based milestone payments. In the event FDA approval is not received within a certain timeframe, the Company may not be obligated to make certain post-approval milestone payments.

Post-approval payments, if any, will be capitalized as intangible assets and amortized over the estimated remaining useful life of the product. These payments are contingent upon the occurrence of certain future events and achievement of revenue targets. As of March 31, 2022, if all pre-commercialization milestones are achieved, the Company would pay an additional $12.0 million. Achievement of certain revenue targets could commit the Company to additional sale-based milestone payments but, given the uncertainty, it is unclear when, if ever, the Company may be required to pay such amounts. The Company has also committed to pay royalties at a wide range of rates as a percentage of net sales of the product as defined in the Cyprium APA.

Note 5 – Identifiable Intangible Assets and Goodwill

In connection with the APA, the Company also agreed to undertake certain development efforts. It will expense such costs as incurred as research and development expense.

The identifiable intangible assets related to Levorphanol are valued at $0.5 million and $7.3 million, net of an impairment adjustments, at March 31, 2022 and 2021, respectively. Assessing the impact of continued competition from generic manufacturers on actual and forecasted net revenue, impairment analyses were performed in which the Company reviewed the carrying value of the Levorphanol intangible asset relative to the estimated future cash flows in the years ended March 31, 2021 and 2020. These analyses resulted in impairment charges of $9.9 million and $38.3 million in the years ended March 31, 2021 and 2020, respectively. The Company recorded the impairment charges in operating expenses. STI periodically reviews the estimated useful lives of intangible assets and makes adjustments when events indicate that a shorter life is appropriate. In each of the years 2022 and 2021, the amortization period was adjusted to represent the periods of future benefit of the intangible assets.

In connection with the acquisition by ZLL, STI has elected to apply pushdown accounting and reflect in its financial statements the fair value of its assets and liabilities.

The carrying amounts of intangible assets were as follows:

(in thousands)	**2022**	2021
Gross carrying amount, net of impairment		
License and product rights - Levorphanol	**$ 7,340**	$ 7,340
License and product rights - Nulibry	**10,411**	-
	17,751	7,340
Less accumulated amortization	**(6,878)**	-
Intangible assets, net	**$ 10,873**	$ 7,340
Goodwill	**$ 73,896**	$ 73,896

Goodwill represents the excess consideration in a business combination over the fair value of identifiable net assets acquired. The Company does not amortize goodwill and is subject to impairment testing when a triggering event occurs that could indicate a potential impairment. The Company determines whether goodwill may be impaired by comparing the carrying value to the fair value of the entity. Based on the Company's evaluation at March 31, 2022 and March 31, 2021, no impairment of goodwill was identified.

Amortization expense related to the identifiable intangible assets was $6.9 million for each of the fiscal years 2022 and 2021. Future expected amortization expense for identifiable intangible assets held as of March 31, 2022, is as follows:

Year ended March 31 (in thousands),	
2023	$ 1,950
2024	1,487
2025	1,487
2026	1,487
2027	1,487
Thereafter	2,974
Total	$ 10,873

Note 6 – Debt

In connection with the January 19, 2017, acquisition and resulting merger, the Company assumed a loan and outstanding indebtedness with the Bank of Tokyo – Mitsubishi (BTMU) dated January 12, 2017 (effective date), totaling $120.0 million with an initial term of five years. Principal repayment was made in three equal installment payment of $40.0 million each. The Company made the final payment associated with this loan in January 2022. The Company incurred deferred financing costs of $0.8 million in connection with this agreement, which was fully amortized on a straight-line basis over the term of the loan which ended in January 2022.

During the fiscal year 2022, the interest rates ranged from 0.94 percent to 0.96 percent. During the fiscal year 2021, the interest rates ranged from 0.96 percent to 1.84 percent. For the fiscal year 2022 and 2021, the Company recognized interest expense associated with this loan of $0.4 million and $1.0 million, respectively, which includes $0.1 million and $0.2 million, respectively, of expense related to amortization of deferred financing costs.

Note 7 – Stockholder's Equity

As the result of the acquisition described in Note 1, ZLL became the sole owner and holder of 100 shares of the Company's common stock.

Note 8 – Income Taxes

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Deferred tax assets and liabilities arise from temporary differences between the tax basis of assets and liabilities, and their reported amounts in the financial statements, that will result in taxable or deductible amounts in future years. Management evaluates all available evidence about future taxable income and other possible sources of realization of deferred tax assets. A valuation allowance is established to reduce deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. To the extent the Company establishes a valuation allowance or increases the allowance in any given period, an expense is recognized within the provision for income taxes in the statement of income. As of March 31, 2022, the Company had no valuation allowance against the deferred tax assets based on management's current projection of future taxable income expected to be sufficient for the Company to realize the future benefit of such deferred tax assets.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has more likely than not of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters as other expense in the statement of income. Based on management's assessment, there are no uncertain tax positions requiring recognition as of the date of these financial statements.

The income tax provision (benefit) consists of the following:

(in thousands)	**2022**	2021
Current:		
Federal	**$ -**	$ (607)
State	**1**	1
Total current	**1**	(606)

Note 8 – Income Taxes (continued)

Deferred:		
Federal	**(3,740)**	(3,742)
State	**-**	(8)
Total deferred	**(3,740)**	(3,750)
Total income tax benefit	**$ (3,739)**	$ (4,356)

STI's net deferred tax assets are as follows:

(in thousands)	**2022**	2021
Deferred tax liabilities (assets):		
Net operating loss	**$ 2,343**	$ 639
Allowance for returns and rebates	**1,561**	1,821
Amortization of R&D expenses	**1,232**	140
Tax vs. book carrying values of identifiable intangibles assets	**358**	(1,031)
Allowance for inventory obsolescence	**290**	365
Deferred revenue, net of expenses	**58**	318
Accrued compensation	**26**	36
Depreciation and amortization	**(2)**	(2)
Other	**79**	(51)
Total net deferred tax assets / (liabilities)	**$ 5,945**	$ 2,235

The Company's net deferred taxes representing the difference in the tax and book carrying values of intangible assets was a $0.3 million deferred tax asset at March 31, 2022 and a $1.0 million deferred tax liability at March 31, 2021. During the fiscal years of 2021, the Company recorded an impairment adjustments which decreased the book carrying values of the intangible assets and resulted in a decrease in the deferred tax liability associated with the intangible asset of $2.1 million.

The difference between the effective income tax rate and the statutory federal income tax rate applied to pretax income (loss) is as follows:

(in thousands)	**2022**	
	Amount	**Percentage**
Federal income tax at statutory rate	**$ (4,320)**	**21.00%**
State income tax, net of federal benefit	**1**	**-0.03%**
Permanent nondeductible items	**(13)**	**0.06%**
Net operating loss	**4,332**	**-21.06%**
Other	**(29)**	**-0.11%**
Total income tax expense	**(29)**	**-0.14%**
Deferred tax benefit	**(3,710)**	**18.32%**
Total income tax benefit	**$ (3,739)**	**18.18%**

Note 8 – Income Taxes (continued)

(in thousands)	2021	
	Amount	Percentage
Federal income tax at statutory rate	$ (3,996)	21.00%
State income tax, net of federal benefit	1	-0.03%
Permanent nondeductible items	2,056	-10.81%
Other	1,333	-7.05%
Total income tax expense	(606)	3.17%
Deferred tax benefit	(3,750)	19.71%
Total income tax benefit	$ (4,356)	22.88%

The CARES Act, among other things, permits net operating loss (NOL) carryovers to be carried back to offset taxable income from previous taxable years. Specifically, the CARES Act allows NOLs incurred in 2018, 2019 and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. During the year ended March 31, 2021, the Company recorded a tax benefit of $0.4 million in connection with the NOL it incurred in 2020 as a result of the change in the NOL carryback period.

The Company has not incurred any material interest or penalties during the reporting period with respect to income tax matters.

The Company is subject to taxation in the United States and various state jurisdictions. As of March 31, 2022, the Company's tax years for 2019 through 2021 are subject to examination by the taxing authorities.

Note 9 – Commitments and Contingencies

Legal matters – In August 2018, the Company received a subpoena from the United States Attorney's Office for the District of New Jersey (DNJ) seeking information related to the promotion and distribution of one of the Company's products ("Government Investigation"). In September 2019, the Company received a second subpoena from DNJ regarding another of the Company's products related to the same Government Investigation. At this time, the Company cannot predict or determine the outcome of this matter and is fully cooperating with the Government Investigation.

A complaint naming the Company (among other pharmaceutical companies) as a defendant, was filed on or about March 15, 2019, in the Pennsylvania Court of Common Pleas of Philadelphia. The Company was served with the lawsuit on April 18, 2019. The Company retained legal counsel to assist the Company in responding to the lawsuit. At this time, the Company cannot predict or determine the outcome of this matter.

The Company filed suit on September 3. 2019 against the former carrier of a directors and officers (D&O) liability insurance policy in connection with the carrier's refusal to cover costs related to the Government Investigation. On March 22, 2021 the Court granted the former carrier's motion for summary judgment from which the Company filed an appeal with the Ninth Circuit Court of Appeals. The Ninth Circuit denied STI's appeal, which terminated the case as of March 31, 2022. The Company is obligated to pay costs in the amount of $0.01 million, after which there will be no further liability regarding this matter.

The Company may be involved in other legal matters that arise from time to time in the ordinary course of

Note 9 – Commitments and Contingencies (continued)

business. Management does not believe that the resolution of any of these matters would have a material impact on the Company's financial position or results of operations.

As of March 31, 2022, STI accrued unpaid legal and related costs totaling $0.2million.

Product manufacturing agreements – The Company uses FDA-validated third-party and related party contractors to manufacture and package its products. Under the terms and conditions of agreements with these contractors, the Company enters into firm purchase commitments that specify quantities, expected delivery, and pricing for each specific order.

The Company made purchases totaling $1.3 million and $2.0 million under such contracts in fiscal year 2022 and 2021, respectively. At March 31, 2022, there were no outstanding firm purchase commitments in connection with these agreements.

Royalty Agreements – STI is obligated to pay quarterly royalties to the seller of Levorphanol, subject to certain limitations as further defined in the definitive agreement and amendments thereto. Royalties are based on a percentage of the gross profit (defined as net sales less direct product cost) from the future sales of Levorphanol.

Effective after March 31, 2022, STI is obligated to pay quarterly royalties in connection with the Origin APA and Assigned Agreements, subject to certain limitations as further defined in the Origin APA. Royalties are based on a percentage of the net sales from the future sales of Nulibry.

Royalty expense for Levorphanol totaled $0.10 million and $0.20 million for the fiscal years 2022 and 2021, respectively, and was classified as a component of cost of sales.

Leases – In January 2021, the Company amended its lease agreement for office space at its corporate headquarters in San Diego, California, to reduce the rentable space and monthly rent and extend the lease term to July 31, 2023, effective June 1, 2021. In accordance with ASC Topic 842, the Company determined this arrangement contained a lease at inception and recorded the recognition of right-of-use, or ROU, in connection with this amendment, and related lease liabilities of approximately $0.3 million in the balance sheet as of June 1, 2021, the commencement date. ROU assets represent the Company's right to control an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the estimated present value of lease payments over the lease term. The Company utilized the practical expedient for determining the discount rate available for nonpublic business entities which allowed it to use a risk-free rate for a period comparable to the lease term.

This operating lease does not include a renewal option. The lease agreement includes escalating lease payments. Rent expense is recorded over the lease term on a straight-line basis. Rent expense was $0.2 million in each of the fiscal years 2022 and 2021.

Schedule of cash flow related to leases (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	**$ 95**
ROU assets obtained in exchange for lease liabilities:	**284**
Leases	
Remaining lease term (in months):	**16**
Weighted average discount rate:	**0.2%**

Note 9 – Commitments and Contingencies (continued)

Future minimum payments due and payable under the Company's non-cancelable operating lease, as amended, are as follows:

Years ended March 31, (in thousands)		
2023	**$**	**146**
2024		**50**
Total Lease Payments		**196**
Less: amount representing interest		**(6)**
Total	**$**	**190**

Note 10 – Retirement Plan and Deferred Compensation Plan

The Company has established a qualified defined contribution 401(k) plan for its eligible directors. Company contributions, if any, to the 401(k) plan are at the sole discretion of the Board of Directors. In 2022, the Board approved, and the Company paid, a matching contribution of $0.1 million related to employee services during 2021. In 2021, the Board approved, and the Company paid, a matching contribution of $0.1 million related to employee services during 2020. At March 31, 2022, the Company accrued a discretionary matching contribution for employee services related to 2022 totaling $0.1 million, which, subject to Board approval, will be funded in early 2023.

The Company has a deferred compensation plan in which certain key employees were eligible to participate effective January 19, 2017. This plan allowed each participant to accrue deferred compensation equal to their share, as further defined in the plan agreement, of annual net revenue growth measured against the previous year's (Base Year) annual net revenue. The computation of deferred compensation was based on the growth in net revenue for the calendar years ended December 31, 2017 and December 31, 2018, compared with 2016 and 2017, respectively, the Base Years. No additional deferred compensation was incurred after 2018. The deferred liability for each participant cliff vests equally over a five-year period on December 31 each year, and the vested amount is paid out at the end of the following year. The participant must be employed at the Company in order to be eligible for annual vesting and the subsequent end of year payment. If the participant(s) employment is terminated, any unvested amounts are forfeited. The Company accounts for the deferred compensation asset separately from the liability and, as such, systematically amortizes the compensation expense on a straight-line basis over the estimated future service period, which approximates six years. At March 31, 2022 and 2021, the Company recorded deferred compensation asset of $0.3 million and $0.5 million, respectively, which reflected future amortization over the remaining service period at each date. In addition, the Company accrued a liability of $0.4 million and $0.7 million at March 31, 2022 and 2021, which reflects the amount of future payments, representing a net liability of $0.1 million and $0.2 million at March 31, 2022 and 2021, respectively, and were classified as other long-term liability.

Note 11 – Related Party Transactions

As of March 31, 2022, the Company has provided cumulative net loan advances of $30.0 million pursuant to a loan agreement entered into between the Company and Zydus Worldwide DMMC (ZWWD). The initial term was amended to end on January 10, 2023, and can be repaid, by mutual consent, before the end of the term at any time without penalty. Interest is due quarterly, and is earned on the unpaid loan balance during the quarterly interest period at interest rates deemed to represent fair value. The Company recognized $0.3 million and $0.7 million in interest income associated with this loan during the fiscal years

Note 11 – Related Party Transactions (continued)

2022 and 2021, respectively. The current outstanding principal and interest receivable was $30.1 million at March 31, 2022 and March 31, 2021.

As of March 31, 2022 and 2021, the Company classified the outstanding loan receivable balances as current assets as follows:

(in thousands)	**2022**	2021
Note and interest receivable - ZWWD	**$ 30,068**	$ 30,084
Note receivable and interest receivable – affiliate	**$ 30,068**	$ 30,084

As of March 31, 2022, the Company had received cumulative net loan advances totaling $73.0 million from ZPUI pursuant to a loan agreement between the Company and ZPUI. Interest accrued on the unpaid loan balance is calculated at interest rates deemed to represent fair value. The Company recorded $0.2 million and $0.1 million in interest expense associated with this loan during the fiscal year ended on March 31, 2022 and 2021, respectively. The current outstanding principal and accrued interest payable balance was $73.1 million at March 31, 2022 and $12.0 million at March 31, 2021.

The Company had an arrangement with Zydus Lifesciences Limited (ZLL) whereby ZLL provided a guarantee of the Company's debt obligation with BTMU. This arrangement discontinued upon the final installment payment to BTMU in January 2022. During the fiscal years 2022 and 2021, the Company recognized fee expense of $0.2 million and $0.4 million, respectively, in connection with this arrangement. A receivable, net of the guarantee fee payment, of $0.5 million and $0.6 million at March 31, 2022 and 2021, respectively, was classified in Other receivable – affiliate on the balance sheet.

In the year ended March 31, 2022, the Company recognized a loan guarantee fee in connection with ZPUI's guarantee of the Company's debt obligation. The Company recognized loan guarantee fee expense of $0.1 million in connection with this arrangement. A liability of $0.1 million at March 31, 2022 was included in the Note payable - affiliate on the balance sheet.

The Company made purchases totaling $0.8 million and $0.6 million under the manufacturing agreement from Nesher for years ended March 31, 2022 and 2021, respectively, and had finished goods inventory associated with product acquired from Nesher of $0.7 million and $0.3 million at March 31, 2022 and 2021, respectively. At March 31, 2022, there were no outstanding firm purchase commitments in connection with this agreement.

Note 12 – Subsequent Events

The Company has evaluated subsequent events through May 19, 2022, the date, which the financial statements were available to be issued. No reportable subsequent events have occurred through May 19, 2022, which would have a significant effect on the financial statements as of March 31, 2022, except as otherwise disclosed.