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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2017**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-34263

Impax Laboratories, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**65-0403311**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
30831 Huntwood Avenue, Hayward, CA	**94544**
(Address of principal executive offices)	(Zip Code)

(510) 240-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	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 ☒

There were 74,113,674 shares of the registrant's common stock outstanding as of October 27, 2017 .

Impax Laboratories, Inc.

Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

IMPAX LABORATORIES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited; In thousands, except share and per share data)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 157,658	$ 180,133
Accounts receivable, net	242,020	257,368
Inventory, net	172,786	175,230
Prepaid expenses and other current assets	60,734	18,410
Total current assets	633,198	631,141
Property, plant and equipment, net	223,192	233,372
Intangible assets, net	510,067	620,466
Goodwill	207,329	207,329
Deferred income taxes, net	17,090	69,866
Other non-current assets	58,278	60,844
Total assets	$ 1,649,154	$ 1,823,018
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 53,708	$ 58,952
Accrued expenses	252,494	244,653
Current portion of contingent consideration	25,000	—
Current portion of long-term debt, net	17,836	17,719
Total current liabilities	349,038	321,324
Long-term debt, net	767,935	813,545
Deferred income taxes	1,950	—
Other non-current liabilities	48,300	64,175
Total liabilities	1,167,223	1,199,044
Commitments and contingencies (Notes 19 and 20)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; No shares issued or outstanding at September 30, 2017 and December 31, 2016	—	—
Common stock, $0.01 par value, 150,000,000 shares authorized; 74,407,135 issued and 74,163,406 outstanding shares at September 30, 2017; 73,948,340 issued and 73,704,611 outstanding shares at December 31, 2016	744	739
Treasury stock at cost: 243,729 shares at September 30, 2017 and December 31, 2016	(2,157)	(2,157)
Additional paid-in capital	554,252	535,056
(Accumulated deficit) retained earnings	(71,376)	98,192
Accumulated other comprehensive income (loss)	468	(7,856)
Total stockholders' equity	481,931	623,974
Total liabilities and stockholders' equity	$ 1,649,154	$ 1,823,018

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

IMPAX LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Impax Generics, net	$ 151,098	$ 175,320	$ 436,134	$ 467,094
Impax Specialty Pharma, net	55,294	52,589	156,743	158,913
Total revenues	206,392	227,909	592,877	626,007
Cost of revenues	158,736	136,873	408,644	357,852
Cost of revenues impairment charges	13,623	256,462	52,903	258,007
Gross profit (loss)	34,033	(165,426)	131,330	10,148
Operating expenses:				
Selling, general and administrative	53,585	55,038	152,255	144,244
Research and development	15,821	20,115	65,157	59,937
In-process research and development impairment charges	—	28,770	6,079	29,716
Patent litigation	1,640	3,279	3,882	6,527
Total operating expenses	71,046	107,202	227,373	240,424
Loss from operations	(37,013)	(272,628)	(96,043)	(230,276)
Other income (expense):				
Interest expense	(13,636)	(11,089)	(40,385)	(27,874)
Interest income	336	222	645	895
Reserve for Turing receivable	—	—	(2,670)	(48,043)
Gain on sale of intangible assets	—	—	11,850	—
Gain (loss) on disposal of property, plant and equipment	4,708	(33)	4,963	111
Loss on debt extinguishment	—	—	(1,215)	—
Change in fair value of contingent consideration	(6,333)	—	(7,075)	—
Fixed asset impairment charges	(828)	(134)	(3,022)	(134)
Other, net	352	(206)	(7,929)	9
Loss before income taxes	(52,414)	(283,868)	(140,881)	(305,312)
(Benefit from) provision for income taxes	(3,045)	(104,531)	27,336	(112,866)
Net loss	$ (49,369)	$ (179,337)	$ (168,217)	$ (192,446)
Net loss per common share:				
Basic	$ (0.69)	$ (2.51)	$ (2.34)	$ (2.71)
Diluted	$ (0.69)	$ (2.51)	$ (2.34)	$ (2.71)
Weighted-average common shares outstanding:				
Basic	71,924,592	71,331,247	71,775,537	71,033,346
Diluted	71,924,592	71,331,247	71,775,537	71,033,346

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

IMPAX LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited; In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net loss	$ (49,369)	$ (179,337)	$ (168,217)	$ (192,446)
Other comprehensive loss component:				
Currency translation adjustment	(104)	3,687	8,324	6,660
Comprehensive loss	$ (49,473)	$ (175,650)	$ (159,893)	$ (185,786)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

IMPAX LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; In thousands)

	Nine Months Ended September 30,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$ (168,217)	$ (192,446)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	85,378	63,101
Non-cash interest expense	19,289	16,604
Share-based compensation expense	19,672	23,375
Deferred income taxes, net and uncertain tax positions	53,626	(94,703)
Intangible asset impairment charges	58,982	287,723
Reserve for Turing receivable	2,670	48,043
Gain on sale of intangible assets	(11,850)	—
Gain on disposal of property, plant and equipment	(4,963)	(111)
Loss on debt extinguishment	1,215	—
Change in fair value of contingent consideration	7,075	—
Fixed asset impairment charges	3,022	134
Other	(1,018)	—
Changes in certain assets and liabilities:		
Accounts receivable	12,678	36,818
Inventory	3,799	(35,745)
Prepaid expenses and other assets	(42,848)	(42,655)
Accounts payable and accrued expenses	5,140	(8,360)
Other liabilities	3,159	2,279
Net cash provided by operating activities	46,809	104,057
Cash flows from investing activities:		
Payment for business acquisition	—	(585,800)
Purchases of property, plant and equipment	(24,177)	(31,860)
Proceeds from sales of property, plant and equipment	9,105	1,346
Proceeds from sale of intangible assets	11,850	—
Proceeds from cash surrender value of life insurance policy	529	—
Payments for licensing agreements	—	(3,500)
Proceeds from repayment of Tolmar loan	—	15,000
Net cash used in investing activities	(2,693)	(604,814)

Cash flows from financing activities:		
Proceeds from issuance of term loan	—	400,000
Repayment of term loan	(65,000)	—
Payment of deferred financing fees	(818)	(11,867)
Payment of withholding taxes related to restricted stock awards	(2,668)	(5,782)
Proceeds from exercises of stock options and ESPP	847	9,137
Net cash (used in) provided by financing activities	(67,639)	391,488
Effect of exchange rate changes on cash and cash equivalents	1,048	1,041
Net decrease in cash and cash equivalents	(22,475)	(108,228)
Cash and cash equivalents, beginning of period	180,133	340,351
Cash and cash equivalents, end of period	$ 157,658	$ 232,123
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 17,938	$ 8,206
Cash paid for income taxes	3,524	23,136
Supplemental disclosure of non-cash investing activity:		
Fair value of contingent consideration issued in business acquisition	$ —	$ 30,100

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Impax Laboratories, Inc. (“Impax” or the “Company”) is a specialty pharmaceutical company that focuses on developing, manufacturing, marketing and distributing generic and branded pharmaceutical products. The Company has two reportable segments, referred to as “Impax Generics” and “Impax Specialty Pharma.” The Impax Generics division focuses on a broad range of therapeutic areas, including products having technically challenging drug-delivery mechanisms or unique product formulations. In addition to developing solid oral dosage products, the Impax Generics division’s portfolio includes alternative dosage form products, primarily through alliance and collaboration agreements with third parties. The Company’s Impax Specialty Pharma division is focused on the development and promotion, through the Company’s specialty sales force, of proprietary branded pharmaceutical products for the treatment of central nervous system (“CNS”) disorders and other select specialty segments.

Operating and Reporting Structure

The Company currently operates in two divisions: the Impax Generics division and the Impax Specialty Pharma division. The Impax Generics division includes the Company’s legacy Global Pharmaceuticals business as well as the acquired businesses of CorePharma, LLC ("CorePharma") and Lineage Therapeutics, Inc. ("Lineage") from the Company's acquisition of Tower Holdings, Inc. ("Tower") and its subsidiaries on March 9, 2015 (the "Tower Acquisition"). The Impax Specialty Pharma division includes the legacy Impax Pharmaceuticals business as well as the acquired business of Amedra Pharmaceuticals, LLC ("Amedra") from the Tower Acquisition.

Impax Generics develops, manufactures, sells, and distributes generic pharmaceutical products primarily through the following four sales channels: the “Impax Generics” sales channel, for generic pharmaceutical prescription products the Company sells directly to wholesalers, large retail drug chains, and others; the “Private Label” sales channel, for generic pharmaceutical over-the-counter (“OTC”) and prescription products the Company sells to unrelated third-party customers who, in turn, sell the product to third parties under their own label; the “Rx Partner” sales channel, for generic prescription products sold through unrelated third-party pharmaceutical entities under their own label pursuant to alliance agreements; and the “OTC Partner” sales channel, for generic pharmaceutical OTC products sold through unrelated third-party pharmaceutical entities under their own labels pursuant to alliance and supply agreements. Revenues from generic products are reported under the caption "Impax Generics, net."

Impax Specialty Pharma is engaged in the development, sale and distribution of proprietary brand pharmaceutical products that the Company believes represent improvements to already-approved pharmaceutical products addressing CNS disorders and other select specialty segments. Impax Specialty Pharma currently has one internally developed branded pharmaceutical product, Rytary® (IPX066), an extended release oral capsule formulation of carbidopa-levodopa for the treatment of Parkinson’s disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication and/or manganese intoxication, which was approved by the FDA on January 7, 2015 and which the Company began marketing in the United States in April 2015. The Company received marketing authorization from the European Commission for Numient® (the brand name of IPX066 outside of the United States) during the fourth quarter of fiscal year 2015. In addition to Rytary®, Impax Specialty Pharma is also currently engaged in the sale and distribution of four other branded products; the more significant include Zomig® (zolmitriptan) products, indicated for the treatment of migraine headaches, under the terms of a Distribution, License, Development and Supply Agreement with AstraZeneca UK Limited (“AstraZeneca”) in the United States and in certain U.S. territories (the "AZ Agreement"), and Emverm® (mebendazole) 100 mg chewable tablets, indicated for the treatment of pinworm, whipworm, common roundworm, common hookworm, and American hookworm in single or mixed infections. Revenues from branded products are reported under the caption “Impax Specialty Pharma, net.” Impax Specialty Pharma also has a number of product candidates that are in varying stages of development. See “Note 21. Segment Information,” for financial information about our segments for the three and nine months ended September 30, 2017 and 2016 .

Operating Locations

The Company owns and/or leases facilities in California, Pennsylvania, New Jersey and Taiwan, Republic of China ("R.O.C."). In California, the Company utilizes a combination of owned and leased facilities mainly located in Hayward. The Company's primary properties in California consist of a leased office building used as the Company's corporate headquarters, in addition to four properties it owns, including a research and development center facility and a manufacturing facility. Additionally, the Company leases two facilities in Hayward, utilized for additional research and development, equipment storage and quality assurance support. In Pennsylvania, the Company leases office space for sales and marketing, finance, and administrative personnel in Fort Washington. In New Jersey, the Company leases manufacturing, packaging, research and development and warehousing facilities in Middlesex and office space in Bridgewater. Outside the United States, in Taiwan, R.O.C., the Company owns a manufacturing facility.

Management Changes

On March 27, 2017, the Company announced that its Board of Directors had appointed Paul M. Bisaro as President and Chief Executive Officer and as a director of the Company, effective as of March 27, 2017. Mr. Bisaro succeeded J. Kevin Buchi, a member of the Company's Board of Directors, who served as the Company's Interim President and Chief Executive Officer beginning from December 19, 2016 following G. Frederick Wilkinson's separation from the Company as described below. Mr. Buchi currently remains a member of the Company's Board of Directors. In connection with his appointment as President and Chief Executive Officer, Mr. Bisaro and the Company entered into an Employment Agreement dated March 24, 2017 (the "Employment Agreement"). The initial term of the Employment Agreement expires on March 27, 2019, unless further extended or earlier terminated, and automatically renews for single one -year periods unless either party provides a written notice of non-renewal at least 90 days prior to the end of the applicable term or unless it is terminated earlier.

On December 20, 2016, the Company announced that G. Frederick Wilkinson and the Company had mutually agreed that Mr. Wilkinson would separate from his positions as President and Chief Executive Officer and resign as a member of its Board of Directors, effective December 19, 2016. In connection with his separation from the Company, Mr. Wilkinson and the Company entered into a General Release and Waiver dated as of December 19, 2016 (the "General Release and Waiver"). Pursuant to the General Release and Waiver, the Company provided Mr. Wilkinson with certain termination benefits and payments. The Company recorded $5.4 million in costs associated with Mr. Wilkinson's separation in the year ended December 31, 2016, comprised of $4.9 million of separation pay and benefits and $0.5 million of expense related to the accelerated vesting of certain of Mr. Wilkinson's outstanding stock options and restricted stock awards pursuant to the terms of the General Release and Waiver.

2. BUSINESS ACQUISITION

Teva Transaction

On August 3, 2016, the Company completed its previously announced acquisition of (A) certain assets related to (i) 15 then currently marketed generic pharmaceutical products, (ii) one then approved generic product and two then tentatively approved strengths of a then currently marketed product, which at the time of the closing had not yet launched, (iii) one pipeline generic product and one pipeline strength of a then currently marketed product, which at the time of the closing were pending approval by the FDA and (iv) one generic product then under development, and (B) the return to the Company of its full commercial rights to its pending ANDA for the generic equivalent to Concerta® (methylphenidate hydrochloride), a product the Company previously partnered with Teva Pharmaceuticals USA, Inc. ("Teva USA") (collectively, the products and pipeline products and the assets related thereto in (A) and (B), the "Acquired Product Lines" and the transactions related thereto the "Teva Transaction"), pursuant to (x) an Asset Purchase Agreement, dated as of June 20, 2016, as amended on June 30, 2016, with Teva Pharmaceutical Industries Ltd. ("Teva"), acting directly or through its affiliates (the "Teva APA"), (y) an Asset Purchase Agreement, dated as of June 20, 2016, as amended on June 30, 2016, with affiliates of Allergan plc ("Allergan"), (the "Allergan APA" and collectively with the Teva APA, the "APAs"), and (z) a Termination Agreement, dated as of June 20, 2016, between the Company and Teva USA, terminating each party's rights and obligations with respect to methylphenidate hydrochloride under the Strategic Alliance Agreement, dated June 27, 2001, as amended between the Company and Teva USA. The aggregate purchase price for the Acquired Product Lines pursuant to the terms of the Teva APA and the Allergan APA, including the upfront payment to Teva in accordance with the Termination Agreement, was $585.8 million in cash at closing. The Company is also obligated to make future payments to Teva of up to $40.0 million under the terms of the Termination Agreement, payable upon the achievement of specified commercialization events related to methylphenidate hydrochloride. Refer to "Note 23. Subsequent Events" for further details related to the Company's methylphenidate hydrochloride product. The Teva Transaction was part of the divestiture process mandated by the Federal Trade Commission in connection with the acquisition by Teva of the U.S. generics business of Allergan.

The Company financed the Teva Transaction utilizing cash on hand and $400.0 million , the full amount of borrowing available, from its Term Loan Facility with Royal Bank of Canada, as discussed in "Note 12. Debt." The Company has incurred total acquisition-related costs of $4.0 million for the Teva Transaction, largely during the second and third quarters of 2016, and of which minimal amounts and $0.3 million were incurred during the three and nine months ended September 30, 2017 , respectively, and $1.7 million and $2.9 million were incurred during the three and nine months ended September 30, 2016 , respectively.

The acquisition of the foregoing currently marketed and pipeline products fit with the Company's strategic priorities of maximizing its Generics Division's platform and optimizing research and development opportunities. Through the Teva Transaction, the Company expanded its portfolio of difficult-to-manufacture or limited-competition products and maximize utilization of its existing manufacturing facilities in Hayward, California and Taiwan.

As part of the closing of the Teva Transaction, the Company, Teva and Allergan agreed to certain transition related services pursuant to which the Company agreed to manage the payment process for certain commercial chargebacks and rebates on behalf of Teva and Allergan related to products each of Teva and Allergan sold into the channel prior to the closing date. On August 18, 2016, the Company received a payment totaling $42.4 million from Teva and Allergan, which represented their combined estimate of the amount of commercial chargebacks and rebates to be paid by the Company on their behalf to wholesalers who purchased products from Teva and Allergan prior to the closing. Pursuant to the agreed upon transition services, Teva and Allergan are obligated to reimburse the Company for additional payments related to chargebacks and rebates made on their behalf in excess of the $42.4 million . If the total payments made by the Company on behalf of Teva and Allergan are less than $42.4 million , the Company is obligated to refund the difference to Teva and/or Allergan. As of September 30, 2017 , the Company had paid $29.1 million related to chargebacks and rebates on behalf of Teva and Allergan as described above and $13.3 million remained in accrued expenses on the consolidated balance sheet.

Purchase Accounting and Consideration

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805") defines a business as consisting of inputs and processes applied to those inputs that have the ability to create outputs. The Company has determined that the Acquired Product Lines meet the definition of a business and, accordingly, has accounted for the Teva Transaction as a business combination under the acquisition method of accounting.

The following is an estimate of the purchase price for the Teva Transaction as of the closing date of August 3, 2016 (in thousands):

	Estimated Fair Value
Purchase price per the APAs	$ 575,800
Upfront payment pursuant to Termination Agreement	10,000
Total cash consideration	585,800
Fair value of contingent consideration pursuant to Termination Agreement (1)	30,100
Total consideration transferred	$ 615,900

(1) The contingent consideration arrangement pursuant to the Termination Agreement potentially requires the Company to pay up to $40.0 million of additional consideration to Teva upon the achievement of specified commercialization events related to methylphenidate hydrochloride. The $30.1 million fair value of the potential contingent consideration payments recognized on the acquisition date was estimated by applying a probability-weighted expected return methodology.

Recognition and Measurement of Assets Acquired at Fair Value

The Company has allocated the purchase price for the Teva Transaction based upon the estimated fair value of the assets acquired at the date of acquisition.

The following is an estimate of the fair value of the intangible and tangible assets acquired in connection with the Teva Transaction on the closing date of August 3, 2016 (in thousands):

	Estimated Fair Value
Intangible assets	$ 613,032
Inventory - raw materials	2,868
Total assets acquired	$ 615,900

Intangible Assets

The following identifies the Company's allocations of purchase price to intangible assets, including the weighted-average amortization period, in total and by major intangible asset class as of the closing date (in thousands):

	Estimated Fair Value	Weighted-Average Estimated Useful Life
Marketed product rights	$ 455,529	19 years
Acquired IPR&D product rights (1)	157,503	n/a
Total intangible assets	$ 613,032	

(1) "IPR&D" refers to the Company's in-process research and development product rights. Pursuant to the Termination Agreement, Teva returned to the Company its full commercial rights to its pending ANDA for the generic equivalent to Concerta ® (methylphenidate hydrochloride), a product the Company previously partnered with Teva USA under a Strategic Alliance Agreement dated June 27, 2001, as amended. As a result, the Company recognized an intangible asset of $78.9 million related to the reacquired IPR&D. The Company engaged a third-party valuation specialist to measure the value of the reacquired product right using a discounted cash flow analysis. The asset was determined to be indefinite-lived based on the market participant methodology prescribed in ASC 805.

The estimated fair value of the in-process research and development and identifiable intangible assets was determined using the "income approach," which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. The assumptions, including the expected projected cash flows, utilized in the purchase price allocation and in determining the purchase price were based on management's best estimates as of the closing date of the Teva Transaction on August 3, 2016. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, research and development costs, selling and marketing costs and working capital / contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset's life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream, as well as other factors. The discount rate used to arrive at the present value at the closing date of the intangible assets was 6.7% . No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results. During the third and fourth quarters of 2016, the Company recognized impairment charges of $251.0 million and $57.4 million , respectively, related to the intangible assets from the Teva Transaction. During the first and third quarters of 2017, the Company recognized impairment charges of $41.8 million and $13.6 million , respectively, related to the intangible assets from the Teva Transaction as described in "Note 10. Intangible Assets and Goodwill."

Unaudited Pro Forma Results of Operations

The unaudited pro forma combined results of operations for the three and nine months ended September 30, 2016 (assuming the closing of the Teva Transaction occurred on January 1, 2015) are as follows (in thousands):

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Total revenues	$ 242,647	$ 729,171
Net loss	(177,379)	(167,505)

The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Teva Transaction, factually supportable and expected to have a continuing impact on the Company. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the closing of the Teva Transaction taken place on January 1, 2015. Furthermore, the pro forma results do not purport to project the future results of operations of the Company.

The unaudited pro forma information reflects primarily the following adjustments:

- Adjustments to amortization expense related to identifiable intangible assets acquired;
- Adjustments to interest expense to reflect the Company's Term Loan Facility (described in “Note 12. Debt”); and
- Adjustments to selling, general and administrative expense related to transaction costs directly attributable to the transaction including the elimination of $1.7 million and $2.9 million in the pro forma results for both the three and nine months ended September 30, 2016 , respectively.

All of the items above were adjusted for the applicable tax impact.

3. BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim consolidated financial statements have been prepared from the books and records of the Company in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and Rule 10-01 of Regulation S-X promulgated by the United States Securities and Exchange Commission (“SEC”), which permit reduced disclosures for interim periods. All adjustments necessary for a fair presentation of the accompanying balance sheets and statements of operations, comprehensive loss, and cash flows have been made. Although these interim consolidated financial statements do not include all of the information and footnotes required for complete annual financial statements, management believes the disclosures are adequate to make the information presented not misleading. Unaudited interim results of operations and cash flows are not necessarily indicative of the results that may be expected for the full year. Unaudited interim consolidated financial statements and footnotes should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 , as filed with the SEC, wherein a more complete discussion of significant accounting policies and certain other information can be found.

Principles of Consolidation

The Company's unaudited interim consolidated financial statements include the accounts of the operating parent company, Impax Laboratories, Inc., its wholly owned subsidiaries, including Impax Laboratories USA, LLC, Impax Laboratories (Taiwan), Inc., ThoRx Laboratories, Inc., Impax International Holdings, Inc., Impax Holdings, LLC, Impax Laboratories (Netherlands) C.V., Impax Laboratories (Netherlands) B.V., Impax Laboratories Ireland Limited, Lineage and Tower, including operating subsidiaries CorePharma, Amedra Pharmaceuticals, Mountain LLC and Trail Services, Inc., in addition to an equity investment in Prohealth Biotech (Taiwan), Inc. (“Prohealth”), in which the Company held a 57.54% majority ownership interest at September 30, 2017 . All significant intercompany accounts and transactions have been eliminated.

Foreign Currency Translation

The Company translates the assets and liabilities of the Taiwan dollar functional currency of its majority-owned affiliate Prohealth and its wholly-owned subsidiary Impax Laboratories (Taiwan), Inc. into the U.S. dollar reporting currency using exchange rates in effect at the end of each reporting period. The revenues and expenses of these entities are translated using an average of the rates in effect during the reporting period. Gains and losses from these translations are recorded as currency translation adjustments included in the consolidated statements of comprehensive loss.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and the rules and regulations of the U.S. Securities & Exchange Commission ("SEC") requires the use of estimates and assumptions, based on complex judgments considered reasonable, which affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant judgments are employed in estimates used in determining values of tangible and intangible assets, contingent consideration, legal contingencies, tax assets and tax liabilities, fair value of share-based compensation related to equity incentive awards issued to employees and directors, and estimates used in applying the Company's revenue recognition policy, including those related to accrued chargebacks, rebates, product returns, Medicare, Medicaid, and other government rebate programs, shelf-stock adjustments, and the timing and amount of deferred and recognized revenue and deferred and amortized product manufacturing costs related to alliance and collaboration agreements. Actual results may differ from estimated results.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's complete Summary of Significant Accounting Policies can be found in "Item 15. Exhibits and Financial Statement Schedules - Note 4. Summary of Significant Accounting Policies" in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 , as filed with the SEC. Certain significant accounting policies have been repeated below.

Revenue Recognition

The Company recognizes revenue when the earnings process is complete, which under SEC Staff Accounting Bulletin No. 104, Topic No. 13, "Revenue Recognition" ("SAB 104"), is when revenue is realized or realizable and earned, there is persuasive evidence a revenue arrangement exists, delivery of goods or services has occurred, the sales price is fixed or determinable, and collectability is reasonably assured.

The Company accounts for material revenue arrangements which contain multiple deliverables in accordance with FASB ASC Topic 605-25, *Revenue Recognition - Multiple-Element Arrangements* ("ASC 605-25"), which addresses the determination of whether an arrangement involving multiple deliverables contains more than one unit of accounting. A delivered item within an arrangement is considered a separate unit of accounting only if both of the following criteria are met:

- the delivered item has value to the customer on a stand-alone basis; and
- if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor.

Under ASC 605-25, if both of the criteria above are not met, then separate accounting for the individual deliverables is not appropriate. Revenue recognition for arrangements with multiple deliverables constituting a single unit of accounting is recognized generally over the greater of the term of the arrangement or the expected period of performance, either on a straight-line basis or on a modified proportional performance method.

The Company accounts for milestones related to research and development activities in accordance with FASB ASC Topic 605-28, *Revenue Recognition - Milestone Method* ("ASC 605-28"). ASC Topic 605-28 allows for the recognition of consideration, which is contingent on the achievement of a substantive milestone, in its entirety in the period the milestone is achieved. A milestone is considered to be substantive if all of the following criteria are met:

- the milestone is commensurate with either (1) the performance required to achieve the milestone or (2) the enhancement of the value of the delivered items resulting from the performance required to achieve the milestone;
- the milestone relates solely to past performance; and
- the milestone payment is reasonable relative to all of the deliverables and payment terms within the agreement.

Impax Generics revenues, net and Impax Specialty Pharma revenues, net

The Impax Generics revenues, net and Impax Specialty Pharma revenues, net include revenue recognized related to shipments of generic and branded pharmaceutical products to the Company's customers, primarily drug wholesalers and retail chains. Gross sales revenue is recognized at the time title and risk of loss passes to the customer, which is generally when product is received by the customer. Net revenues may include deductions from the gross sales price related to estimates for chargebacks, rebates and administrative fees, distribution service fees, returns, shelf-stock adjustments, and other pricing adjustments. The Company records an estimate for these deductions in the same period when revenue is recognized. A description of each of these gross-to-net deductions follows.

- Chargebacks

The Company has agreements establishing contract prices for certain products with certain indirect customers, such as retail pharmacy chains, group purchasing organizations, managed care organizations, hospitals and government agencies who purchase products from drug wholesalers. The contract prices are lower than the prices the customer would otherwise pay to the wholesaler, and the price difference is referred to as a chargeback, which generally takes the form of a credit memo issued by the Company to reduce the invoiced gross selling price charged to the wholesaler. An estimated accrued provision for chargeback deductions is recognized at the time of product shipment. The primary factors considered when estimating the provision for chargebacks are the average historical chargeback credits given, the mix of products shipped, and the amount of inventory on hand at the major drug wholesalers with whom the Company does business. The Company also monitors actual chargebacks granted and compares them to the estimated provision for chargebacks to assess the reasonableness of the chargeback reserve at each quarterly balance sheet date.

- Rebates and Administrative Fees

The Company maintains various rebate and administrative fee programs with its customers in an effort to maintain a competitive position in the marketplace and to promote sales and customer loyalty. The rebates generally take the form of a credit memo to reduce the invoiced gross selling price charged to a customer for products shipped. An estimated accrued provision for rebate deductions is recognized at the time of product shipment. The primary factors the Company considers when estimating the provision for rebates are the average historical experience of aggregate credits issued, the mix of products shipped and the historical relationship of rebates as a percentage of total gross product sales, the contract terms and conditions of the various rebate programs in effect at the time of shipment, and the amount of inventory on hand at the major drug wholesalers with whom the Company does business. The Company also monitors actual rebates granted and compares them to the estimated provision for rebates to assess the reasonableness of the rebate reserve at each quarterly balance sheet date.

- Distribution Service Fees

The Company pays distribution service fees to several of its wholesaler customers related to sales of its Impax Products. The wholesalers are generally obligated to provide the Company with periodic outbound sales information as well as inventory levels of the Company's Impax Products held in their warehouses. Additionally, the wholesalers have agreed to manage the variability of their purchases and inventory levels within specified days on hand limits. An accrued provision for distribution service fees is recognized at the time products are shipped to wholesalers.

- Returns

The Company allows its customers to return product if approved by authorized personnel in writing or by telephone with the lot number and expiration date accompanying any request and if such products are returned within six months prior to or until twelve months following, the product's expiration date. The Company estimates and recognizes an accrued provision for product returns as a percentage of gross sales based upon historical experience. The product return reserve is estimated using a historical lag period, which is the time between when the product is sold and when it is ultimately returned, and estimated return rates which may be adjusted based on various assumptions including: changes to internal policies and procedures, business practices, commercial terms with customers, and the competitive position of each product; the amount of inventory in the wholesale and retail supply chain; the introduction of new products; and changes in market sales information. The Company also considers other factors, including significant market changes which may impact future expected returns and actual product returns. The Company monitors actual returns on a quarterly basis and may record specific provisions for returns it believes are not covered by historical percentages.

- Shelf-Stock Adjustments

Based upon competitive market conditions, the Company may reduce the selling price of certain Impax Generics division products. The Company may issue a credit against the sales amount to a customer based upon their remaining inventory of the product in question, provided the customer agrees to continue to make future purchases of product from the Company. This type of customer credit is referred to as a shelf-stock adjustment, which is the difference between the initial sales price and the revised lower sales price, multiplied by an estimate of the number of product units on hand at a given date. Decreases in selling prices are discretionary decisions made by the Company in response to market conditions, including estimated launch dates of competing products and declines in market price. The Company records an estimate for shelf-stock adjustments in the period it agrees to grant such a credit memo to a customer.

- Cash Discounts

The Company offers cash discounts to its customers, generally 2% to 3% of the gross selling price, as an incentive for paying within invoice terms, which generally range from 30 to 90 days. An estimate of cash discounts is recorded in the same period when revenue is recognized.

- Medicaid and Other U.S. Government Pricing Programs

As required by law, the Company provides a rebate on drugs dispensed under the Medicaid program, Medicare Part D, TRICARE, and other U.S. government pricing programs. The Company determines its estimated government rebate accrual primarily based on historical experience of claims submitted by the various states and other jurisdictions and any new information regarding changes in the various programs which may impact the Company's estimate of government rebates. In determining the appropriate accrual amount, the Company considers historical payment rates and processing lag for outstanding claims and payments. The Company records estimates for government rebates as a deduction from gross sales, with a corresponding adjustment to accrued liabilities.

- Rx Partner and OTC Partner

The Rx Partner and OTC Partner contracts include revenue recognized under alliance and collaboration agreements between the Company and unrelated third-party pharmaceutical companies. The Company has entered into these alliance agreements to develop marketing and/or distribution relationships with its partners to fully leverage its technology platform.

The Rx Partners and OTC Partners alliance agreements obligate the Company to deliver multiple goods and/or services over extended periods. Such deliverables include manufactured pharmaceutical products, exclusive and semi-exclusive marketing rights, distribution licenses, and research and development services. In exchange for these deliverables the Company receives payments from its agreement partners for product shipments and research and development services, and may also receive other payments including royalties, profit sharing payments, and upfront and periodic milestone payments. Revenue received from the alliance agreement partners for product shipments under these agreements is not subject to deductions for chargebacks, rebates, product returns, and other pricing adjustments. Royalty and profit sharing amounts the Company receives under these agreements are calculated by the respective agreement partner, with such royalty and profit share amounts generally based upon estimates of net product sales or gross profit which include estimates of deductions for chargebacks, rebates, product returns, and other adjustments the alliance agreement partners may negotiate with their respective customers. The Company records the agreement partner's adjustments to such estimated amounts in the period the agreement partner reports the amounts to the Company.

The Company applies the updated guidance of ASC 605-25 to the Strategic Alliance Agreement, as amended, with Teva Pharmaceuticals USA, Inc., an affiliate of Teva Pharmaceutical Industries Limited (the "Teva Agreement"). The Company looks to the underlying delivery of goods and/or services which give rise to the payment of consideration under the Teva Agreement to determine the appropriate revenue recognition. The Company initially defers consideration received as a result of research and development-related activities performed under the Teva Agreement. The Company recognizes deferred revenue on a straight-line basis over the expected period of performance for such services. Consideration received as a result of the manufacture and delivery of products under the Teva Agreement is recognized at the time title and risk of loss passes to the customer, which is generally when product is received by Teva. The Company recognizes profit share revenue in the period earned.

OTC Partner revenue is related to agreements with Pfizer, Inc., formerly Wyeth LLC (“Pfizer”) and L. Perrigo Company (“Perrigo”) with respect to the supply of the Company's over-the-counter pharmaceutical product Loratadine and Pseudoephedrine Sulfate 5 mg/129 mg 12-hour Extended Release Tablets (the "D12 Product"). The OTC Partner sales channel is no longer a core area of the business, and the over-the-counter pharmaceutical products the Company sells through this sales channel are older products which are now only sold to Pfizer and Perrigo. The Company is currently only required to manufacture the over-the-counter pharmaceutical products under its agreements with Pfizer and Perrigo. The Company recognizes profit share revenue in the period earned. During the quarter ended September 30, 2016, the Company sold the ANDAs for both the D12 Product and the Loratadine and Pseudoephedrine Sulfate 10 mg/240 mg 24-hour Extended Release Tablets, in addition to other specified assets, to Perrigo pursuant to an asset purchase agreement with Perrigo dated as of March 31, 2016 (the "Perrigo APA"). Under the terms of the Perrigo APA, the Company will also continue to supply the D-12 Product to Pfizer and Perrigo until the date that is the earliest of (i) the date Perrigo’s manufacturing facility is approved to manufacture the D-12 Product and (ii) December 31, 2017 (the "Supply End Date"). On the Supply End Date, the Company will assign and transfer its supply agreement with Pfizer in its entirety to Perrigo in accordance with the Perrigo APA.

- Research Partner

The Research Partner contract revenue results from development agreements the Company enters into with unrelated third-party pharmaceutical companies. The development agreements generally obligate the Company to provide research and development services over multiple periods. In exchange for this service, the Company generally receives upfront payments upon signing of each development agreement and is eligible to receive contingent milestone payments, payment of which is based upon the achievement of contractually specified events. Additionally, the Company may also receive royalty payments from the sale, if any, of a successfully developed and commercialized product under one of these development agreements. The Company recognizes revenue received from the achievement of contingent research and development milestones in the period such payment is earned. Royalty revenue, if any, will be recognized as current period revenue when earned.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, “ *Revenue from Contracts with Customers* ” (Topic 606), regarding the accounting for and disclosures of revenue recognition, with an effective date for annual and interim periods beginning after December 15, 2016. This update provides a single comprehensive model for accounting for revenue from contracts with customers. The model requires that revenue recognized reflect the actual consideration to which the entity expects to be entitled in exchange for the goods or services defined in the contract, including in situations with multiple performance obligations. In July 2015, the FASB issued ASU 2015-14, “ *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* ,” which deferred the effective date of the previously issued revenue recognition guidance by one year. The guidance will be effective for annual and interim periods beginning after December 15, 2017. In April 2016 and May 2016, the FASB issued ASU 2016-10, " *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* " and ASU 2016-12, " *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* ," respectively. Both of these updates provide improvements and clarification to the previously issued revenue recognition guidance. The new standard can be adopted using one of two methods: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The Company will adopt the new revenue recognition standard in 2018 using the modified retrospective method. The new standard will result in additional revenue-related disclosures in the notes to the Company’s consolidated financial statements. The Company is currently finalizing the impact that adoption will have on its consolidated financial statements. The majority of the Company's revenue relates to the sale of finished products to various customers, and management does not currently believe that the adoption will have a material impact on these transactions. The Company is continuing to evaluate the impact on certain less significant transactions involving third-party collaborations and other arrangements, but does not currently believe it will have a material effect on the overall financial results. In addition, the new standard will require changes to the Company’s processes and controls to support additional disclosures; and the Company is in the process of identifying and designing such changes to processes and controls to ensure readiness.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): “ *Simplifying the Measurement of Inventory* ,” with guidance regarding the accounting for and measurement of inventory. The update requires that inventory measured using first-in, first-out ("FIFO") shall be measured at the lower of cost and net realizable value. When there is evidence that the net realizable value of inventory is lower than its cost, the difference shall be recognized as a loss in earnings in the period in which it occurs. The guidance is effective for annual and interim periods beginning after December 15, 2016. The Company adopted this guidance during the first quarter of 2017, and it did not have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), with guidance regarding the accounting for and disclosure of leases. The update requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet. This update also requires lessees and lessors to disclose key information about their leasing transactions. The guidance will be effective for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements and related disclosures. The Company expects the implementation of this standard to have an impact on its consolidated financial statements and related disclosures as its aggregate future minimum lease payments were $30.2 million as of December 31, 2016 under its current portfolio of non-cancelable leases for land, office space, and manufacturing, warehouse and research and development facilities with various expiration dates between April 2017 and December 2027. The Company anticipates recognition of additional assets and corresponding liabilities related to these leases on its consolidated balance sheet.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815): " *Contingent Put and Call Options in Debt Instruments* ," with guidance regarding the accounting for embedded derivatives related to debt contracts. The update clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. The update also indicates that entities are not required to separately assess whether the contingency itself is clearly and closely related. The guidance is effective for annual and interim periods beginning after December 15, 2016. The Company adopted this guidance during the first quarter of 2017, and it did not have an effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): " *Improvements to Employee Share-Based Payment Accounting* ," with guidance regarding the simplification of accounting for share-based payment award transactions. The update changes the accounting for such areas as the accounting and cash flow classification for excess tax benefits and deficiencies; forfeitures; and tax withholding requirements and cash flow classification. The guidance is effective for annual and interim periods beginning after December 15, 2016. The Company adopted the new guidance effective January 1, 2017 and elected to eliminate the use of a forfeiture rate estimate in the determination of share-based compensation expense for restricted stock awards using the modified retrospective transition method, which resulted in a $1.4 million charge to opening retained earnings for 2017. In addition, the Company is now presenting the cash paid for tax withholdings on stock options exercised and restricted stock awards vested retrospectively in cash flows from financing activities as opposed to the historical presentation in cash flows from operating activities. Excess tax benefits or deficiencies, historically recorded to additional paid-in capital, are recorded to income tax expense as they occur on a prospective basis.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): " *Classification of Certain Cash Receipts and Cash Payments,* " with guidance intended to reduce the diversity in practice regarding how certain cash receipts and cash payments are presented and classified within the statement of cash flows. The update addresses eight specific cash flow issues including debt prepayment or debt extinguishment costs, the settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)), distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The guidance will be effective for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In October 2016, the FASB issued ASU-2016-16, Income Taxes (Topic 740): " *Intra-Entity Transfers of Assets Other Than Inventory,* " with guidance intended to more faithfully represent the economics of intra-entity asset transfers. The update clarifies that entities must recognize the income tax consequences of intra-entity asset transfers, other than inventory, when the transfer occurs. The guidance will be effective for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In January 2017, the FASB issued ASU-2017-01, Business Combinations (Topic 805): " *Clarifying the Definition of a Business,* " with guidance intended to assist entities in evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The update provides a screen to determine whether an integrated set of assets and activities constitute a business. If the screen is not met, it (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) removes the evaluation of whether a market participant could replace the missing elements. The guidance will be effective for annual and interim periods beginning after December 15, 2017 and should be applied prospectively. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments - Equity Method and Joint Ventures (Topic 323), which add to and amend SEC paragraphs pursuant to the SEC Staff Announcements at the September 22, 2016 and November 17, 2016 Emerging Issues Task Force (EITF) meetings. The guidance provides additional disclosure requirements regarding the impact of recently issued accounting standards on the financial statements of a registrant when such standards are adopted in a future period. The Company adopted this guidance during the first quarter of 2017, and it did not have an effect on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU-2017-04, Intangibles - Goodwill and Other (Topic 350): " *Simplifying the Test for Goodwill Impairment,* " which removes the second step of the two-step goodwill impairment test. In order to reduce the cost and complexity of testing goodwill for impairment, entities are now only required to perform a one-step quantitative impairment test and to record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of a reporting unit to determine if the quantitative impairment test is necessary. Entities should apply the guidance on a prospective basis and disclose the nature of and reason for the change in accounting principle upon transition. The guidance will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted for interim or annual goodwill impairment tests performed after January 1, 2017. The Company adopted this guidance as of the first quarter of 2017, and it did not have an effect on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20), which provides clarification regarding the scope of the asset derecognition guidance and accounting for partial sales of nonfinancial assets. The update defines an in substance nonfinancial asset and clarifies that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it. All businesses and nonprofit activities within the scope of Subtopic 610-20 are excluded from the amendments in this update. This guidance will be effective for annual and interim periods beginning after December 15, 2017 and is required to be applied at the same time as ASU 2014-09 (described above) is applied. The guidance can be applied using one of two methods: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): " *Scope of Modification Accounting* ," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance will be effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

6. FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash equivalents, accounts receivable, prepaid expenses and other current assets, and accounts payable in the Company's consolidated balance sheets approximated their fair values as of September 30, 2017 and December 31, 2016 due to their short-term nature.

Certain of the Company's financial instruments are measured at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Inputs are quoted prices for identical instruments in active markets.
- Level 2 - Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 - Inputs are unobservable and reflect the Company's own assumptions, based on the best information available, including the Company's own data.

The carrying amounts and fair values of the Company's financial instruments at September 30, 2017 and December 31, 2016 are indicated below (in thousands):

	As of September 30, 2017				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Deferred Compensation Plan asset [1]	$ 37,004	$ 37,004	$ —	$ 37,004	$ —
Liabilities					
Term Loan Facility due August 2021, current portion [2]	$ 20,000	$ 20,000	$ —	$ 20,000	$ —
Term Loan Facility due August 2021, long-term portion [2]	$ 310,000	$ 310,000	$ —	$ 310,000	$ —
2% Convertible Senior Notes due June 2022 [3]	$ 600,000	$ 542,586	$ 542,586	$ —	$ —
Deferred Compensation Plan liabilities [1]	$ 31,746	$ 31,746	$ —	$ 31,746	$ —
Contingent consideration, current portion [4]	$ 25,000	$ 25,000	$ —	$ —	$ 25,000
Contingent consideration, long-term portion [4]	$ 13,123	$ 13,123	$ —	$ —	$ 13,123

	As of December 31, 2016				
			Fair Value Measurement Based on		
	Carrying Amount	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Deferred Compensation Plan asset [1]	$ 37,382	$ 37,382	$ —	$ 37,382	$ —
Liabilities					
Term Loan Facility due August 2021, current portion [2]	$ 20,000	$ 20,000	$ —	$ 20,000	$ —
Term Loan Facility due August 2021, long-term portion [2]	$ 375,000	$ 375,000	$ —	$ 375,000	$ —
2% Convertible Senior Notes due June 2022 [3]	$ 600,000	$ 469,800	$ 469,800	$ —	$ —
Deferred Compensation Plan liabilities [1]	$ 28,582	$ 28,582	$ —	$ 28,582	$ —
Contingent consideration, long-term portion [4]	$ 31,048	$ 31,048	$ —	$ —	$ 31,048

(1) The Deferred Compensation Plan liabilities are non-current liabilities recorded at the value of the amount owed to the plan participants, with changes in value recognized as compensation expense in the Company's consolidated statements of operations. The calculation of the Deferred Compensation Plan obligation is derived from observable market data by reference to hypothetical investments selected by the participants and is included in the line items captioned "Other non-current liabilities" on the Company's consolidated balance sheets. The Company invests participant contributions in corporate-owned life insurance ("COLI") policies, for which the cash surrender value is included in the line item captioned "Other non-current assets" on the Company's consolidated balance sheets.

(2) The difference between the amount shown as the carrying value in the above tables and the amount shown on the Company's consolidated balance sheets at September 30, 2017 and December 31, 2016 represents the unaccreted discount related to deferred debt issuance costs.

(3) The difference between the amount shown as the carrying value in the above tables and the amount shown on the Company's consolidated balance sheets at September 30, 2017 and December 31, 2016 represents the unaccreted discounts related to deferred debt issuance costs and bifurcation of the conversion feature of the notes.

(4) The contingent consideration liability represents future consideration potentially payable to Teva upon the achievement of specified commercialization events related to methylphenidate hydrochloride in accordance with the Termination Agreement related to the Teva Transaction as described in "Note 2. Business Acquisition." A discounted cash flow valuation model was used to value the contingent consideration. The valuation is based on significant unobservable inputs, including the probability and timing of successful product launch, the expected number of product competitors as defined in the Termination Agreement in the market at the time of launch, and the expected number of such competitors in the market on the one-year launch anniversary date. The Company conducts a quarterly review of the underlying inputs and assumptions and significant changes in unobservable inputs could result in material changes to the contingent consideration liability. Due to the Company's expectation as of September 30, 2017 that the product launch would occur in the fourth quarter of 2017 and the then expected existence of two product competitors in the market at the time of launch, a 100% probability of payment was used to calculate the $25.0 million fair value of the $25.0 million contingent payment related to the product launch. As of September 30, 2017, the Company determined that it was 90% probable that the Company would be required to pay to Teva the $15.0 million contingent payment at the one-year product launch anniversary and based on the expected number of competitors in the market at such time in accordance with the terms of the Termination Agreement, resulting in the Company's determination of a $13.1 million fair value of the $15.0 million contingent payment as of September 30, 2017. The maximum aggregate amount in contingent consideration payments the Company could be expected to make to Teva in accordance with the Termination Agreement related to methylphenidate hydrochloride is $40.0 million . Refer to "Note 23. Subsequent Events" for further details related to the Company's methylphenidate hydrochloride product.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the nine months ended September 30, 2017 (in thousands):

	As of December 31, 2016	Change in Fair Value Included in Earnings	As of September 30, 2017
Total contingent consideration	$ 31,048	$ 7,075	$ 38,123

7. ACCOUNTS RECEIVABLE

The composition of accounts receivable, net is as follows (in thousands):

	September 30, 2017	December 31, 2016
Gross accounts receivable (1)	$ 580,874	$ 794,173
Less: Rebate reserve	(149,271)	(293,816)
Less: Chargeback reserve	(119,386)	(151,978)
Less: Distribution services reserve	(7,956)	(18,318)
Less: Discount reserve	(16,366)	(17,957)
Less: Uncollectible accounts reserve (2)	(45,875)	(54,736)
Accounts receivable, net	$ 242,020	$ 257,368

(1) Includes estimated $43.0 million and $40.3 million as of September 30, 2017 and December 31, 2016 , respectively, receivable due from Turing Pharmaceuticals AG ("Turing") for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities pursuant to an Asset Purchase Agreement between the Company and Turing dated August 7, 2015 (the "Turing APA"). In accordance with the terms of the Turing APA and in accordance with federal laws and regulations, the Company receives, and is initially responsible for processing and paying (subject to reimbursement by Turing), all chargebacks and rebates resulting from utilization by Medicaid, Medicare and other federal, state and local government programs, health plans and other health care providers for products sold under the Company's labeler code. Under the terms of the Turing APA, Turing is responsible for liabilities related to chargebacks and rebates that arise as a result of Turing's marketing or selling related activities in connection with Daraprim®. Refer to "Note 20. Legal and Regulatory Matters" for a description of the Company's suit against Turing related to, among other matters, Turing's failure to reimburse the Company for chargebacks and Medicaid rebate liabilities when due.

(2) As a result of the uncertainty of collection from Turing that developed during the first quarter of 2016, the Company recorded a reserve of $48.0 million as of March 31, 2016, which represented the full amount of the estimated receivable due from Turing. During the fourth quarter of 2016, the Company received a $7.7 million payment from Turing. During the nine month period ended September 30, 2017, the Company increased the reserve balance by a net $2.7 million , consisting of a $3.6 million increase in the reserve resulting from additional Medicaid rebate claims received during the period and a $0.9 million reduction in the reserve resulting from payments received from Turing during the period. As of September 30, 2017, the $43.0 million estimated receivable due from Turing was fully reserved.

A rollforward of the rebate and chargeback reserves activity for the nine months ended September 30, 2017 and the year ended December 31, 2016 is as follows (in thousands):

Rebate reserve	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Beginning balance	$ 293,816	$ 265,229
Provision recorded during the period	498,104	756,774
Credits issued during the period	(642,649)	(728,187)
Ending balance	$ 149,271	$ 293,816

The payment mechanisms for rebates in the Impax Generics and Impax Specialty Pharma divisions are different, which impacts the location on the Company's consolidated balance sheets. Impax Generics rebates are classified as "Accounts receivable, net" on the Company's consolidated balance sheets. Impax Specialty Pharma rebates are classified as "Accrued expenses" on the Company's consolidated balance sheets.

Chargeback reserve	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Beginning balance	$ 151,978	$ 102,630
Provision recorded during the period	899,587	1,011,400
Credits issued during the period	(932,179)	(962,052)
Ending balance	$ 119,386	$ 151,978

8. INVENTORY

Inventory, net of carrying value reserves, as of September 30, 2017 and December 31, 2016 consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Raw materials	$ 69,037	$ 53,808
Work in process	6,754	3,280
Finished goods	109,873	130,879
Total inventory	185,664	187,967
Less: Non-current inventory	12,878	12,737
Total inventory - current	$ 172,786	$ 175,230

Inventory carrying value reserves were $85.9 million and $38.0 million at September 30, 2017 and December 31, 2016 , respectively. Included in the $85.9 million of inventory reserves at September 30, 2017 was a pre-launch product inventory reserve of $20.5 million , primarily related to colesevelam, recognized during the three month period ended September 30, 2017.

The Company recognizes pre-launch inventories at the lower of its cost or the expected net selling price. Cost is determined using a standard cost method, which approximates actual cost, and assumes a FIFO flow of goods. Costs of unapproved products are the same as approved products and include materials, labor, quality control, and production overhead. When the Company concludes FDA approval is expected within approximately six months, the Company will generally begin to schedule manufacturing process validation studies as required by the FDA to demonstrate the production process can be scaled up to manufacture commercial batches. Consistent with industry practice, the Company may build quantities of pre-launch inventories of certain products pending required final FDA approval and/or resolution of patent infringement litigation, when, in the Company's assessment, such action is appropriate to prepare for the anticipated commercial launch, FDA approval is expected in the near term, and/or the related litigation will be resolved in the Company's favor. The capitalization of unapproved pre-launch inventory involves risks, including, among other items, FDA approval of product may not occur; approvals may require additional or different testing and/or specifications than used for unapproved inventory; and, in cases where the unapproved inventory is for a product subject to litigation, the litigation may not be resolved or settled in favor of the Company. If any of these risks were to materialize and the launch of the unapproved product delayed or prevented, then the net carrying value of unapproved inventory may be partially or fully reserved. Generally, the selling price of a generic pharmaceutical product is at discount from the corresponding brand product selling price. Typically, a generic drug is easily substituted for the corresponding branded product, and once a generic product is approved, the pre-launch inventory is typically sold within the subsequent three months . If the market prices become lower than the product inventory carrying costs, then the pre-launch inventory value is reduced to such lower market value. If the inventory produced exceeds the estimated market acceptance of the generic product and becomes short-dated, a carrying value reserve will be recorded. In all cases, the carrying value of the Company's pre-launch product inventory is lower than the respective estimated net selling prices. The carrying value of unapproved inventory less reserves was $35.3 million and $29.2 million at September 30, 2017 and December 31, 2016 , respectively.

To the extent inventory is not scheduled to be utilized in the manufacturing process and/or sold within twelve months of the balance sheet date, it is included as a component of other non-current assets. Amounts classified as non-current inventory consist of raw materials, net of valuation reserves. Raw materials generally have a shelf life of approximately three to five years , while finished goods generally have a shelf life of approximately two years .

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net of accumulated depreciation, consists of the following (in thousands):

	September 30, 2017	December 31, 2016
Land	$ 3,500	$ 5,603
Buildings and improvements	190,828	174,303
Equipment	152,012	143,818
Office furniture and equipment	15,259	15,767
Construction-in-progress	46,632	50,191
Property, plant and equipment, gross	408,231	389,682
Less: Accumulated depreciation	(185,039)	(156,310)
Property, plant and equipment, net	$ 223,192	$ 233,372

Depreciation expense was $31.9 million and $21.8 million for the nine months ended September 30, 2017 and September 30, 2016 , respectively.

Unpaid vendor invoices relating to purchases of property, plant and equipment of $1.1 million and $3.5 million , which were accrued as of September 30, 2017 and September 30, 2016 , respectively, have been excluded from the purchase of property, plant, and equipment and the change in accounts payable and accrued expenses in the Company's consolidated statements of cash flows.

During the second quarter of 2017, the Company entered into a Purchase and Sale Agreement with a third party buyer to sell a storage warehouse located in Hayward, California for a sale price of $9.4 million . As a result, the asset was classified as "held for sale" in accordance with ASC 360 - Property, Plant and Equipment ("ASC 360") as all the criteria under such section had been met and the Company ceased recognizing depreciation on the asset. The $4.1 million net book value of the warehouse was reclassified out of property, plant and equipment, net and was included in prepaid expenses and other current assets in the consolidated balance sheet as of June 30, 2017. During the three month period ended June 30, 2017, the Company received a $0.4 million non-refundable deposit from the buyer related to the warehouse sale, which was recognized as a gain on sale. During the three month period ended September 30, 2017, the Company completed the sale of the storage warehouse, received an additional payment of $8.5 million and recognized an additional $4.4 million of gain on the closing of sale.

Taiwan Facility Accounting

Included in the carrying value of property, plant and equipment, net in the Company's consolidated balance sheet is a manufacturing facility located in Taiwan, R.O.C. (the “Taiwan facility”), which had a net book value of $92.1 million as of September 30, 2017. In May 2017, the Company announced that it was reviewing strategic alternatives for its Taiwan facility, including a sale of the facility to a qualified buyer capable of reliably producing Rytary® in accordance with FDA requirements as the Company’s third party contract manufacturer (“CMO”) or, in the alternative, a closure of the facility following the completion of the technology transfer process to allow Rytary® to be manufactured either in the Company’s Hayward, California facility or at a CMO. Following this announcement, management completed an evaluation of the Taiwan facility in accordance with ASC 360 - Property, Plant and Equipment (“ASC 360”) to determine whether all of the “held for sale” criteria under subsection 360-10-45-9 had been met. Based upon the evaluation of the criteria, including management's assessment of whether it was probable that a sale to a qualified buyer could be completed within one year, the Taiwan facility was determined to be “held and used” as of May 31, 2017.

Following the “held and used” determination, management next evaluated the Taiwan facility for recoverability. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to the future net undiscounted cash flows expected to be generated by the asset or asset group. As the activities at the Taiwan facility are primarily focused on manufacturing Rytary®, which product represents the majority of the unit volume produced and cash flows generated, the Taiwan facility is included in the Impax Specialty Pharma asset group. Based upon the cash flows expected to be generated by the Impax Specialty Pharma asset group, management determined that there was no impairment of the asset group which includes the Taiwan facility as of May 31, 2017.

As of May 31, 2017, the remaining useful life of the Taiwan facility was estimated to be two years, which is based on the estimated time required to complete the technology transfer process for Rytary® and reflects the new pattern of consumption of the expected benefits of the facility. The Company will recognize accelerated depreciation expense on a straight-line basis through May 31, 2019 to write the building and equipment associated with the Taiwan facility down to their estimated salvage values.

The Company is currently continuing its efforts to sell the Taiwan facility to a qualified buyer, although the Company cannot provide any assurance that it will be able to identify such a buyer or that a sale of the Taiwan facility will be completed. Management will continue to assess the “held for sale” criteria, estimated remaining useful lives, and estimated salvage values and reevaluate as required when facts and circumstances related to the Taiwan facility change.

10. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company’s intangible assets include both finite lived and indefinite-lived assets. Finite lived intangible assets, consisting of marketed product rights and royalties received from product sales by the Company’s third party partners, are amortized over the estimated useful life of the asset based on the pattern in which the economic benefits are expected to be consumed or otherwise used up or, if that pattern is not readily determinable, on a straight-line basis. The remaining weighted-average amortization period for the Company's finite lived intangible assets not yet fully amortized is 6.7 years as of September 30, 2017 . Indefinite-lived intangible assets consist of acquired IPR&D product rights and acquired future royalty rights to be paid based on other companies’ net sales of products not yet approved. IPR&D assets acquired in a business combination are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product’s launch. If FDA approval to market the product is not obtained, the Company will immediately expense the related capitalized cost.

Finite lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. All of the Company's indefinite-lived intangible assets are tested for impairment at least annually during the fourth quarter of the fiscal year, or more often if indicators of impairment are present. Impairment testing requires management to estimate the future undiscounted cash flows of an intangible asset using assumptions believed to be reasonable, but which are unpredictable and inherently uncertain. Actual future cash flows may differ from the estimates used in the impairment testing. The Company recognizes an impairment loss when and to the extent that the estimated fair value of an intangible asset is less than its carrying value.

The following tables show the gross carrying values and accumulated amortization, where applicable, of the Company's intangible assets by type for the Company's consolidated balance sheets presented (in thousands):

September 30, 2017	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Amortized intangible assets:			
Marketed product rights	$ 473,971	$ (188,637)	$ 285,334
Royalties	339	(339)	—
	474,310	(188,976)	285,334
Non-amortized intangible assets:			
Acquired IPR&D product rights	223,598	—	223,598
Acquired future royalty rights	1,135	—	1,135
	224,733	—	224,733
Total intangible assets	$ 699,043	$ (188,976)	$ 510,067

December 31, 2016	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Amortized intangible assets:			
Marketed product rights	$ 524,733	$ (139,245)	$ 385,488
Royalties	339	(339)	—
	525,072	(139,584)	385,488
Non-amortized intangible assets:			
Acquired IPR&D product rights	232,576	—	232,576
Acquired future royalty rights	2,402	—	2,402
	234,978	—	234,978
Total intangible assets	$ 760,050	$ (139,584)	$ 620,466

During the first quarter of 2017, the Company recognized a total of $45.4 million of intangible asset impairment charges, of which $39.3 million was recognized in cost of revenues impairment charges and $6.1 million was recognized in in-process research and development impairment charges on the Company's consolidated statement of operations. The $45.4 million impairment charge was almost entirely attributable to three products, two of which are currently marketed products and one of which is an IPR&D product, all acquired as part of the Teva Transaction. For the currently marketed products, the impairment charge was the result of continued significant price and volume erosion during the first quarter of 2017 without an offsetting increase in customer demand, resulting in significantly lower expected future cash flows. For the IPR&D product, the impairment charge was the result of increased estimated research and development expenses and a delay in the anticipated product launch due to a change in the regulatory strategy to secure FDA approval of such product.

Also during the first quarter of 2017, the Company commercially launched a product acquired as IPR&D as part of the Teva Transaction and, as a result, transferred the $2.5 million asset value from non-amortized, indefinite-lived acquired IPR&D product rights to amortized, finite lived marketed product rights. This asset will be amortized over an estimated useful life of seven years based on the pattern of economic benefit expected to be realized through 2023.

During the second quarter of 2017, the Company divested 29 ANDAs and one NDA for non-strategic approved generic products, the vast majority of which were not marketed, and all acquired as part of the Tower Acquisition, for gross proceeds of $12.0 million . No ne of these intangible assets had any net book value at the time of the sale. The Company incurred $0.1 million of legal expenses in connection with the divestiture, resulting in a net gain on sale of $11.9 million recognized in other income (expense) on the Company's consolidated statement of operations.

During the third quarter of 2017, the Company commercially launched a product acquired as IPR&D as part of the Tower Acquisition and, as a result, transferred this asset with a $1.5 million value from non-amortized indefinite-lived acquired IPR&D product rights to amortized, finite lived marketed product rights. This asset will be amortized over an estimated useful life of 8.3 years based on the pattern of economic benefit expected to be realized through 2025.

Also during the third quarter of 2017, the Company recognized a $13.6 million intangible asset impairment charge in cost of revenues impairment charges on the Company's consolidated statement of operations. The impairment charge was entirely attributable to one currently marketed product acquired as part of the Teva Transaction and was the result of continued price erosion, resulting in significantly lower expected future cash flows.

The Company recognized amortization expense of $17.0 million and $51.5 million for the three and nine months ended September 30, 2017 , respectively, and $18.4 million and $39.6 million for the three and nine months ended September 30, 2016 , respectively, in cost of revenues in the consolidated statements of operations presented. Assuming no changes to the gross carrying amount of finite-lived intangible assets, amortization expense for fiscal years 2017 through 2021 is estimated to be in the range of $30.0 million to $68.4 million annually.

Goodwill

Goodwill had a carrying value on the Company's consolidated balance sheets of $207.3 million at both September 30, 2017 and December 31, 2016 . At September 30, 2017 , the Company attributed $147.6 million and $59.7 million to the Impax Generics division and the Impax Specialty Pharma division, respectively.

11. ACCRUED EXPENSES

The following table sets forth the Company’s accrued expenses (in thousands):

	September 30, 2017	December 31, 2016
Payroll-related expenses	$ 35,739	$ 37,986
Product returns	80,716	72,888
Accrued shelf stock	5,715	7,032
Government rebates	64,856	72,063
Legal and professional fees	13,619	8,395
Income taxes payable	3,152	—
Interest payable	3,546	544
Estimated Teva and Allergan chargebacks and rebates [(1)]	13,277	14,813
Accrued profit sharing and royalty expenses	15,243	13,642
Other	16,631	17,290
Total accrued expenses	$ 252,494	$ 244,653

(1) As discussed in "Note 2. Business Acquisition," pursuant to certain agreed upon transition related services by and among the Company, Teva and Allergan after the closing of the Teva Transaction, the Company agreed to manage the payment process for certain commercial chargebacks and rebates on behalf of Teva and Allergan related to products each of Teva and Allergan sold into the channel prior to the Company's acquisition of the products. On August 18, 2016, the Company received a payment totaling $42.4 million from Teva and Allergan, which represented their combined estimate of the amount of commercial chargebacks and rebates to be paid by the Company on their behalf to wholesalers who purchased products from Teva and Allergan prior to the closing. Pursuant to the agreed upon transition services, Teva and Allergan are obligated to reimburse the Company for additional payments related to chargebacks and rebates for products they sold into the channel prior to the closing and made on their behalf in excess of the $42.4 million . If the total payments made by the Company on behalf of Teva and Allergan are less than $42.4 million , the Company is obligated to refund the difference to Teva and/or Allergan. As of September 30, 2017 , the Company had paid $29.1 million related to chargebacks and rebates on behalf of Teva and/or Allergan as described above and $13.3 million remained in accrued expenses on the Company's consolidated balance sheet.

Product Returns

The Company maintains a return policy to allow customers to return product within specified guidelines. The Company estimates a provision for product returns as a percentage of gross sales based upon historical experience for sales made through its Impax Generics and Impax Specialty Pharma sales channels. Sales of product under the Private Label, Rx Partner and OTC Partner alliance, collaboration and supply agreements are not subject to returns.

A rollforward of the return reserve activity for the nine months ended September 30, 2017 and the year ended December 31, 2016 is as follows (in thousands):

Returns reserve	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Beginning balance	$ 72,888	$ 48,950
Provision related to sales recorded in the period	38,820	52,383
Credits issued during the period	(30,992)	(28,445)
Ending balance	$ 80,716	$ 72,888

12. DEBT

Royal Bank of Canada Credit Facilities

On August 3, 2016, the Company entered into a restatement agreement with Royal Bank of Canada, as administrative agent, and the lenders and guarantors party thereto (the "Restatement Agreement"). The Restatement Agreement amends and restates the Company's existing Revolving Credit Facility Agreement (as amended and restated and amended to date, the "Amended and Restated Credit Agreement") to, among other things, (i) add a term loan feature to allow for the borrowing of up to $400.0 million of term loans (the "Term Loan Facility") by the Company in accordance with the terms of the Amended and Restated Credit Agreement, (ii) increase the aggregate principal amount of revolving loans permitted under the Amended and Restated Credit Agreement (the "Revolving Credit Facility," and, together with the Term Loan Facility, the "RBC Credit Facilities"), from $100.0 million to $200.0 million ; and (iii) extend the maturity date of the Revolving Credit Facility from August 4, 2020 to August 3, 2021. On March 27, 2017, the Company entered into Amendment No. 1 by and among the Company, Royal Bank of Canada, as administrative agent, and the lenders party thereto (the ‘‘Amendment’’) to the Amended and Restated Credit Agreement.

Borrowings under the Amended and Restated Credit Agreement will accrue interest at a rate equal to LIBOR or the base rate, plus an applicable margin. The applicable margin may be increased or reduced by 0.25% based on the Company's total net leverage ratio. Up to $12.5 million of the Revolving Credit Facility is available for issuance of letters of credit and any such letters of credit will reduce the amount available under the Revolving Credit Facility on a dollar-for-dollar basis. The Company is required to pay a commitment fee to the lenders on the average daily unused portion of the Revolving Credit Facility at 0.50% or 0.375% per annum, depending on the Company's total net leverage ratio.

The Amended and Restated Credit Agreement contains certain negative covenants (subject to exceptions, materiality thresholds and other allowances) including, without limitation, negative covenants that limit the Company's and its restricted subsidiaries' ability to incur additional debt, guarantee other obligations, grant liens on assets, make loans, acquisitions or other investments, dispose of assets, make optional payments in connection with or modify certain debt instruments, pay dividends or make other payments on capital stock, engage in mergers or consolidations, enter into arrangements that restrict the Company's and its restricted subsidiaries' ability to pay dividends or grant liens, engage in transactions with affiliates, or change its fiscal year. Prior to the effective date of the Amendment on March 27, 2017, the Amended and Restated Credit Agreement also included a financial maintenance covenant whereby the Company must not permit its total net leverage ratio in any 12 -month period to exceed 5.00 :1.00, as tested at the end of each fiscal quarter. Effective as of March 27, 2017 and pursuant to the Amendment, the total net leverage ratio financial covenant was replaced with a new senior secured net leverage ratio financial covenant. Pursuant to the Amendment, the Company must not permit its senior secured net leverage ratio to exceed 2.50 :1.00 and the interest coverage ratio to be less than 3.00 :1.00, in each case in any 12 -month period, as tested at the end of each fiscal quarter. The Company was in compliance with all of its covenants under the Amended and Restated Credit Agreement as of September 30, 2017 .

The Amended and Restated Credit Agreement contains events of default, including, without limitation (subject to customary grace periods and materiality thresholds), events of default upon (i) the failure to make payments pursuant to the terms of the Amended and Restated Credit Agreement, (ii) violation of covenants, (iii) incorrectness of representations and warranties, (iv) cross-default and cross-acceleration to other material indebtedness, (v) bankruptcy events, (vi) material monetary judgments (to the extent not covered by insurance), (vii) certain matters arising under the Employee Retirement Income Security Act of 1974, as amended, that could reasonably be expected to result in a material adverse effect, (viii) the actual or asserted invalidity of the documents governing the RBC Credit Facilities, any material guarantees or the security interests (including priority thereof) required under the Amended and Restated Credit Agreement and (ix) the occurrence of a change of control (as defined therein). Upon the occurrence of certain events of default, the obligations under the Amended and Restated Credit Agreement may be accelerated and any remaining commitments thereunder may be terminated.

The full amount of proceeds from the Term Loan Facility of $400.0 million , along with $196.4 million of cash were used to finance the Teva Transaction (including transaction costs) at closing on August 3, 2016. As of September 30, 2017 , the full amount of the $200.0 million Revolving Credit Facility remains available to the Company for working capital and other general corporate purposes.

In connection with the Term Loan Facility, the Company incurred $11.0 million of debt issuance costs for banking, legal and accounting fees and other expenses during the third quarter of 2016. In connection with the Amendment, the Company incurred $0.8 million of debt issuance costs for banking fees during the first quarter of 2017. These debt issuance costs were recorded on the Company's consolidated balance sheet as a reduction to the current and long-term portions of debt related to the Term Loan Facility. These deferred debt issuance costs will be accreted to interest expense over the term of the debt using the effective interest method. In connection with the increase in the aggregate principal amount of revolving loans permitted under the Revolving Credit Facility, the Company incurred $0.8 million of debt issuance costs for banking fees which were recorded as an asset with current and long-term portions on the Company's consolidated balance sheet. These deferred debt issuance costs, in addition to the $0.3 million balance remaining from the initial $100.0 million revolving credit facility, will be amortized to interest expense over the term of the Revolving Credit Facility using the straight-line method.

For the three and nine months ended September 30, 2017 , the Company recognized $4.5 million and $13.1 million , respectively, of interest expense related to the Term Loan Facility, of which $3.9 million and $11.4 million , respectively, was cash and $0.6 million and $1.7 million , respectively, was non-cash accretion of the debt discount recorded for deferred debt issuance costs. For the period of August 3, 2016 through September 30, 2016 , the Company recognized $2.6 million of interest expense related to the Term Loan Facility, of which $2.2 million was cash and $0.4 million was non-cash accretion of the debt discount recorded for deferred debt issuance costs. As of September 30, 2017 , the Term Loan Facility had a carrying value of $322.0 million , of which $17.8 million is classified as current debt and $304.2 million is classified as long-term debt on the Company's consolidated balance sheets. The Term Loan Facility requires the Company to make quarterly principal payments of $5.0 million beginning from December 2016 through June 2021, and the remaining principal balance is due and payable in August 2021. As of September 30, 2017 , the outstanding principal amount for the Term Loan Facility was $330.0 million .

Loss on Early Extinguishment of Debt - Voluntary Prepayment of $50.0 Million of Principal - RBC Term Loan Facility

On February 28, 2017, the Company made a voluntary prepayment in the amount of $50.3 million under its Term Loan Facility, representing $50.0 million of principal amount and $0.3 million of accrued interest thereon. As a result of this voluntary prepayment, for the quarter ended March 31, 2017, the Company recorded a loss on early extinguishment of debt of $1.2 million to write-off a pro rated portion of the related unaccreted debt issuance costs.

2% Convertible Senior Notes due June 2022

On June 30, 2015, the Company issued an aggregate principal amount of $600.0 million of 2.00% Convertible Senior Notes due June 2022 (the “Notes”) in a private placement offering, which are the Company’s senior unsecured obligations. The Notes were issued pursuant to an Indenture dated June 30, 2015 (the “Indenture”) between the Company and Wilmington Trust, N.A. as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be due and payable immediately. The Notes will mature on June 15, 2022, unless earlier redeemed, repurchased or converted. The Notes bear interest at a rate of 2.00% per year, and interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning from December 15, 2015.

The conversion rate for the Notes is initially set at 15.7858 shares per $1,000 of principal amount, which is equivalent to an initial conversion price of $63.35 per share of the Company’s common stock. If a Make-Whole Fundamental Change (as defined in the Indenture) occurs or becomes effective prior to the maturity date and a holder elects to convert its Notes in connection with the Make-Whole Fundamental Change, the Company is obligated to increase the conversion rate for the Notes so surrendered by a number of additional shares of the Company’s common stock as prescribed in the Indenture. Additionally, the conversion rate is subject to adjustment in the event of an equity restructuring transaction such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, nonrecurring cash dividend (“standard antidilution provisions,” per FASB ASC 815-40, *Contracts in Entity’s Own Equity* ("ASC 815-40")).

The Notes are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding December 15, 2021 only under the following circumstances:

(i) If during any calendar quarter commencing after the quarter ending September 30, 2015 (and only during such calendar quarter) the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; or

(ii) If during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 of principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last report sale price of the Company's common stock and the conversion rate on each such trading day; or

(iii) Upon the occurrence of corporate events specified in the Indenture.

On or after December 15, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, the holders may convert their Notes at any time, regardless of the foregoing circumstances. The Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of the Company's common stock, or a combination of cash and shares of the Company's common stock, at the Company's election and in the manner and subject to the terms and conditions provided in the Indenture.

Concurrently with the offering of the Notes and using a portion of the proceeds from the sale of the Notes, the Company entered into a series of convertible note hedge and warrant transactions (the "Note Hedge Transactions" and "Warrant Transactions") which are designed to reduce the potential dilution to the Company's stockholders and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the Notes. The Note Hedge Transactions and Warrant Transactions are separate transactions, in each case, entered into by the Company with a financial institution and are not part of the terms of the Notes. These transactions will not affect any holder's rights under the Notes, and the holders of the Notes have no rights with respect to the Note Hedge Transactions and Warrant Transactions. See "Note 13. Stockholders' Equity" for additional information.

At the June 30, 2015 issuance date of the Notes, the Company did not have the necessary number of authorized but unissued shares of its common stock available to share-settle the conversion option of the Notes. Therefore, in accordance with guidance found in FASB ASC 470-20, *Debt with Conversion and Other Options* , and FASB ASC 815-15, *Embedded Derivatives* , the conversion option of the Notes was deemed an embedded derivative requiring bifurcation from the Notes (host contract) and separate accounting as a derivative liability. The fair value of the conversion option derivative liability at June 30, 2015 was $167.0 million , which was recorded as a reduction to the carrying value of the debt and will be accreted to interest expense over the term of the debt using the effective interest method. Although the Company subsequently amended the Company's Restated Certificate of Incorporation to increase the authorized number of shares of the Company's common stock in December 2015, the debt discount remained and continues to be accreted to interest expense over the term of the debt. See "Note 13. Stockholders' Equity" for additional information.

In connection with the issuance of the Notes, the Company incurred $18.7 million of debt issuance costs for banking, legal and accounting fees and other expenses. This amount was also recorded on the Company's balance sheet as a reduction to the carrying value of the debt and is being accreted to interest expense over the term of the debt using the effective interest method.

For the three and nine months ended September 30, 2017 , the Company recognized $8.9 million and $26.4 million , respectively, of interest expense related to the Notes, of which $3.0 million and $9.0 million , respectively, was cash and $5.9 million and $17.4 million , respectively, was non-cash accretion of the debt discounts recorded. For the three and nine months ended September 30, 2016 , the Company recognized $8.5 million and $25.3 million , respectively, of interest expense related to the Notes, of which $3.0 million and $9.0 million , respectively, was cash and $5.5 million and $16.3 million , respectively, was non-cash accretion of the debt discounts recorded. As the Notes mature in 2022, they have been classified as long-term debt on the Company's consolidated balance sheets, with a carrying value of $463.8 million and $446.4 million as of September 30, 2017 and December 31, 2016 , respectively. Accrued interest payable on the Notes of $3.5 million as of September 30, 2017 and $0.5 million as of December 31, 2016 is included in accrued expenses on the Company's consolidated balance sheets.

13. STOCKHOLDERS' EQUITY

Preferred Stock

Pursuant to its Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), the Company is authorized to issue 2,000,000 shares of "blank check" preferred stock, $0.01 par value per share, which enables the Board of Directors, from time to time, to create one or more new series of preferred stock. Each series of preferred stock issued can have the rights, preferences, privileges and restrictions designated by the Board of Directors. The issuance of any new series of preferred stock could affect, among other things, the dividend, voting, and liquidation rights of the Company's common stock. The Company had no preferred stock issued or outstanding as of September 30, 2017 and December 31, 2016 .

Common Stock

Pursuant to its Certificate of Incorporation, the Company is authorized to issue 150,000,000 shares of common stock, $0.01 par value per share, of which 74,407,135 shares have been issued and 74,163,406 shares were outstanding as of September 30, 2017 . In addition, the Company had reserved for issuance the following amounts of shares of its common stock for the purposes described below as of September 30, 2017 (in thousands):

Shares issued	74,407
Stock options outstanding (1)	3,375
Conversion of Notes payable (2)	9,471
Warrants outstanding (see below)	9,471
Total shares of common stock issued and reserved for issuance	96,724

(1) See "Note 15. Share-based Compensation."
(2) See "Note 12. Debt."

Warrants

As discussed in "Note 12. Debt," on June 30, 2015, the Company entered into a series of Note Hedge Transactions and Warrant Transactions with a financial institution which are designed to reduce the potential dilution to the Company's stockholders and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the Notes. Pursuant to the Warrant Transactions, the Company sold to a financial institution 9.47 million warrants to purchase the Company's common stock, for which it received proceeds of $88.3 million . The warrants have an exercise price of $81.277 per share (subject to adjustment), are immediately exercisable, and have an expiration date of September 15, 2022.

Additional Paid-in Capital

Pursuant to the Note Hedge Transactions, the Company purchased from a financial institution 0.6 million call options on the Company's common stock, for which it paid consideration of $147.0 million . Each call option entitles the Company to purchase 15.7858 shares of the Company's common stock at an exercise price of $63.35 per share, is immediately exercisable, and has an expiration date of June 15, 2022, subject to earlier exercise. At the time of the Note Hedge Transactions, because of an insufficient number of authorized but unissued shares of the Company's common stock, these call options did not meet the criteria for equity classification under ASC 815-40 and were accounted for as a derivative asset.

As of December 8, 2015, pursuant to the Company's amendment to its Certificate of Incorporation to increase the number of authorized shares of common stock, the call options purchased pursuant to the Note Hedge Transactions (formerly a derivative asset) and the conversion option of the Notes (formerly an embedded derivative liability) were reclassified to equity in additional paid-in capital. The net effect of the reclassification of these derivatives was a $21.0 million , net of tax, increase in additional paid-in capital reflected on the Company's December 31, 2015 consolidated balance sheet.

Retained Earnings

Effective January 1, 2017, the Company adopted ASU 2016-09 " *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* " and elected to eliminate the use of a forfeiture rate estimate in the determination of share-based compensation expense for restricted stock awards using the modified retrospective transition method. Adoption of the new guidance using this method resulted in a $1.4 million charge to opening retained earnings for 2017.

14. EARNINGS PER SHARE

The Company's basic earnings per common share ("EPS") is computed by dividing net income (loss) available to the Company's common stockholders (as presented on the consolidated statements of operations) by the weighted-average number of shares of the Company's common stock outstanding during the period. The Company's restricted stock awards (non-vested shares) are issued and outstanding at the time of grant but are excluded from the Company's computation of weighted-average shares outstanding in the determination of basic EPS until vesting occurs.

For purposes of calculating diluted EPS, the denominator includes both the weighted-average number of shares of common stock outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options and non-vested restricted stock awards using the treasury stock method and the number of shares of common stock issuable upon conversion of the Company's outstanding convertible notes payable. In the case of the Company's outstanding convertible notes payable, the diluted EPS calculation is further affected by an add-back of interest expense, net of tax, to the numerator under the assumption that the interest would not have been incurred if the convertible notes had been converted into common stock.

The following is a reconciliation of basic and diluted net loss per share of common stock for the three and nine months ended September 30, 2017 and 2016 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic Loss Per Common Share:				
Net loss	$ (49,369)	$ (179,337)	$ (168,217)	$ (192,446)
Weighted-average common shares outstanding	71,925	71,331	71,776	71,033
Basic loss per share	$ (0.69)	$ (2.51)	$ (2.34)	$ (2.71)
Diluted Loss Per Common Share:				
Net loss	$ (49,369)	$ (179,337)	$ (168,217)	$ (192,446)
Add-back of interest expense on outstanding convertible notes payable, net of tax	— (1)	— (1)	— (1)	— (1)
Adjusted net loss	$ (49,369)	$ (179,337)	$ (168,217)	$ (192,446)
Weighted-average common shares outstanding	71,925	71,331	71,776	71,033
Weighted-average incremental shares related to assumed exercise of warrants and stock options, vesting of non-vested shares and ESPP share issuance	— (2)	— (3)	— (2)	— (3)
Weighted-average incremental shares assuming conversion of outstanding notes payable	— (1)	— (1)	— (1)	— (1)
Diluted weighted-average common shares outstanding	71,925 (2)	71,331 (3)	71,776 (2)	71,033 (3)
Diluted loss per share	$ (0.69)	$ (2.51)	$ (2.34)	$ (2.71)

(1) For the three and nine month periods ended September 30, 2017 and September 30, 2016 , the Company incurred a net loss, which cannot be diluted, so basic and diluted loss per common share were the same. Accordingly, there were no numerator or denominator adjustments related to the Company's outstanding Notes.

(2) For the three and nine month periods ended September 30, 2017 , the Company incurred a net loss, which cannot be diluted, so basic and diluted loss per common share were the same. As of September 30, 2017 , shares issuable but not included in the Company's calculation of diluted EPS, which could potentially dilute future earnings, include 9.47 million warrants outstanding, 9.47 million shares for conversion of outstanding Notes payable, 3.38 million stock options outstanding and 2.24 million non-vested restricted stock awards.

(3) For the three and nine month periods ended September 30, 2016 , the Company incurred a net loss, which cannot be diluted, so basic and diluted loss per common share were the same. As of September 30, 2016 , shares issuable but not included in the Company's calculation of diluted EPS, which could potentially dilute future earnings, include 9.47 million warrants outstanding, 9.47 million shares for conversion of outstanding Notes payable, 2.47 million stock options outstanding and 2.60 million non-vested restricted stock awards.

15. SHARE-BASED COMPENSATION

The Company recognizes the grant date fair value of each option and share of restricted stock over its vesting period. Stock options and restricted stock awards are granted under the Company's Fourth Amended and Restated 2002 Equity Incentive Plan (the "2002 Plan") and generally vest over a four year period and, in the case of stock options, have a term of 10 years.

Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan ("2002 Plan")

The aggregate number of shares of common stock authorized for issuance pursuant to the Company's 2002 Plan is 18,050,000 shares. There were 2,525,110 and 2,233,393 stock options outstanding as of September 30, 2017 and December 31, 2016 , respectively, and 2,241,442 and 2,160,127 non-vested restricted stock awards outstanding as of September 30, 2017 and December 31, 2016 , respectively, under the 2002 Plan.

Impax Laboratories, Inc. 1999 Equity Incentive Plan ("1999 Plan")

The aggregate number of shares of common stock authorized for issuance pursuant to the Company's 1999 Plan is 5,000,000 shares. There were zero and 938 stock options outstanding as of September 30, 2017 and December 31, 2016 , respectively, under the 1999 Plan. The Company has ceased granting equity awards under the 1999 Plan.

Awards Granted Out of Plan - CEO Inducement

On March 27, 2017, the Company granted Paul M. Bisaro, its new President and Chief Executive Officer, an option to purchase 850,000 shares of the Company's common stock pursuant to the terms of his Employment Agreement dated as of March 24, 2017 with the Company. The grant was made in accordance with NASDAQ's employment inducement grant exemption and therefore was not granted under a stockholder approved plan. The grant is subject to the terms of an option agreement with Mr. Bisaro to evidence the award. There were 850,000 stock options outstanding related to this grant as of September 30, 2017 .

The following table summarizes all of the Company's stock option activity for the current year through September 30, 2017 :

Stock Options	Number of Shares Under Option		Weighted-Average Exercise Price per Share
Outstanding at December 31, 2016	2,234,331	$	22.67
Options granted	1,198,726		12.21
Options exercised	(34,473)		9.70
Options forfeited	(23,474)		27.05
Outstanding at September 30, 2017	3,375,110	$	19.01
Options exercisable at September 30, 2017	1,820,971	$	20.68

As of September 30, 2017 , stock options outstanding and exercisable had average remaining contractual lives of 6.96 years and 5.68 years, respectively. Also, as of September 30, 2017 , stock options outstanding and exercisable each had aggregate intrinsic values of $17.2 million and $7.5 million , respectively, and restricted stock awards outstanding had an aggregate intrinsic value of $45.5 million . As of September 30, 2017 , the Company estimated there were 2,987,961 stock options and 1,984,333 shares of restricted stock granted to employees and service providers which had vested or were expected to vest.

The Company grants restricted stock to certain eligible employees as a component of its long-term incentive compensation program. The restricted stock award grants are made in accordance with the Company's 2002 Plan and are issued and outstanding at the time of grant but are subject to forfeiture if the vesting conditions are not met. A summary of the non-vested restricted stock awards is as follows:

Restricted Stock Awards	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2016	2,160,127	$ 34.02
Granted	961,808	13.74
Vested	(490,487)	35.66
Forfeited	(390,006)	32.27
Non-vested at September 30, 2017	2,241,442	$ 25.30

Included in the 490,487 shares of restricted stock vested during the nine months ended September 30, 2017 are 189,125 shares with a weighted-average fair value of $14.12 per share that were withheld for income tax withholding purposes upon vesting of such awards from stockholders who elected to net share settle such tax withholding obligation.

As of September 30, 2017 , the Company had 1,722,080 shares available for issuance of either stock options or restricted stock awards under the 2002 Plan. Although there were also 296,921 shares available for issuance under the 1999 Plan, the Company has ceased granting equity awards under this plan. Additionally, the Company had 1,507,789 shares available for issuance under its 2001 Non-Qualified Employee Stock Purchase Plan, as amended ("ESPP"). The Company's Board of Directors has determined that the final purchase period prior to December 31, 2017 will be the final purchase period under the ESPP, and the ESPP will be terminated thereafter.

As of September 30, 2017 , the Company had total unrecognized share-based compensation expense, net of estimated forfeitures, of $52.6 million related to all of its share-based awards, which is expected to be recognized over a weighted average period of 1.8 years. The intrinsic value of options exercised during the nine months ended September 30, 2017 and 2016 was $0.2 million and $5.6 million , respectively. The total fair value of restricted stock which vested during the nine months ended September 30, 2017 and 2016 was $17.5 million and $16.4 million , respectively.

The Company estimated the fair value of each stock option award on the grant date using the Black-Scholes option pricing model, wherein expected volatility is based on historical volatility of the Company's common stock. The expected term calculation is based on the "simplified" method described in SAB No. 107, Share-Based Payment, and SAB No. 110, Share-Based Payment, as the result of the simplified method provides a reasonable estimate in comparison to actual experience. The risk-free interest rate is based on the U.S. Treasury yield at the date of grant for an instrument with a maturity that is commensurate with the expected term of the stock options. The dividend yield of zero is based on the fact that the Company has never paid cash dividends on its common stock, and has no present intention to pay cash dividends. Options granted under each of the above plans generally vest over four years and have a term of 10 years.

The amount of share-based compensation expense recognized by the Company is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of revenues	$ 1,521	$ 1,331	$ 4,307	$ 4,579
Selling, general and administrative	3,930	5,070	11,443	14,537
Research and development	1,039	1,312	3,922	4,259
Total	$ 6,490	$ 7,713	$ 19,672	$ 23,375

16. RESTRUCTURINGS

Consolidation and Improvement Plan

On May 10, 2017, the Company announced that it has initiated a series of actions designed to improve manufacturing and research and development ("R&D") efficiencies, capitalize on growth opportunities, improve profitability and mitigate current challenges. The actions include:

- Consolidating all of Generic R&D, U.S. manufacturing and packing operations to its Hayward, California facility;
- Continuing the previously announced closure of the Middlesex, New Jersey manufacturing site, which will now include the closure of the Middlesex Generic R&D site as further discussed below under "Middlesex, New Jersey Manufacturing and Packaging Operations" and "Middlesex, New Jersey Generic R&D";
- Reorganizing certain functions including quality, engineering and supply chain operations as further described below under "Technical Operations Reduction-in-Force";
- Reviewing strategic alternatives for the Company's Taiwan facility, including a sale of the facility or, in the alternative, a closure of the facility as further described below under "Sale or Closure of Taiwan Facility" and above in "Note 9. Property, Plant and Equipment;" and
- Rationalizing the generic portfolio to eliminate low-value products and streamline operations such as the Company's divestment during the second quarter of 2017 of 29 ANDAs and one NDA for approved non-strategic generic products, the vast majority of which were not marketed, and all acquired as part of the Tower Acquisition, as described above under "Note 10. Intangible Assets and Goodwill."

By consolidating activities as outlined above, the Company expects to achieve cost savings and operating efficiency benefits while maintaining the infrastructure and expertise needed to capitalize on product and pipeline strengths. The Company currently expects to incur estimated charges for each initiative as described below. There are no charges currently expected to be incurred related to the rationalization of the generic product portfolio.

Middlesex, New Jersey Manufacturing and Packaging Operations

In March 2016, the Company's Board of Directors approved a plan of restructuring designed to reduce costs, improve operating efficiencies and enhance the Company's long-term competitive position by closing the Company's Middlesex, New Jersey manufacturing and packaging site and transferring the products and the functions performed there to the Company's other facilities or to third-party manufacturers. This plan will take up to two years from approval to complete. As a result of the restructuring, 215 positions were expected to be eliminated.

Management currently estimates that through mid-2018, the Company will incur aggregate pre-tax charges in connection with this plan of $51.8 million , of which $40.4 million has been incurred through the third quarter of 2017 and the remainder will be incurred by the second quarter of 2018. The following is a summary of the total estimated charges to be incurred by major type of cost (in millions):

Type of Cost	Amount Expected to be Incurred
Employee retention and severance payments	$ 14.1
Technical transfer of products	11.2
Asset impairment and accelerated depreciation charges	24.4
Facilities lease terminations and asset retirement obligations	1.9
Legal and professional fees	0.2
Total estimated restructuring charges	$ 51.8

Employee retention and severance payments are being accrued over the estimated service period. For the three and nine months ended September 30, 2017 , the Company recorded expense of $3.3 million and $12.4 million , respectively, to cost of revenues on the consolidated statement of operations. Additionally, the Company recorded $0.6 million and $0.9 million of expense to fixed asset impairment charges in other income (expense) on the consolidated statement of operations for the three and nine months ended September 30, 2017 , respectively. For the three and nine months ended September 30, 2016 , the Company recorded $13.9 million and $20.5 million , respectively, to cost of revenues on the consolidated statement of operations.

A rollforward of the charges incurred for the nine months ended September 30, 2017 is as follows (in thousands):

	Balance as of December 31, 2016	Expensed/ Accrued Expense	Cash Payments	Non-Cash Items	Balance as of September 30, 2017
Employee retention and severance payments	$ 5,945	$ 4,165	$ (3,816)	$ —	$ 6,294
Technical transfer of products	—	2,584	(2,584)	—	—
Asset impairment and accelerated depreciation charges	—	6,145	—	(6,145)	—
Facilities lease terminations and asset retirement obligations	209	398	—	—	607
Legal and professional fees	—	—	—	—	—
Total	$ 6,154	$ 13,292	$ (6,400)	$ (6,145)	$ 6,901

Middlesex, New Jersey Generic R&D

In May 2017, as part of its Consolidation and Improvement Plan, the Company announced its plan to close its Middlesex, New Jersey Generic R&D site and consolidate all Generic R&D activities to its Hayward, California facility. As a result, the Company eliminated a total of 31 positions in Middlesex, of which 15 positions will be rehired in the Hayward location as needed through the end of 2017. In connection with this Generic R&D consolidation, management currently estimates that the Company will incur aggregate pre-tax charges for employee termination benefits, program termination costs and accelerated depreciation charges of $3.4 million through the end of 2017. For the three and nine months ended September 30, 2017 , the Company recorded $0.3 million and $2.8 million of employee termination benefits and program termination costs, respectively, and minimal amounts and $0.4 million for accelerated depreciation charges, respectively, all to research and development on the consolidated statement of operations. As of September 30, 2017 , $2.0 million of employee termination benefits and program termination costs had been paid and $0.1 million of employee termination benefits were included in accrued expenses on the Company's consolidated balance sheet.

Technical Operations Reduction-in-Force

In March 2017, the Company's management determined that a reduction-in-force was necessary in the Company's technical operations group in order to achieve greater operational efficiencies and to further streamline the organization. At that time, the Company identified 18 positions for elimination, of which two employees will stay with the Company through the end of 2017. In June 2017, the Company identified three additional positions for elimination, for a total of 21 positions identified for elimination as of September 30, 2017. In connection with this reduction-in-force, management currently estimates that the Company will incur aggregate pre-tax charges for employee termination benefits and other associated costs of $2.8 million through the end of 2017. For the three and nine months ended September 30, 2017 , the Company recorded $0.3 million and $2.6 million , respectively, of employee termination benefits and other associated costs to cost of revenues on the consolidated statement of operations. As of September 30, 2017 , $2.1 million had been paid and $0.5 million of employee termination benefits were included in accrued expenses on the Company’s consolidated balance sheet.

Sale or Closure of Taiwan Facility

In May 2017, as part of its Consolidation and Improvement Plan, the Company announced that it was reviewing strategic alternatives for its Taiwan facility, including a sale of the facility to a qualified buyer capable of reliably producing Rytary® in accordance with FDA requirements as the Company's CMO or, in the alternative, a closure of the facility following the completion of the technology transfer process to allow Rytary® to be manufactured either in the Company's Hayward, California facility or at a CMO. The Company is currently continuing its efforts to sell the Taiwan facility to a qualified buyer, although the Company cannot provide any assurance that it will be able to identify such a buyer or that a sale of the Taiwan facility will be completed. It is not possible to reasonably determine the timing and scope of the aggregate pre-tax charges the Company will incur until such time as a definitive decision is reached regarding the sale or closure of the Taiwan facility. The closure of the facility represents the maximum possible charges the Company could incur related to a sale or closure of the facility. If the facility is closed, management currently estimates that through mid-2019 the Company will incur aggregate pre-tax charges in the range of $95.0 million to $105.0 million , primarily composed of accelerated depreciation expenses attributable to depreciating the building and equipment to their estimated salvage values over a revised estimated useful life of two years, as well as technology transfer costs. The Taiwan facility had a net book value of $92.1 million as of September 30, 2017 .

17. INCOME TAXES

The Company has historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to "ordinary" income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. For the three and nine months ended September 30, 2017, however, the Company began using the discrete effective tax rate method to calculate taxes. The Company had determined that since small changes in estimated "ordinary" income (or loss) would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the three and nine months ended September 30, 2017.

During the nine month periods ended September 30, 2017 and 2016 , the Company recognized an aggregate consolidated tax expense (benefit) of $27.3 million and $(112.9) million, respectively, for U.S. domestic and foreign income taxes. The effective tax rates for the nine month periods ended September 30, 2017 and 2016 were (19.4)% and 37.0% , respectively. The amount of tax expense recorded for the nine months ended September 30, 2017 reflects the Company's estimate as of such date using the discrete effective tax rate method. The amount of tax benefit recorded for the nine month period ended September 30, 2016 was calculated using the annual estimated rate method. A discrete tax benefit of $17.4 million for the reserve recorded against the Turing receivable as described in "Note 7. Accounts Receivable" was also reflected in income tax benefit for the nine months ended September 30, 2016. Excluding the discrete item, the Company's estimate of the annualized effective tax rate for the nine months ended September 30, 2016 was 37.1% .

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit the use of the existing deferred tax assets. A significant piece of objective evidence that management evaluated was the cumulative loss incurred over the three year period ended December 31, 2016. Such objective evidence limits management's ability to consider other subjective evidence, such as projected taxable income.

On the basis of this evaluation, as of December 31, 2016, the Company established a valuation allowance of $108.8 million . During the nine month period ended September 30, 2017, the Company considered new evidence, both positive and negative, that could impact the Company's assessment with regard to future realization of deferred tax assets. Based on the cumulative loss over the three year period ended September 30, 2017, an additional valuation allowance in the amount of $68.7 million was recorded against the gross deferred tax asset balance for a total valuation allowance of $177.5 million as of September 30, 2017.

Tower Holdings, Inc. ("Tower") is currently under audit for federal income tax by the U.S. Internal Revenue Service ("IRS") for the tax year ended March 9, 2015, which pre-dates the Company's acquisition of Tower. The Company and the former stockholders of Tower are currently cooperating with the IRS in connection with the audit. Under the terms of the Stock Purchase Agreement related to the Tower Acquisition, the Company is not responsible for pre-acquisition income tax liabilities. Neither the Company nor any of its other affiliates is currently under audit for federal income tax.

Through March 31, 2017, no provision had been made for U.S. federal deferred income taxes on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiary since it had been the current intention of management to indefinitely reinvest the undistributed earnings in the foreign subsidiary.

As of June 30, 2017, following management's announcement in May 2017 that it is reviewing potential options to either sell or close the Taiwan manufacturing facility and dissolve operations at Impax Taiwan, the Company has changed its assertion related to the accumulated unremitted foreign earnings of Impax's Taiwan subsidiary. The Company is no longer able to assert under ASC 740-30-25 that the unremitted foreign earnings are indefinitely reinvested outside the U.S. Accordingly, the Company has recorded a deferred tax liability associated with remitting these earnings back to the U.S. For the six month period ended September 30, 2017, U.S. income and foreign withholding taxes of approximately $8.1 million have been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiary that had previously been indefinitely reinvested outside the United States.

18. ALLIANCE AND COLLABORATION AGREEMENTS

The Company has entered into several alliance, collaboration, license and distribution agreements, and similar agreements with respect to certain of its products and services, with unrelated third-party pharmaceutical companies. The consolidated statements of operations include revenue recognized under agreements the Company has entered into to develop marketing and/or distribution relationships with its partners to fully leverage the technology platform and revenue recognized under development agreements which generally obligate the Company to provide research and development services over multiple periods.

The Company's alliance and collaboration agreements often include milestones and provide for milestone payments upon achievement of these milestones. Generally, the milestone events contained in the Company's alliance and collaboration agreements coincide with the progression of the Company's products and technologies from pre-commercialization to commercialization.

The Company groups pre-commercialization milestones in its alliance and collaboration agreements into clinical and regulatory categories, each of which may include the following types of events:

Clinical Milestone Events:

- *Designation of a development candidate* . Following the designation of a development candidate, generally, IND-enabling animal studies for a new development candidate take 12 to 18 months to complete.
- *Initiation of a Phase I clinical trial* . Generally, Phase I clinical trials take one to two years to complete.
- *Initiation or completion of a Phase II clinical trial* . Generally, Phase II clinical trials take one to three years to complete.
- *Initiation or completion of a Phase III clinical trial* . Generally, Phase III clinical trials take two to four years to complete.
- *Completion of a bioequivalence study* . Generally, bioequivalence studies take three months to one year to complete.

Regulatory Milestone Events:

- *Filing or acceptance of regulatory applications for marketing approval such as a New Drug Application in the United States or Marketing Authorization Application in Europe* . Generally, it takes six to 12 months to prepare and submit regulatory filings and two months for a regulatory filing to be accepted for substantive review.
- *Marketing approval in a major market, such as the United States or Europe* . Generally it takes one to three years after an application is submitted to obtain approval from the applicable regulatory agency.
- *Marketing approval in a major market, such as the United States or Europe for a new indication of an already-approved product* . Generally it takes one to three years after an application for a new indication is submitted to obtain approval from the applicable regulatory agency.

Commercialization Milestones Events:

- *First commercial sale in a particular market , such as in the United States or Europe* .
- *Product sales in excess of a pre-specified threshold, such as annual sales exceeding $100.0 million* . The amount of time to achieve this type of milestone depends on several factors including but not limited to the dollar amount of the threshold, the pricing of the product and the pace at which customers begin using the product.

License and Distribution Agreement with Shire

In January 2006, the Company entered into a License and Distribution Agreement with an affiliate of Shire Laboratories, Inc., which was subsequently amended ("Prior Shire Agreement"), under which the Company received a non-exclusive license to market and sell an authorized generic of Shire's Adderall XR® product ("AG Product") subject to certain conditions, but in any event by no later than January 1, 2010. The Company commenced sales of the AG Product in October 2009. On February 7, 2013, the Company entered into an Amended and Restated License and Distribution Agreement with Shire (the "Amended and Restated Shire Agreement"), which amended and restated the Prior Shire Agreement. The Amended and Restated Shire Agreement was entered into by the parties in connection with the settlement of the Company's litigation with Shire relating to Shire's supply of the AG Product to the Company under the Prior Shire Agreement. Under the Amended and Restated Shire Agreement, Shire was required to supply the AG Product and the Company was responsible for marketing and selling the AG Product subject to the terms and conditions thereof until the earlier of (i) the first commercial sale of the Company's generic equivalent product to Adderall XR® and (ii) September 30, 2014 (the "Supply Term"), subject to certain continuing obligations of the parties upon expiration or early termination of the Supply Term, including Shire's obligation to deliver AG Products still owed to the Company as of the end of the Supply Term. Although the Supply Term expired on September 30, 2014, the Company was permitted to sell any AG Products in its inventory or owed to the Company by Shire under the Amended and Restated Shire Agreement until all such products are sold. The Company sold all remaining AG Products in its inventory during the year ended December 31, 2016. Pursuant to the terms of the Amended and Restated Shire Agreement, the Company is required to pay to Shire a specified profit share based on sales of the AG Product and a specified profit share based on sales of the Company's generic Adderall XR® product. The Company began selling its generic Adderall XR® product during the second quarter of 2016. The Company owed a profit share payable to Shire of $1.8 million during the nine months ended September 30, 2017 , based on sales of the Company's generic Adderall XR® product and reflecting adjustments for returns and government rebates from the Company's previous sales of the AG Product and of $7.2 million during the nine months ended September 30, 2016 , based on sales of the AG Product and the Company's generic Adderall XR® product, in each case with a corresponding charge included in the cost of revenues line in the consolidated statement of operations.

Development, Supply and Distribution Agreement with TOLMAR, Inc.

In June 2012, the Company entered into the Tolmar Agreement with Tolmar. Under the terms of the Tolmar Agreement, Tolmar granted to the Company an exclusive license to commercialize up to 11 generic topical prescription drug products, including 10 currently approved products in the United States and its territories; the parties agreed in 2015 to terminate development efforts of one product under the Tolmar Agreement that had been pending approval at the FDA. Under the terms of the Tolmar Agreement, Tolmar is responsible for developing and manufacturing the products, and the Company is responsible for marketing and sale of the products. As of September 30, 2017 , the Company was currently marketing and selling four approved products. The Company is required to pay a profit share to Tolmar on sales of each product commercialized pursuant to the terms of the Tolmar Agreement.

The Company paid Tolmar a $21.0 million upfront payment upon signing of the agreement and, pursuant to the terms of the agreement, is also required to make payments to Tolmar up to an aggregate amount of $25.0 million upon the achievement of certain specified milestone events. The contingent milestone payments are initially recognized in the period the triggering event occurs. Milestone payments which are contingent upon commercialization events will be accounted for as an additional cost of acquiring the product license rights. Milestone payments which are contingent upon regulatory approval events are capitalized and amortized over the remaining estimated useful life of the approved product. As of September 30, 2017 , the Company had paid a total of $20.0 million to Tolmar upon the achievement of certain specified milestone events, including $12.0 million upon the achievement of a regulatory milestone event and $5.0 million upon the achievement of a commercialization event, and does not currently expect to make any additional milestone payments under the agreement. The $21.0 million upfront payment for the Tolmar product rights has been allocated to the underlying topical products based upon the relative fair value of each product and will be amortized over the remaining estimated useful life of each underlying product, ranging from five to 12 years, starting upon commencement of commercialization activities by the Company during the second half of 2012. The amortization of the Tolmar product rights has been included as a component of cost of revenues on the consolidated statements of operations. The Company is also required to pay a profit share to Tolmar on sales of the topical products, of which the Company owed a profit share payable to Tolmar of $9.8 million and $32.2 million during the nine months ended September 30, 2017 and 2016 , respectively, with a corresponding charge included in the cost of revenues line in the Company's consolidated statement of operations.

The Company entered into a Loan and Security Agreement with Tolmar in March 2012 (the “Tolmar Loan Agreement”), under which the Company agreed to lend to Tolmar one or more loans through December 31, 2014, in an aggregate amount not to exceed $15.0 million. The outstanding principal amount of, including any accrued and unpaid interest on, the loans under the Tolmar Loan Agreement are payable by Tolmar beginning from March 31, 2017 through March 31, 2020 or the maturity date, in accordance with the terms therein. Pursuant to the Tolmar Loan Agreement, Tolmar could prepay all or any portion of the outstanding balance of the loans prior to the maturity date without penalty or premium. In May 2016, Tolmar repaid in full the $15.0 million due to the Company under the Tolmar Loan Agreement.

Strategic Alliance Agreement with Teva

The Company is a party to a Strategic Alliance Agreement dated as of June 27, 2001 with Teva Pharmaceuticals USA, Inc. ("Teva USA"), an affiliate of Teva, which was subsequently amended (“Teva Agreement”). The Teva Agreement commits the Company to develop and manufacture, and Teva to distribute, a specified number of controlled release generic pharmaceutical products (“generic products”), each for a 10 -year period. The Company is required to develop the products, obtain FDA approval to market the products, and manufacture the products for Teva. The revenue the Company earns from the sale of product under the Teva Agreement consists of Teva’s reimbursement of the Company’s manufacturing costs plus a profit share on Teva’s sales of the product to its customers. The Company invoices Teva for the manufacturing costs or products it ships to Teva and payment is due within 30 days. Teva has the right to determine all terms and conditions of the product sales to its customers. Within 30 days of the end of each calendar quarter, Teva is required to provide the Company with a report of its net sales and profits during the quarter and to pay the Company its share of the profits resulting from those sales. Net sales are Teva’s gross sales less discounts, rebates, chargebacks, returns, and other adjustments, all of which are based upon fixed percentages, except chargebacks, which are estimated by Teva and subject to a true-up reconciliation.

As of September 30, 2017 , the Company was supplying Teva with oxybutynin extended release tablets (Ditropan XL® 5 mg, 10 mg and 15 mg extended release tablets); the other products under the Teva Agreement have either been returned to the Company, are being manufactured by Teva at its election, were voluntarily withdrawn from the market or the Company’s obligations to supply such product had expired or were terminated in accordance with the Teva Agreement. Further, in connection with the Teva Transaction and as described in “Note 2. Business Acquisition,” the Company and Teva terminated each party’s rights and obligations under the Teva Agreement effective on August 3, 2016 with respect to the methylphenidate hydrochloride product (generic Concerta ®). Refer to “Note 23. Subsequent Events” for further details related to the Company's methylphenidate hydrochloride product.

OTC Partners Alliance Agreement

In June 2002, the Company entered into a Development, License and Supply Agreement with Pfizer, Inc., formerly Wyeth LLC (“Pfizer”), for a term of 15 years, relating to the Company’s Loratadine and Pseudoephedrine Sulfate 5 mg/120 mg 12-hour Extended Release Tablets (the "D12 Product") and Loratadine and Pseudoephedrine Sulfate 10 mg/240 mg 24-hour Extended Release Tablets for the OTC market (the "D24 Product"); the agreement was terminated with respect to the D24 Product in 2005. The Company previously developed the products and is currently only responsible for manufacturing the products. Pfizer is responsible for marketing and sale of the products. The agreement included payments to the Company upon achievement of development milestones, as well as royalties paid to the Company by Pfizer on its sales of the product. Pfizer launched this product in May 2003 as Alavert® D-12 Hour. In December 2011, the Company and Pfizer entered into an agreement with L. Perrigo Company (“Perrigo”), which was subsequently amended whereby the parties agreed that the Company would supply the Company’s D-12 Product to Perrigo in the United States and its territories. The agreements with Pfizer and Perrigo are no longer a core area of the Company’s business, and the over-the-counter pharmaceutical products the Company sells to Pfizer and Perrigo under the agreements are older products which are only sold to Pfizer and Perrigo. The Company recognizes profit share revenue in the period earned.

During the quarter ended September 30, 2016, the Company sold the ANDAs for both the D12 Product and the D24 Product, in addition to other specified assets, to Perrigo pursuant to an asset purchase agreement with Perrigo dated as of March 31, 2016 (the "Perrigo APA"). Under the terms of the Perrigo APA, the Company will also continue to supply the D-12 Product to Pfizer and Perrigo until the date that is the earliest of (i) the date Perrigo’s manufacturing facility is approved to manufacture the D-12 Product and (ii) December 31, 2017 (the "Supply End Date"). On the Supply End Date, the Company will assign and transfer its supply agreement with Pfizer in its entirety to Perrigo in accordance with the Perrigo APA.

Agreements with Valeant Pharmaceuticals International, Inc.

In November 2008, the Company and Valeant Pharmaceuticals International, Inc., formerly Medicis Pharmaceutical Corporation ("Valeant"), entered into a Joint Development Agreement and a License and Settlement Agreement ("Joint Development Agreement"). The Joint Development Agreement provides for the Company and Valeant to collaborate in the development of a total of five dermatology products, including four of the Company's generic products and one branded advanced form of Valeant's Solodyn® product. The Company is not currently in the process of developing the advanced form Solodyn® product. Upon FDA approval of the Company's ANDA for each of the four generic products covered by the Joint Development Agreement, the Company will have the right (but not the obligation) to begin manufacture and sale of its four generic dermatology products. The Company sells its manufactured generic products to all Impax Generics division customers in the ordinary course of business through its Impax Generics Product sales channel. The Company accounts for the sale, if any, of the generic products covered by the Joint Development Agreement as current period revenue according to the Company's revenue recognition policy applicable to its Impax Generics products. To the extent the Company sells any of the four generic dermatology products covered by the Joint Development Agreement, the Company pays Valeant a gross profit share, with such profit share payments accounted for as a current period cost of revenues in the consolidated statement of operations. The Company began selling one of the four dermatology products during the year ended December 31, 2011 and began selling a second dermatology product during the quarter ended September 30, 2016.

Distribution, License, Development and Supply Agreement with AstraZeneca UK Limited

In January 2012, the Company entered into the AZ Agreement with AstraZeneca and the parties subsequently entered into a First Amendment to the AZ Agreement dated May 31, 2016 (as amended, the "AZ Amendment"). Under the terms of the AZ Agreement, AstraZeneca granted to the Company an exclusive license to commercialize the tablet, orally disintegrating tablet and nasal spray formulations of Zomig® (zolmitriptan) products for the treatment of migraine headaches in the United States and in certain U.S. territories, except during an initial transition period when AstraZeneca fulfilled all orders of Zomig® products on the Company's behalf and AstraZeneca paid to the Company the gross profit on such Zomig® products. The Company is obligated to fulfill certain minimum requirements with respect to the promotion of currently approved Zomig® products as well as other dosage strengths of such products approved by the FDA in the future. The Company may, but has no obligation to, develop and commercialize additional products containing zolmitriptan and additional indications for Zomig®, subject to certain restrictions as set forth in the AZ Agreement. Subject to the terms of the AZ Agreement, the Company will be responsible for conducting clinical studies and preparing regulatory filings related to the development of any such additional products and would bear all related costs. During the term of the AZ Agreement, AstraZeneca will continue to be the holder of the NDA for existing Zomig® products, as well as any future dosage strengths thereof approved by the FDA, and will be responsible for certain regulatory and quality-related activities for such Zomig® products. AstraZeneca will manufacture and supply Zomig® products to the Company and the Company will purchase its requirements of Zomig® products from AstraZeneca until a date determined in the AZ Agreement. Thereafter, AstraZeneca may terminate its supply obligations upon certain advance notice to the Company, in which case the Company would have the right to manufacture or have manufactured its own requirements for the applicable Zomig® product. Under the terms of the AZ Amendment, under certain conditions and depending on the nature and terms of the study agreed to with the FDA, the Company agreed to conduct, at its own expense, the juvenile toxicity study and pediatric study required by the FDA under the Pediatric Research Equity Act ("PREA") for approval of the nasal formulation of Zomig ® for the acute treatment of migraine in pediatric patients ages six through eleven years old, as further described in the study protocol mutually agreed to by the parties (the "PREA Study"). In consideration for the Company conducting the PREA Study at its own expense, the AZ Amendment provides for the total royalty payments payable by the Company to AstraZeneca on net sales of Zomig ® products under the AZ Agreement to be reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of $30.0 million . In the event the royalty reduction amounts exceed the royalty payments payable by the Company to AstraZeneca pursuant to the AZ Agreement in any given quarter, AstraZeneca will be required to pay the Company an amount equal to the difference between the royalty reduction amount and the royalty payment payable by the Company to AstraZeneca. The Company's commitment to perform the PREA Study may be terminated, without penalty, under certain circumstances as set forth in the AZ Amendment.

Under the terms of the AZ Agreement, AstraZeneca was required to make payments to the Company representing 100% of the gross profit on sales of AstraZeneca-labeled Zomig® products during the specified transition period. Beginning from January 2013, the Company has paid AstraZeneca tiered royalties on net sales of branded Zomig® products, depending on brand exclusivity and subject to customary reductions and other terms and conditions set forth in the AZ Agreement. The Company has also paid to AstraZeneca royalties based on gross profit from sales of authorized generic versions of the Zomig® products subject to certain terms and conditions set forth in the AZ Agreement. In May 2013, the Company's exclusivity period for branded Zomig® tablets and orally disintegrating tablets expired and the Company launched authorized generic versions of those products in the United States. As discussed above, pursuant to the AZ Amendment, the total royalty payments payable by the Company to AstraZeneca on net sales of Zomig ® products under the AZ Agreement is reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of $30.0 million . The Company owed a royalty payable to AstraZeneca of $12.5 million and $12.7 million during the nine months ended September 30, 2017 and 2016 , respectively, with a corresponding charge included in the cost of revenues line on the consolidated statements of operations.

Agreement with DURECT Corporation

During the three month period ended March 31, 2014, the Company entered into an Asset Transfer and License Agreement (the "DURECT Agreement") with DURECT Corporation ("DURECT") granting the Company the exclusive worldwide rights to develop and commercialize DURECT's investigational transdermal bupivacaine patch for the treatment of pain associated with post-herpetic neuralgia, referred to by the Company as IPX239. The Company paid DURECT a $2.0 million up-front payment upon signing of the agreement which was recognized immediately as research and development expense. The Company has the potential to pay up to $61.0 million in additional contingent milestone payments upon the achievement of certain specified development and commercialization events under the agreement. If IPX239 is commercialized, the Company would also be required to pay a tiered royalty based on product sales. On July 24, 2017, the Company provided notice to DURECT that the Company is terminating the DURECT Agreement, which termination was effective pursuant to the terms of such agreement on October 24, 2017. The development and commercialization rights to DURECT's investigational transdermal bupivacaine patch were returned to DURECT at termination of the DURECT Agreement in accordance with the terms thereof.

Mebendazole Product Acquisition Agreement with Teva Pharmaceuticals USA, Inc.

In August 2013, the Company, through its Amedra Pharmaceuticals subsidiary, entered into a product acquisition agreement (the "Mebendazole Product Acquisition Agreement") with Teva pursuant to which the Company acquired the assets (including the ANDA and other regulatory materials) and related liabilities related to Teva's mebendazole tablet product in all dosage forms. Pursuant to the Mebendazole Product Acquisition Agreement, the Company was required to pay certain milestone payments up to an aggregate amount of $3.5 million upon the approval and launch of the mebendazole tablet product; the Company paid the $3.5 million to Teva during the quarter ended March 31, 2016 upon the FDA's approval and the Company's subsequent launch of Emverm® (mebendazole) 100 mg chewable tablets. The Company is also obligated to pay Teva a royalty payment based on net sales of Emverm®, including a specified annual minimum royalty payment, subject to customary reductions and the other terms and conditions set forth in the Teva Product Acquisition Agreement.

19. COMMITMENTS AND CONTINGENCIES

Executive Employment Agreements

The Company is a party to employment and separation agreements with certain members of its executive management team that provide for severance and other payments following termination of their employment for various reasons.

Lease Agreements

The Company leases land, office space, manufacturing, warehouse and research and development facilities, and equipment under non-cancelable operating leases expiring at various dates through December 2027.

Purchase Order Commitments

As of September 30, 2017 , the Company had $103.5 million of open purchase order commitments, primarily for raw materials. The terms of these purchase order commitments are generally less than one year in duration.

20. LEGAL AND REGULATORY MATTERS

Patent Litigation

There is substantial litigation in the pharmaceutical, biological, and biotechnology industries with respect to the manufacture, use, and sale of new products which are the subject of conflicting patent and intellectual property claims. One or more patents often cover the brand name products for which the Company is developing generic versions and the Company typically has patent rights covering the Company's branded products.

Under federal law, when a drug developer files an ANDA for a generic drug seeking approval before expiration of a patent, which has been listed with the FDA as covering the brand name product, the developer must certify its product will not infringe the listed patent(s) and/or the listed patent is invalid or unenforceable (commonly referred to as a "Paragraph IV" certification). Notices of such certification must be provided to the patent holder, who may file a suit for patent infringement within 45 days of the patent holder's receipt of such notice. If the patent holder files suit within the 45 days period, the FDA can review and approve the ANDA, but is prevented from granting final marketing approval of the product until a final judgment in the action has been rendered in favor of the generic drug developer, or 30 months from the date the notice was received, whichever is sooner. The Company's generic products division is typically subject to patent infringement litigation brought by branded pharmaceutical manufacturers in connection with the Company's Paragraph IV certifications seeking an order delaying the approval of the Company's ANDA until expiration of the patent(s) at issue in the litigation. Likewise, the Company's branded products division is currently involved in patent infringement litigation against generic drug manufacturers who have filed Paragraph IV certifications to market their generic drugs prior to expiration of the Company's patents at issue in the litigation.

The uncertainties inherent in patent litigation make the outcome of such litigation difficult to predict. For the Company's generic products division, the potential consequences in the event of an unfavorable outcome in such litigation include delaying launch of its generic products until patent expiration. If the Company were to launch its generic product prior to successful resolution of a patent litigation, the Company could be liable for potential damages measured by the profits lost by the branded product manufacturer rather than the profits earned by the Company if we are found to infringe a valid, enforceable patent. For the Company's branded products division, an unfavorable outcome may significantly accelerate generic competition ahead of expiration of the patents covering the Company's branded products. All such litigation typically involves significant expense.

The Company is generally responsible for all of the patent litigation fees and costs associated with current and future products not covered by its alliance and collaboration agreements. The Company has agreed to share legal expenses with respect to third-party and Company products under the terms of certain of the alliance and collaboration agreements. The Company records the costs of patent litigation as expense in the period when incurred for products it has developed, as well as for products which are the subject of an alliance or collaboration agreement with a third-party.

Although the outcome and costs of the asserted and unasserted claims is difficult to predict, based on the information presently known to management, the Company does not currently expect the ultimate liability, if any, for such matters to have a material adverse effect on its business, financial condition, results of operations, or cash flows.

Patent Infringement Litigation

Endo Pharmaceuticals Inc. and Grunenthal GmbH v. Impax Laboratories, Inc. and ThoRx Laboratories, Inc. (Oxymorphone hydrochloride); Endo Pharmaceuticals Inc. and Grunenthal GmbH v. Impax Laboratories, Inc. (Oxymorphone hydrochloride)

In November 2012, Endo Pharmaceuticals, Inc. and Grunenthal GmbH filed suit against ThoRx Laboratories, Inc., a wholly owned subsidiary of the Company ("ThoRx"), and the Company in the U.S. District Court for the Southern District of New York alleging patent infringement based on the filing of ThoRx's ANDA relating to Oxymorphone hydrochloride, Extended Release tablets, 5 mg, 7.5 mg, 10 mg, 15 mg, 20 mg, 30 mg and 40 mg, generic to Opana ER®. In January 2013, Endo filed a separate suit against the Company in the U.S. District Court for the Southern District of New York alleging patent infringement based on the filing of the Company's ANDA relating to the same products. ThoRx and the Company filed an answer and counterclaims to the November 2012 suit and the Company filed an answer and counterclaims with respect to the January 2013 suit. A bench trial was completed in April 2015. In June 2016, the Court entered an amended judgment in both cases that the products described in the Company's and ThoRx's ANDAs would, if marketed, infringe certain claims of the patents asserted by Endo and Grunenthal. The Court also found that the asserted claims of patents owned by Endo were not invalid, but that the asserted claims of patents owned by Grunenthal were invalid. As a result, the Court enjoined the Company and ThoRx from marketing their products until expiration of the Endo patents in 2023. The Company and ThoRx are appealing the Court's judgment.

In November 2014, Endo Pharmaceuticals Inc. and Mallinckrodt LLC filed suit against the Company in the U.S. District Court for the District of Delaware making additional allegations of patent infringement based on the filing of the Company's Oxymorphone hydrochloride ANDA described above. Also in November 2014, Endo and Mallinckrodt filed a separate suit in the U.S. District Court for the District of Delaware making additional allegations of patent infringement based on the filing of ThoRx's Oxymorphone hydrochloride ANDA described above. ThoRx and the Company filed an answer and counterclaim to those suits in which they are named as a defendant. The cases are currently stayed.

In May 2016, Endo Pharmaceuticals Inc. filed suit against the Company in the U.S. District Court for the District of New Jersey, alleging that the Company's marketed oxymorphone hydrochloride tablets infringe certain patents owned by Endo. Endo's complaint also alleges that the Company and Endo entered into a settlement and license agreement (the "2010 ANDA Settlement") with respect to these products, but that the Company later breached that contract and breached its implied duty of good faith and fair dealing with respect to that agreement. Endo filed an amended complaint on August 1, 2016 and the Company filed a motion to dismiss the complaint. On October 25, 2016, that motion was granted in part and denied in part. On October 31, 2016, the Company received a letter from Endo purporting to terminate the 2010 ANDA Settlement for material breach. On August 5, 2017, the Company entered into a settlement agreement with Endo to resolve the contract dispute related to the 2010 ANDA Settlement (the "Contract Settlement Agreement"). In the 2010 ANDA Settlement, the Company obtained a non-exclusive license to certain then-existing and future Endo patents. Orange Book listed patents for Opana ER extend until November 2029. The Contract Settlement Agreement includes an amendment to the 2010 ANDA Settlement, whereby the Company agrees to pay Endo a royalty rate that splits the Company's gross profits for its sales of oxymorphone hydrochloride CII ER products, commencing January 1, 2018. The royalty will be eliminated based on certain commercial conditions.

Impax Laboratories Inc., et al. v. Lannett Holdings, Inc. and Lannett Company (Zomig®)

In July 2014, the Company filed suit against Lannett Holdings, Inc. and Lannett Company (collectively, "Lannett") in the United States District Court for the District of Delaware, alleging patent infringement based on the filing of the Lannett ANDA relating to Zolmitriptan Nasal Spray, 5mg, generic to Zomig® Nasal Spray. The case went to trial in September 2016. On March 29, 2017, the District Court issued a Trial Opinion finding the asserted patents valid and infringed. On April 17, 2017, the District Court entered a Final Judgment and Injunction that, *inter alia* , bars FDA approval of Lannett's proposed generic product prior to May 29, 2021. On May 12, 2017, Lannett filed a Notice of Appeal with the United States Court of Appeals for the Federal Circuit. Briefing of Lannett's appeal has been completed and oral argument is expected to be scheduled in the first quarter of 2018.

Impax Laboratories Inc., et al. v. Par Pharmaceutical, Inc. (Zomig®)

On September 23, 2016, the Company filed suit against Par Pharmaceutical, Inc. ("Par") in the United States District Court for the District of Delaware, alleging patent infringement based on the filing of the Par ANDA relating to Zolmitriptan Nasal Spray, 2.5 mg and 5 mg, generic to Zomig® Nasal Spray. On October 12, 2016, the parties stipulated to stay the case pending the outcome of the related case, *Impax Laboratories Inc., et al. v. Lannett* matter described above. On April 24, 2017, the parties stipulated that the stay shall remain in effect until the *Impax Laboratories Inc., et al. v. Lannett* matter is fully resolved. As such, Par has not yet filed an answer or counterclaims to the Company's complaint. The 30-month stay of approval for applicable to the Par ANDA has been tolled pending resumption of this case.

Impax Laboratories Inc., et al. v. Actavis Laboratories, Inc. and Actavis Pharma Inc. (Rytary ®)

In September 2015, the Company filed suit against Actavis Laboratories, Inc. and Actavis Pharma Inc. (collectively, "Actavis") in the United States District Court for the District of New Jersey, alleging patent infringement of U.S. Patent Nos. 7,094,427; 8,377,474; 8,454,998; 8,557,283; 9,089,607; 9,089,608, based on the filing of the Actavis ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary ® . The Company filed related actions alleging infringement of later-issued U.S. Patent No. 9,463,246 in December 2016 and of later-issued U.S. Patent No. 9,533,046 in May 2017. Both related actions were consolidated with the lead action. Fact discovery and claim construction briefing have concluded and a claim construction hearing was held on April 26, 2017. On May 9, 2017, the District Court issued a decision interpreting certain claim terms in dispute in the litigation. Subject to reservation of all rights to appeal the Court's May 9, 2017 decision, the parties stipulated to dismiss without prejudice all claims and counterclaims relating to the '474, '998, and '607 patents, and the Court entered an order recognizing this stipulation on June 8, 2017. The parties have completed expert discovery and Actavis filed a summary judgment motion on October 23, 2017. A trial date has not yet been set.

Impax Laboratories, Inc. v. Sandoz Inc. (*Rytary* ®)

On March 31, 2017, the Company filed suit against Sandoz Inc. in the United States District Court for the District of New Jersey, alleging infringement of U.S. Patent Nos. 7,094,427; 8,377,474; 8,454,998; 8,557,283; 9,089,607; 9,089,608; 9,463,246; and 9,533,046, based on the filing of Sandoz's ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary ® . Sandoz has not yet answered or otherwise responded to the Complaint.

Bristol-Myers Squibb Company, et al. v. Impax Laboratories, Inc.(Apixiban)

On April 10, 2017, Bristol-Myers Squibb Company and Pfizer Inc. filed suit against the Company in the United States District Court for the District of Delaware alleging patent infringement based on the filing of the Company's ANDA related to Apixaban Tablets, 2.5 mg and 5 mg, generic to Eliquis ® . The Company responded to the complaint on June 2, 2017 and Plaintiffs further responded on June 22, 2017. On September 22, 2017, the parties jointly filed a proposed schedule with the Court, proposing that the Company's case and a number of related cases be consolidated. On November 3, 2017, the Court consolidated the related cases and set the case schedule. Trial is scheduled for October 15, 2019.

Biogen MA Inc. v. Impax Laboratories, Inc. (Dimethyl Fumarate)

On June 26, 2017, Biogen MA Inc. filed suit against the Company in the U.S. District Court for the District of Delaware alleging patent infringement based on the filing of the Company's ANDA relating to Dimethyl Fumarate 120 and 240 mg capsules, generic to Tecfidera ® . The Company answered the complaint on October 16, 2017. No further schedule has been set.

Other Litigation Related to the Company's Business

Solodyn ® Antitrust Class Actions

From July 2013 to January 2016, 18 complaints were filed as class actions on behalf of direct and indirect purchasers, as well as by certain direct purchasers, against manufacturers of the brand drug Solodyn® and its generic equivalents, including the Company.

On July 22, 2013, Plaintiff United Food and Commercial Workers Local 1776 & Participating Employers Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On July 23, 2013, Plaintiff Rochester Drug Co-Operative, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 1, 2013, Plaintiff International Union of Operating Engineers Local 132 Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Northern District of California on behalf of itself and others similarly situated. On August 29, 2013, this Plaintiff withdrew its complaint from the United States District Court for the Northern District of California, and on August 30, 2013, re-filed the same complaint in the United States Court for the Eastern District of Pennsylvania, on behalf of itself and others similarly situated.

On August 9, 2013, Plaintiff Local 274 Health & Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 12, 2013, Plaintiff Sheet Metal Workers Local No. 25 Health & Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 27, 2013, Plaintiff Fraternal Order of Police, Fort Lauderdale Lodge 31, Insurance Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 29, 2013, Plaintiff Heather Morgan, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 30, 2013, Plaintiff Plumbers & Pipefitters Local 178 Health & Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On September 9, 2013, Plaintiff Ahold USA, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the District of Massachusetts on behalf of itself and others similarly situated.

On September 24, 2013, Plaintiff City of Providence, Rhode Island, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Arizona on behalf of itself and others similarly situated.

On October 2, 2013, Plaintiff International Union of Operating Engineers Stationary Engineers Local 39 Health & Welfare Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Massachusetts on behalf of itself and others similarly situated.

On October 7, 2013, Painters District Council No. 30 Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Massachusetts on behalf of itself and others similarly situated.

On October 25, 2013, Plaintiff Man-U Service Contract Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On March 13, 2014, Plaintiff Allied Services Division Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Massachusetts on behalf of itself and others similarly situated.

On March 19, 2014, Plaintiff NECA-IBEW Welfare Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Massachusetts on behalf of itself and others similarly situated.

On February 25, 2014, the United States Judicial Panel on Multidistrict Litigation ordered the pending actions transferred to the District of Massachusetts for coordinated pretrial proceedings, as In Re Solodyn (Minocycline Hydrochloride) Antitrust Litigation.

On March 26, 2015, Walgreen Co., The Kruger Co., Safeway Inc., HEB Grocery Company L.P., Albertson's LLC, direct purchasers, filed a separate complaint in the United States District Court for the Middle District of Pennsylvania. On April 8, 2015, the Judicial Panel on Multi-District Litigation ordered the action be transferred to the District of Massachusetts, to be coordinated or consolidated with the coordinated proceedings. The original complaint filed by the plaintiffs asserted claims only against defendant Medicis. On October 5, 2015, the plaintiffs filed an amended complaint asserting claims against the Company and the other generic defendants.

On April 16, 2015, Rite Aid Corporation and Rite Aid Hdqtrs. Corp, direct purchasers, filed a separate complaint in the United States District Court for the Middle District of Pennsylvania. On May 1, 2015, the Judicial Panel on Multi-District Litigation ordered the action be transferred to the District of Massachusetts, to be coordinated or consolidated with the coordinated proceedings. The original complaint filed by the plaintiffs asserted claims only against defendant Medicis. On October 5, 2015, the plaintiffs filed an amended complaint asserting claims against the Company and the other generic defendants.

On January 25, 2016, CVS Pharmacy, Inc., a direct purchaser, filed a separate complaint in the United States District Court for the Middle District of Pennsylvania. On February 11, 2016, the Judicial Panel on Multi-District Litigation ordered the action to be transferred to the District of Massachusetts to be coordinated or consolidated with the coordinated proceedings.

The consolidated amended complaints allege that Medicis engaged in anticompetitive schemes by, among other things, filing frivolous patent litigation lawsuits, submitting frivolous Citizen Petitions, and entering into anticompetitive settlement agreements with several generic manufacturers, including the Company, to delay generic competition of Solodyn® and in violation of state and federal antitrust laws. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On August 14, 2015, the District Court granted in part and denied in part defendants' motion to dismiss the consolidated amended complaints. On October 16, 2017, the Court certified the Direct Purchaser Plaintiffs' and End-Payor Plaintiffs' classes. On October 30, 2017, the Company filed a petition for interlocutor appeal challenging the Court's certification of the End-Payor Plaintiffs' class and motions for Summary Judgment were filed on November 1, 2017. Trial is currently set for March 22, 2018.

Opana ER® FTC Antitrust Suit

On February 25, 2014, the Company received a Civil Investigative Demand ("CID") from the FTC concerning its investigation into the drug Opana® ER and its generic equivalents. On March 30, 2016, the FTC filed a complaint against the Company, Endo, and others in the United States District Court for the Eastern District of Pennsylvania, alleging that the Company and Endo violated antitrust laws when they entered into a June 2010 co-promotion and development agreement and a June 2010 settlement agreement that resolved patent litigation in connection with the submission of the Company's ANDA for generic original Opana® ER. In July 2016, the defendants filed a motion to dismiss the complaint, and a motion to sever the claims regarding Opana® ER from claims with respect to a separate settlement agreement that was challenged by the FTC. On October 20, 2016, the Court granted the motion to sever, formally terminating the suit against the Company, with an order that the FTC re-file no later than November 3, 2016 and dismissed the motion to dismiss as moot. On October 25, 2016, the FTC filed a notice of voluntary dismissal. On January 19, 2017, the FTC filed a Part 3 Administrative complaint against the Company with similar allegations regarding the Company's June 2010 settlement agreement with Endo that resolved patent litigation in connection with the submission of the Company's ANDA for generic original Opana® ER. The Company filed its answer to the Administrative Complaint on February 7, 2017. Trial began on October 24, 2017.

Opana ER® Antitrust Class Actions

From June 2014 to April 2015, 14 complaints were filed as class actions on behalf of direct and end-payor (indirect) purchasers, as well as by certain direct purchasers, against the manufacturer of the brand drug Opana ER® and the Company.

On June 4, 2014, Plaintiff Fraternal Order of Police, Miami Lodge 20, Insurance Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 4, 2014, Plaintiff Rochester Drug Co-Operative, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 6, 2014, Plaintiff Value Drug Company, a direct purchaser, filed a class action complaint in the United States District Court for the Northern District of California on behalf of itself and others similarly situated. On June 26, 2014, this Plaintiff withdrew its complaint from the United States District Court for the Northern District of California, and on July 16, 2014, re-filed the same complaint in the United States District Court for the Northern District of Illinois, on behalf of itself and others similarly situated.

On June 19, 2014, Plaintiff Wisconsin Masons' Health Care Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Northern District of Illinois on behalf of itself and others similarly situated.

On July 17, 2014, Plaintiff Massachusetts Bricklayers, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On August 11, 2014, Plaintiff Pennsylvania Employees Benefit Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Northern District of Illinois on behalf of itself and others similarly situated.

On September 19, 2014, Plaintiff Meijer Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Northern District of Illinois on behalf of itself and others similarly situated.

On October 3, 2014, Plaintiff International Union of Operating Engineers, Local 138 Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Northern District of Illinois on behalf of itself and others similarly situated.

On November 17, 2014, Louisiana Health Service & Indemnity Company d/b/a Blue Cross and Blue Shield of Louisiana, an indirect purchaser, filed a class action complaint in the United States District Court for the Middle District of Louisiana on behalf of itself and others similarly situated.

On December 12, 2014, the United States Judicial Panel on Multidistrict Litigation ordered the pending actions transferred to the Northern District of Illinois for coordinated pretrial proceedings, as In Re Opana ER Antitrust Litigation.

On December 19, 2014, Plaintiff Kim Mahaffay, an indirect purchaser, filed a class action complaint in the Superior Court of the State of California, Alameda County, on behalf of herself and others similarly situated. On January 27, 2015, the Defendants removed the action to the United States District Court for the Northern District of California.

On January 12, 2015, Plaintiff Plumbers & Pipefitters Local 178 Health & Welfare Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Northern District of Illinois on behalf of itself and others similarly situated.

On March 26, 2015 Walgreen Co., The Kruger Co., Safeway Inc., HEB Grocery Company L.P., Albertson's LLC, direct purchasers, filed a separate complaint in the United States District Court for the Northern District of Illinois.

On April 23, 2015, Rite Aid Corporation and Rite Aid Hdqtrs. Corp, direct purchasers, filed a separate complaint in the United States District Court for the Northern District of Illinois.

In each case, the complaints allege that Endo engaged in an anticompetitive scheme by, among other things, entering into an anticompetitive settlement agreement with the Company to delay generic competition of Opana ER® and in violation of state and federal antitrust laws. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. Consolidated amended complaints were filed on May 4, 2015 by direct purchaser plaintiffs and end-payor (indirect) purchaser plaintiffs.

On July 3, 2015, defendants filed motions to dismiss the consolidated amended complaints, as well as the complaints of the "Opt-Out Plaintiffs" (Walgreen Co., The Kruger Co., Safeway Inc., HEB Grocery Company L.P., Albertson's LLC, Rite Aid Corporation and Rite Aid Hdqtrs. Corp.).

On February 1, 2016, CVS Pharmacy, Inc. filed a complaint in the United States District Court for the Northern District of Illinois. The parties agreed that CVS Pharmacy, Inc. would be bound by the Court's ruling on the defendants' motion to dismiss the Opt-Out Plaintiffs' complaints.

On February 10, 2016, the Court granted in part and denied in part defendants' motion to dismiss the end-payor purchaser plaintiffs' consolidated amended complaint, and denied defendants' motion to dismiss the direct purchaser plaintiffs' consolidated amended complaint. The end-payor purchaser plaintiffs have filed a second consolidated amended complaint and the Company has moved to dismiss certain state law claims.

On February 25, 2016, the Court granted defendants' motion to dismiss the Opt-Out Plaintiffs' complaints, with leave to amend. The Opt-Out Plaintiffs and CVS Pharmacy, Inc. have filed amended complaints and the Company has filed its answer.

Discovery is ongoing. No trial date has been scheduled.

Civil Investigation Demand from the Attorney General of the State of Alaska

On February 10, 2015, the Company received three CIDs from the Office of the Attorney General of the State of Alaska ("Alaska AG") concerning its investigations into the drugs Adderall XR ®, Effexor XR ® and Opana ® ER (each a "Product" and collectively, the "Products") and their generic equivalents. According to the Alaska AG, the investigation is to determine whether the Company may have violated Alaskan state law by entering into settlement agreements with the respective brand name manufacturer for each of the foregoing Products that delayed generic entry of such Product into the marketplace. The Company has cooperated with the Alaska AG in producing documents and information in response to the CIDs. To the knowledge of the Company, no proceedings have been initiated against the Company at this time; however no assurance can be given as to the timing or outcome of this investigation.

United States Department of Justice Investigations

Previously on November 6, 2014, the Company disclosed that one of its sales representatives received a grand jury subpoena from the Antitrust Division of the United States Justice Department (the "Justice Department"). In connection with this same investigation, on March 13, 2015, the Company received a grand jury subpoena from the Justice Department requesting the production of information and documents regarding the sales, marketing, and pricing of certain generic prescription medications. In particular, the Justice Department's investigation currently focuses on four generic medications: digoxin tablets, terbutaline sulfate tablets, prilocaine/lidocaine cream, and calcipotriene topical solution. The Company has been cooperating and intends to continue cooperating with the investigation. However, no assurance can be given as to the timing or outcome of the investigation.

Attorney General of the State of Connecticut Interrogatories and Subpoena Duces Tecum

On July 14, 2014, the Company received a subpoena and interrogatories (the "Subpoena") from the State of Connecticut Attorney General ("Connecticut AG") concerning its investigation into sales of the Company's generic product, digoxin. According to the Connecticut AG, the investigation is to determine whether anyone engaged in a contract, combination or conspiracy in restraint of trade or commerce which has the effect of (i) fixing, controlling or maintaining prices or (ii) allocating or dividing customers or territories relating to the sale of digoxin in violation of Connecticut state antitrust law. The Company intends to cooperate with the Connecticut AG in producing documents and information in response to the Subpoena. To the knowledge of the Company, no proceedings by the Connecticut AG have been initiated against the Company at this time; however no assurance can be given as to the timing or outcome of this investigation.

In re Generic Pharmaceuticals Pricing Antitrust Litigation

From March 2016 to April 2017, 22 complaints were filed as class actions on behalf of direct and indirect purchasers against manufacturers of generic digoxin and doxycycline and the Company alleging a conspiracy to fix, maintain and/or stabilize prices of these generic products. From January 2017 to April 2017, three complaints were filed on behalf of indirect purchasers against manufacturers of generic lidocaine/prilocaine and the Company alleging a conspiracy to fix, maintain and/or stabilize prices of these generic products.

On March 2, 2016, Plaintiff International Union of Operating Engineers Local 30 Benefits Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated. The plaintiff filed an amended complaint on June 9, 2016.

On March 25, 2016, Plaintiff Tulsa Firefighters Health and Welfare Trust, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On March 25, 2016, Plaintiff NECA-IBEW Welfare Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On April 4, 2016, Plaintiff Pipe Trade Services MN, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On April 25, 2016, Plaintiff Edward Carpinelli, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On April 27, 2016, Plaintiff Fraternal Order of Police, Miami Lodge 20, Insurance Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On May 2, 2016, Plaintiff Nina Diamond, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On May 5, 2016, Plaintiff UFCW Local 1500 Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On May 6, 2016, Plaintiff Minnesota Laborers Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On May 12, 2016, Plaintiff The City of Providence, Rhode Island, an indirect purchaser, filed a class action complaint in the United States District Court for the District of Rhode Island on behalf of itself and others similarly situated.

On May 18, 2016, Plaintiff KPH Healthcare Services, Inc. a/k/a Kinney Drugs, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On May 19, 2016, Plaintiff Philadelphia Federation of Teachers Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 8, 2016, Plaintiff United Food & Commercial Workers and Employers Arizona Health and Welfare Trust, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 17, 2016, Plaintiff Ottis McCrary, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 20, 2016, Plaintiff Rochester Drug Co-Operative, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 27, 2016, Plaintiff César Castillo Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On June 29, 2016, Plaintiff Plumbers & Pipefitters Local 33 Health and Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On July 1, 2016, Plaintiff Plumbers & Pipefitters Local 178 Health and Welfare Trust Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On July 15, 2016, Plaintiff Ahold USA, Inc., a direct purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On September 7, 2016, Plaintiff United Here Health, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On September 20, 2016, Plaintiff Valerie Velardi, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On April 25, 2017, Plaintiff Louisiana Health Service Indemnity Company, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated.

On January 13, 2017, Plaintiff International Union of Operating Engineers Local 30 Benefits Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated against manufacturers of generic lidocaine/prilocaine and the Company alleging a conspiracy to fix, maintain and/or stabilize prices of this generic drug.

On April 17, 2017, Plaintiff UFCW Local 1500 Welfare Fund, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated against manufacturers of generic lidocaine/prilocaine and the Company alleging a conspiracy to fix, maintain and/or stabilize prices of this generic drug.

On April 25, 2017, Plaintiff Louisiana Health Service Indemnity Company, an indirect purchaser, filed a class action complaint in the United States District Court for the Eastern District of Pennsylvania on behalf of itself and others similarly situated against manufacturers of generic lidocaine/prilocaine and the Company alleging a conspiracy to fix, maintain and/or stabilize prices of this generic drug.

On May 19, 2016, several indirect purchaser plaintiffs filed a motion with the Judicial Panel on Multidistrict Litigation to transfer and consolidate the actions in the United States District Court for the Eastern District of Pennsylvania. The Judicial Panel ordered the actions consolidated in the Eastern District of Pennsylvania and ordered that the actions be renamed " *In re Generic Digoxin and Doxycycline Antitrust Litigation.* " On January 27, 2017, plaintiffs filed two consolidated class action complaints. With respect to doxycycline, the plaintiffs dropped their allegations against the Company. On March 28, 2017, the Company, separately and along with other defendants, filed motions to dismiss the digoxin class action complaint. On April 6, 2017, the Judicial Panel on Multidistrict Litigation ordered the consolidation of all civil actions involving allegations of antitrust conspiracies in the generic pharmaceutical industry regarding 18 generic drugs to the Eastern District of Pennsylvania. The consolidated actions have been renamed *In re Generic Pharmaceuticals Pricing Antitrust Litigation.* On October 6, 2017, the Company filed a motion to dismiss the digoxin complaint.

AWP Litigation

On December 30, 2015, Plumbers' Local Union No. 690 Health Plan and others similarly situated filed a class action against several generic drug manufacturers, including the Company, in the Court of Common Pleas of Philadelphia County, First Judicial District of Pennsylvania, Civil Trial Division, alleging that the Company and others violated the law, including the Pennsylvania Unfair Trade Practices and Consumer Protection law, by inflating the Average Wholesale Price ("AWP") of certain generic drugs. The case has since been removed to federal court in the United States District Court for the Eastern District of Pennsylvania. By virtue of an amended complaint filed on March 29, 2016, the suit has been amended to comprise a nationwide class of third party payors that allegedly reimbursed or purchased certain generic drugs based on AWP and to assert causes of action under the laws of other states in addition to Pennsylvania. On May 17, 2016, this case was stayed. On January 18, 2017, the Company, along with the other defendants, filed a joint motion to dismiss the complaint. On September 15, 2017, the Court dismissed the complaint with prejudice.

On February 5, 2016, Delaware Valley Health Care Coalition filed a lawsuit based on substantially similar allegations in the Court of Common Pleas of Philadelphia County, First Judicial District of Pennsylvania, Civil Trial Division that seeks declaratory judgment. On May 20, 2016, this case was stayed pending resolution of the federal court action described above.

CID from the U.S. Attorney Office, Southern District of New York

On March 8, 2016, the Company received a CID from the U.S. Attorney Office, Southern District of New York, Civil Frauds Unit. The CID requests information and documents relating to the Company and any pharmacy benefit manager ("PBM") concerning Zomig®, including any contracts between the Company and PBMs, as well as services performed by and payments to the PBMs pursuant to those contracts. The Company intends to cooperate with the U.S. Attorney Office in response to the CID. To the knowledge of the Company, no proceedings by the U.S. Attorney Office have been initiated against the Company at this time; however, no assurance can be given as to the timing or outcome of this investigation.

Attorney General of the State of West Virginia Subpoena

On September 7, 2016, the Company received a subpoena (the "Subpoena") from the State of West Virginia Office of the Attorney General ("West Virginia AG") seeking documents and responses to interrogatories in connection with its investigation into the marketing and sales of epinephrine auto-injectors. According to the West Virginia AG, the investigation aims to determine whether anyone engaged in a contract, combination, or conspiracy in restraint of trade of epinephrine auto-injectors in violation of West Virginia state antitrust law. The Company intends to cooperate with the West Virginia AG in producing documents and information in response to the Subpoena. To the knowledge of the Company, no proceedings by the West Virginia AG have been initiated against the Company at this time, however no assurance can be given as to the timing or outcome of this investigation.

Impax Laboratories, Inc. v. Turing Pharmaceuticals AG

On May 2, 2016, the Company filed suit against Turing Pharmaceuticals AG ("Turing") in the United States District Court for the Southern District of New York alleging breach of the terms of the contract by which Turing purchased from the Company the right to sell the drug Daraprim®, as well as the right to sell certain Daraprim® inventory (the "Purchase Agreement"). Specifically, the Company seeks (i) a declaratory judgment that the Company may revoke Turing's right to sell Daraprim® under the Company's labeler code and national drug codes; (ii) specific performance to require Turing to comply with its obligations under the Purchase Agreement for past due reports and for reports going forward; and (iii) money damages to remedy Turing's failure to reimburse the Company for chargebacks and Medicaid rebate liability when due, currently in excess of $40.9 million and for future amounts that may be due. Turing has filed its answer and a counterclaim against the Company alleging breach of contract and breach of the duty of good faith and fair dealing. Discovery is closed. On October 14, 2016, the Company filed a motion for summary judgment. The District Court issued its order on September 29, 2017. The Court found that Turing breached the Purchase Agreement by failing to reimburse the Company for Medicaid rebate liability, however, the Court also found that the Company breached the Purchase Agreement by not filing a restatement with the Centers for Medicare and Medicaid Services at Turing's request. Therefore, the Company was not entitled to damages. On October 13, 2017, the Company filed a Motion for Reconsideration of the Summary Judgment Order. No trial date has been set.

Telephone Consumer Protection Act Cases

On January 31, 2017, Plaintiff Family Medicine Pharmacy LLC filed a class action complaint in the United States District Court for the Southern District of Alabama on behalf of itself and others similarly situated against the Company alleging violation of the Telephone Consumer Protection Act, as amended by the Junk Fax Prevention Act of 2005 (the "Telephone Consumer Protection Act"). On March 27, 2017, the Company filed a motion to dismiss the complaint and plaintiff filed an amended complaint on April 10, 2017. On July 18, 2017, the parties reached an agreement in principle regarding the class settlement. On September 29, 2017, the District Court preliminarily approved the proposed class settlement. The Court is scheduled to hold a hearing on March 6, 2018 regarding the final approval of the proposed class settlement.

On February 14, 2017, Plaintiff Medicine To Go Pharmacies, Inc. filed a class action complaint in the United States District Court for the District of New Jersey on behalf of itself and others similarly situated against the Company alleging violation of the Telephone Consumer Protection Act. On April 17, 2017, the Company filed a motion to dismiss, transfer, or stay this case in light of the first-filed case described above. This case was transferred to the Southern District of Alabama. On September 15, 2017, the Court stayed this matter pending the preliminary approval of the class settlement described above.

Securities Class Action

On April 17, 2017, Lead Plaintiff New York Hotel Trades Council & Hotel Association of New York City, Inc. Pension Fund filed an amended class action complaint in the United States District Court for the Northern District of California on behalf of itself and others similarly situated against the Company alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5. The Company filed its motion to dismiss the amended complaint on June 1, 2017 and briefing has been completed.

Shareholder Derivative Action

On February 22, 2017, Plaintiff Ed Lippman filed a shareholder derivative complaint in the Superior Court for the State of California in the County of Alameda on behalf of the Company against former executives, a current executive, and certain current members of the board of directors alleging breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and corporate waste. No schedule has been set.

Teva v. Impax Laboratories, Inc.

On February 15, 2017, Plaintiffs Teva Pharmaceuticals USA, Inc. and Teva Pharmaceuticals Curacao N.V. ("Teva") filed a Praecipe to Issue Writ of Summons and Writ of Summons (precursor to a complaint) in the Philadelphia County Court of Common Pleas against the Company alleging that the Company breached the Strategic Alliance Agreement between the parties by not indemnifying Teva in its two litigations with GlaxoSmithKline LLC regarding Wellbutrin ® XL. The Company filed a Motion to Disqualify Teva's counsel related to the matter, and on August 23, 2017, the Court denied the Company's motion. Following the Court's order, Teva filed its complaint. The Company has filed a request for appeal regarding the disqualification order and requested a stay of these proceedings. The matter is currently stayed.

California Wage and Hour Class Action

On August 3, 2017, Plaintiff Emielou Williams filed a class action complaint in the Superior Court for the State of California in the County of Alameda on behalf of herself and others similarly situated against the Company alleging violation of California Business and Professions Code section 17200 by violating various California wage and hour laws. On October 10, 2017, the Company filed a Demurrer and Motion to Strike Class Allegations. Discovery is currently ongoing.

21. SEGMENT INFORMATION

The Company has two reportable segments, Impax Generics and Impax Specialty Pharma. Impax Generics develops, manufactures, sells, and distributes generic pharmaceutical products, primarily through the following sales channels: the Impax Generics sales channel for sales of generic prescription products directly to wholesalers, large retail drug chains, and others; the Private Label Product sales channel for generic over-the-counter and prescription products sold to unrelated third-party customers who, in turn, sell the products under their own label; the Rx Partner sales channel for generic prescription products sold through unrelated third-party pharmaceutical entities under their own label pursuant to alliance agreements; and the OTC Partner sales channel for over-the-counter products sold through unrelated third-party pharmaceutical entities under their own labels pursuant to alliance and supply agreements. Revenues from generic products are reported under the caption "Impax Generics, net."

Impax Specialty Pharma is engaged in the development, sale and distribution of proprietary brand pharmaceutical products that the Company believes represent improvements to already-approved pharmaceutical products addressing central nervous system (“CNS”) disorders and other select specialty segments. Impax Specialty Pharma currently has one internally developed branded pharmaceutical product, Rytary® (IPX066), an extended release oral capsule formulation of carbidopa-levodopa for the treatment of Parkinson’s disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication and/or manganese intoxication, which was approved by the FDA on January 7, 2015 and which the Company launched in April 2015. In November 2015, the European Commission granted marketing authorization for Numient® (IPX066) (referred to as Rytary® in the United States). The review of the Numient® application was conducted under the centralized licensing procedure as a therapeutic innovation, and authorization is applicable in all 28 member states of the European Union, as well as Iceland, Liechtenstein and Norway. Impax Specialty Pharma is also engaged in the sale and distribution of four other branded products including Zomig® (zolmitriptan) products, indicated for the treatment of migraine headaches, under the terms of the AZ Agreement with AstraZeneca in the United States and in certain U.S. territories, and Emverm® (mebendazole) 100 mg chewable tablets, indicated for the treatment of pinworm, whipworm, common roundworm, common hookworm, and American hookworm in single or mixed infections.

Revenues from branded products are reported under the caption “Impax Specialty Pharma, net.” Impax Specialty Pharma also has a number of product candidates that are in varying stages of development.

The Company’s chief operating decision maker evaluates the financial performance of the Company’s segments based upon segment income (loss) before income taxes. Items below income (loss) from operations are not reported by segment, since they are excluded from the measure of segment profitability reviewed by the Company’s chief operating decision maker. Additionally, general and administrative expenses, certain selling expenses, certain litigation settlements, and non-operating income and expenses are included in “Corporate and Other.” The Company does not report balance sheet information by segment since it is not reviewed by the Company’s chief operating decision maker. The accounting policies for the Company’s segments are the same as those described above in the discussion of "Revenue Recognition" in “Note 4. Summary of Significant Accounting Policies.” The Company has no inter-segment revenue.

The tables below present segment information reconciled to total Company financial results, with segment operating income or loss including gross profit less direct research and development expenses and direct selling expenses as well as any litigation settlements, to the extent specifically identified by segment (in thousands):

Three Months Ended September 30, 2017	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 151,098	$ 55,294	$ —	$ 206,392
Cost of revenues	141,133	17,603	—	158,736
Cost of revenues impairment charges	13,623	—	—	13,623
Selling, general and administrative	5,570	16,135	31,880	53,585
Research and development	12,241	3,580	—	15,821
Patent litigation expense	28	1,612	—	1,640
(Loss) income before income taxes	$ (21,497)	$ 16,364	$ (47,281)	$ (52,414)

Three Months Ended September 30, 2016	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 175,320	$ 52,589	$ —	$ 227,909
Cost of revenues	115,020	21,853	—	136,873
Cost of revenues impairment charges	256,462	—	—	256,462
Selling, general and administrative	6,103	16,358	32,577	55,038
Research and development	15,375	4,740	—	20,115
In-process research and development impairment charges	15,543	13,227	—	28,770
Patent litigation expense	147	3,132	—	3,279
Loss before income taxes	$ (233,330)	$ (6,721)	$ (43,817)	$ (283,868)

Nine Months Ended September 30, 2017	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 436,134	$ 156,743	$ —	$ 592,877
Cost of revenues	355,375	53,269	—	408,644
Cost of revenues impairment charges	52,903	—	—	52,903
Selling, general and administrative	20,072	49,279	82,904	152,255
Research and development	50,632	14,525	—	65,157
In-process research and development impairment charges	6,079	—	—	6,079
Patent litigation expense	715	3,167	—	3,882
(Loss) income before income taxes	$ (49,642)	$ 36,503	$ (127,742)	$ (140,881)

Nine Months Ended September 30, 2016	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 467,094	$ 158,913	$ —	$ 626,007
Cost of revenues	307,936	49,916	—	357,852
Cost of revenues impairment charges	258,007	—	—	258,007
Selling, general and administrative	12,442	46,309	85,493	144,244
Research and development	46,113	13,824	—	59,937
In-process research and development impairment charges	16,489	13,227	—	29,716
Patent litigation expense	416	6,111	—	6,527
(Loss) income before income taxes	$ (174,309)	$ 29,526	$ (160,529)	$ (305,312)

Significant Products

The Company generally consolidates net revenue by "product family," meaning that it consolidates net revenue from products containing the same active ingredient(s) irrespective of dosage strength, delivery method or packaging size. The Company's significant product families, as determined based on net revenue, and their percentage of the Company's consolidated net revenue for each of the three and nine month periods ended September 30, 2017 and 2016 are set forth below (in thousands):

Segment	Product Family	Three Months Ended September 30, 2017		
		$	%	
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	$ 40,482	20%	(1)
Impax Specialty Pharma	Rytary® family	$ 21,520	10%	(2)
Impax Generics	Oxymorphone HCl ER family	$ 16,362	8%	(3)
Impax Specialty Pharma	Zomig® family	$ 13,899	7%	(4)
Impax Generics	Diclofenac Sodium Gel family (generic Solaraze®)	$ 13,283	6%	(5)

Segment	Product Family	Three Months Ended September 30, 2016		
		$	%	
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	$ 39,321	17%	(1)
Impax Generics	Oxymorphone HCl ER family	$ 22,620	10%	(3)
Impax Specialty Pharma	Rytary® family	$ 19,807	9%	(2)
Impax Specialty Pharma	Zomig® family	$ 15,258	7%	(4)
Impax Generics	Fenofibrate family	$ 14,521	6%	(6)

Segment	Product Family	Nine Months Ended September 30, 2017		
		$	%	
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	$ 90,572	15%	(1)
Impax Specialty Pharma	Rytary® family	$ 63,347	11%	(2)
Impax Generics	Oxymorphone HCl ER family	$ 52,587	9%	(3)
Impax Generics	Budesonide family	$ 41,095	7%	(7)
Impax Specialty Pharma	Zomig® family	$ 36,081	6%	(4)

Segment	Product Family	Nine Months Ended September 30, 2016		
		$	%	
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	$ 77,592	12%	(1)
Impax Generics	Diclofenac Sodium Gel family (generic Solaraze®)	$ 60,828	10%	(5)
Impax Specialty Pharma	Rytary® family	$ 52,030	8%	(2)
Impax Generics	Oxymorphone HCl ER family	$ 51,898	8%	(3)
Impax Generics	Fenofibrate family	$ 50,471	8%	(6)

(1) Epinephrine Auto-Injector (generic Adrenaclick®) product family consists of the injector product in two different strengths and is indicated in the emergency treatment of allergic reactions (Type 1) including anaphylaxis.

(2) Rytary® product family consists of the capsules product in four different strengths and is indicated for the treatment of Parkinson’s disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication or manganese intoxication.

(3) Oxymorphone Hydrochloride Extended Release product family consists of the oxymorphone hydrochloride extended release tablet formulation of the product in seven different strengths and is indicated for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate.

(4) Zomig® product family consists of products in tablet, orally disintegrating tablet and nasal spray dosage forms, each dosage form in two different strengths, and is indicated for the acute treatment of migraine with or without aura in adults. Zomig® (zolmitriptan) Nasal Spray is also indicated in pediatric patients 12 years of age or older.

(5) Diclofenac Sodium Gel (generic Solaraze®) product family consists of one product strength and is indicated for the topical treatment of actinic keratosis.

(6) Fenofibrate product family consists of products in both capsule and tablet dosage forms in seven different strengths and is indicated as adjunctive therapy to diet to reduce elevated LDL-C, Total-C, Triglycerides and Apo B, and to increase HDL-C in adult patients with primary hypercholesterolemia or mixed dyslipidemia (Fredrickson Types IIa and IIb); and also indicated as adjunctive therapy to diet for treatment of adult patients with hypertriglyceridemia (Fredrickson Types IV and V hyperlipidemia).

(7) Budesonide product family consists of the budesonide inhalation suspension formulation of the product in two different strengths and is indicated for the maintenance treatment of asthma and as prophylactic therapy in children 12 months to eight years of age.

Foreign Operations

The Company’s wholly-owned subsidiary, Impax Laboratories (Taiwan) Inc., constructed a manufacturing facility in Taiwan which is utilized for manufacturing, warehousing, and administrative functions, as well as some limited research and development activities. On the Company's consolidated balance sheets at September 30, 2017 and December 31, 2016 , Impax Laboratories (Taiwan) Inc. represents $130.4 million and $134.9 million , respectively, of net carrying value of assets, composed principally of a building and manufacturing equipment. See "Note 9. Property, Plant and Equipment" and "Note 16. Restructurings" for additional information related to the closure or sale of the Taiwan facility.

22. SUPPLEMENTARY FINANCIAL INFORMATION

Selected financial information for the quarterly period noted is as follows:

	2017 Quarters Ended		
(in thousands, except share and per share amounts)	March 31	June 30	September 30
Revenue:			
Impax Generics, gross	$ 635,897	$ 663,167	$ 622,252
Less:			
Chargebacks	298,744	286,092	281,835
Rebates	164,792	170,398	162,914
Product Returns	9,733	15,210	7,003
Other credits	28,481	40,578	19,402
Impax Generics, net	134,147	150,889	151,098
Impax Specialty Pharma, gross	84,133	84,238	107,407
Less:			
Chargebacks	9,828	8,967	14,121
Rebates	4,483	4,682	5,914
Product Returns	1,844	1,416	3,614
Other credits	17,722	17,980	28,464
Impax Specialty Pharma, net	50,256	51,193	55,294
Total revenues	184,403	202,082	206,392
Gross profit	24,891	72,406	34,033
Net loss	$ (98,431)	$ (20,417)	$ (49,369)
Net loss per common share:			
Basic	$ (1.37)	$ (0.28)	$ (0.69)
Diluted	$ (1.37)	$ (0.28)	$ (0.69)
Weighted-average common shares outstanding:			
Basic	71,594,472	71,803,920	71,924,592
Diluted	71,594,472	71,803,920	71,924,592

(in thousands, except share and per share amounts)	2016 Quarters Ended		
	March 31	June 30	September 30
Revenue:			
Impax Generics, gross	$ 614,176	$ 532,968	$ 658,099
Less:			
Chargebacks	217,354	197,864	252,303
Rebates	185,476	178,097	183,347
Product Returns	11,913	10,237	16,151
Other credits	29,354	25,075	30,978
Impax Generics, net	170,079	121,695	175,320
Impax Specialty Pharma, gross	82,073	81,254	77,841
Less:			
Chargebacks	6,111	8,826	5,439
Rebates	2,853	2,430	3,556
Product Returns	1,508	1,279	574
Other credits	16,172	17,824	15,683
Impax Specialty Pharma, net	55,429	50,895	52,589
Total revenues	225,508	172,590	227,909
Gross profit (loss)	102,590	72,984	(165,426)
Net loss	$ (10,408)	$ (2,701)	$ (179,337)
Net loss per common share:			
Basic	$ (0.15)	$ (0.04)	$ (2.51)
Diluted	$ (0.15)	$ (0.04)	$ (2.51)
Weighted-average common shares outstanding:			
Basic	70,665,394	71,100,123	71,331,247
Diluted	70,665,394	71,100,123	71,331,247

23. SUBSEQUENT EVENTS

Business Combination Agreement with Amneal Pharmaceuticals LLC

On October 17, 2017, the Company entered into a Business Combination Agreement (the "Business Combination Agreement") with Atlas Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Holdco"), K2 Merger Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of Holdco ("Merger Sub"), and Amneal Pharmaceuticals LLC ("Amneal"). The Business Combination Agreement was unanimously approved by the board of directors of the Company on October 16, 2017.

At the closing (the "Closing") of the transactions contemplated by the Business Combination Agreement (the "Transactions"), (i) Merger Sub will merge with and into the Company (the "Impax Merger"), with the Company surviving the Impax Merger as a direct wholly-owned subsidiary of Holdco, (ii) each share of the Company's common stock, par value $0.01 per share ("Company Common Stock"), issued and outstanding immediately prior to the Impax Merger, other than Company Common Stock held by the Company in treasury, by Amneal or by any of their respective subsidiaries, will be converted into the right to receive one fully paid and nonassessable share of Class A common stock of Holdco, par value $0.01 per share ("Holdco Class A Common Stock"), (iii) the Company will convert to a limited liability company pursuant to the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act, (iv) Holdco will contribute to Amneal all of Holdco's equity interests in the Company to Amneal, in exchange for common units of Amneal (the "Contribution"), (v) Holdco will issue an aggregate number of shares of Class B common stock of Holdco, par value $0.01 per share ("Holdco Class B Common Stock", and together with Holdco Class A Common Stock, "Holdco Common Stock") to the existing members of Amneal (the "Amneal Members") and (vi) Holdco will become the managing member of Amneal. In connection with the Closing, Holdco will be renamed Amneal Pharmaceuticals, Inc. ("New Amneal"). Subject to the satisfaction or waiver of closing conditions, the Closing is expected to occur in the first half of 2018.

Immediately following the Closing, (i) the Amneal Members will hold 100% of Holdco Class B Common Stock, which, together with their common units of Amneal, will represent approximately 75% of the voting power and economic interests in New Amneal, and (ii) the Company's stockholders immediately prior to the Closing will hold 100% of the Holdco Class A Common Stock, which will represent approximately 25% of the voting power and economic interests in New Amneal.

Consummation of the Transactions is subject to customary closing conditions, including, among other things, (i) the approval of the Company's stockholders holding a majority of the outstanding Company Common Stock entitled to vote (the "Requisite Stockholder Approval"), (ii) expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) effectiveness of the S-4 Registration Statement registering the shares of Holdco Common Stock to be issued in connection with the Transactions and (iv) NYSE listing approval for Holdco Class A Common Stock. The obligation to consummate the Transactions is also conditioned upon each party's representations and warranties being true and correct (subject to certain materiality exceptions) and each party having performed in all material respects its obligations under the Business Combination Agreement.

The Business Combination Agreement contains customary and reciprocal representations and warranties of the Company and Amneal, many of which are subject to and qualified by materiality qualifiers. The Company and Amneal have also made customary covenants in the Business Combination Agreement regarding the operation of their respective businesses and the businesses of their respective subsidiaries in the ordinary course prior to the Closing.

The Business Combination Agreement also contains a customary "no shop" covenant prohibiting the Company from soliciting proposals for alternative proposals to acquire the Company, or providing information or participating in any discussions in connection with any such proposals. However, prior to adoption of the Business Combination Agreement by the Company's stockholders, the Board may, in the exercise of its fiduciary duties, (i) withhold, withdraw, qualify or modify its recommendation that the Company's stockholders adopt the Business Combination Agreement in connection with certain intervening events, or (ii) terminate the Business Combination Agreement to enter into an agreement in connection with an alternative proposal to acquire the Company that is more favorable to the Company's stockholders from a financial point of view than the Transactions (a "Superior Proposal"), in each case, subject to complying with certain notice and other specified requirements, including giving Amneal the opportunity to propose revisions to the terms of the Transactions and the payment of the Termination Fee (as defined below).

Consummation of the Transactions is not subject to a financing condition. However, Amneal is required to use its reasonable best efforts to obtain financing to (i) fund repayment of the Company's Notes and refinance the RBC Credit Facilities and (ii) refinance outstanding Amneal debt. The Company is required to use reasonable best efforts to provide cooperation in connection with the financing process.

The Business Combination Agreement may be terminated by each of the Company and Amneal under certain circumstances, including if the Closing does not occur on or before the later of (i) 75 days after the effectiveness of the Registration Statement and (ii) July 17, 2018 (the "Outside Date"), but in no event will the Outside Date be later than October 17, 2018. Amneal also has certain additional termination rights, including in connection with a change of the Board's recommendation that the Company's stockholders adopt and approve the Business Combination Agreement. The Company is required to pay Amneal a termination fee of $45.0 million (the "Termination Fee") in connection with such a termination by Amneal, as well as under certain other circumstances, including if the Business Combination Agreement is terminated by the Company in connection with a Superior Proposal. Additionally, Amneal will be entitled to reimbursement for up to $15.0 million of its reasonable out-of-pocket expenses incurred in connection with the Business Combination Agreement and the Transactions if the Business Combination Agreement is terminated due to the failure to obtain the Requisite Stockholder Approval.

On October 17, 2017, Holdco and the Amneal Members also entered into a Stockholders Agreement, as described in further detail below (the "Stockholders Agreement"). The Stockholders Agreement provides, among other things, that:

- *Board and Committee Representation* . Following the Closing, the board of directors of New Amneal (the "New Amneal Board") will consist of no more than eleven directors, consisting of (i) six directors (the "Amneal Directors") designated by Amneal Holdings, LLC (the "Amneal Group Representative") and (ii) five directors (the "Non-Amneal Directors") designated by the Company. However, in the event that an institutional investor beneficially owns more than 4% of the outstanding Holdco Common Stock, such investor may have a board observer right or the number of directors may be increased to provide such investor with a director designee. Immediately following the Closing, the Co-Chairmen of the New Amneal Board will be Chirag Patel and Chintu Patel, and the lead independent director will be the current chairman of the Company Board, Robert L. Burr. For so long as the Amneal Members or any of their affiliates, successors and permitted assigns to which any shares of Holdco Common Stock have been transferred in accordance with certain provisions of the Stockholders Agreement (collectively, "Amneal Group Members") beneficially own more than 50% of the outstanding Holdco Common Stock, the Amneal Group Representative may designate for nomination to the New Amneal Board the lowest number of directors that constitutes a majority of the New Amneal Board and two of the four directors serving on each of the Nominating Committee and Compensation Committee. For so long as the Amneal Group Members beneficially own more than 50% of the outstanding Holdco Common Stock, (a) the Amneal Directors may designate the two Co-Chairmen of the New Amneal Board, and (b) the Non-Amneal Directors may designate the lead independent director. Until the Amneal Group Members beneficially own less than 10% of the outstanding Holdco Common Stock, (x) if the Amneal Group Members beneficially own less than 50% of the outstanding Holdco Common Stock, the Amneal Group Representative may designate a number of directors proportionate to the beneficial ownership of outstanding Holdco Common Stock by the Amneal Group Members (rounded up to the nearest whole number), and (y) each New Amneal Board committee (other than the Audit Committee) will include at least one Amneal director.

- *Conflicts Committee.* Until the Amneal Group Members beneficially own less than 10% of the outstanding Holdco Common Stock, the New Amneal Board will have a Conflicts Committee comprised solely of independent directors to provide leadership and guidance to the New Amneal Board and New Amneal regarding potential conflicts of interest between New Amneal and any Amneal Group Member, including with respect to related party transactions.

- *Integration Committee.* For at least two years following the Closing, the New Amneal Board will have an Integration Committee comprised of Chirag Patel, Chintu Patel, the current Co-Chief Executive Officers and Co-Chairmen of Amneal, and Paul Bisaro, the Company's President and Chief Executive Officer, which will serve as an advisory committee to management to provide input in connection with the integration of the Company and Amneal.

- *Chief Executive Officer* . Paul Bisaro will be the Chief Executive Officer of New Amneal.

- *Standstill Provisions* . The Amneal Group Members will be subject to customary standstill provisions, subject to certain exceptions, until the earlier of (i) the third anniversary of the Closing Date and (ii) such time when the Amneal Group Members beneficially own less than 20% of the outstanding shares of Holdco Common Stock.

- *Amneal Buyout Transactions* . Any proposal by an Amneal Group Member to acquire all outstanding Holdco Common Stock held by all other stockholders (other than other Amneal Group Members) must be approved by the Conflicts Committee and, as long as the Amneal Group Members beneficially own 37.5% of the outstanding shares of Holdco Common Stock, be subject to a non-waivable condition that a majority of the voting power of the outstanding shares of Holdco Common Stock held by such other stockholders approve the transaction.

- *Transfer Restrictions* . At any time, an Amneal Group Member may transfer shares of Holdco Common Stock to an affiliate. For the period of 180 days following the closing (the "Lock-Up Period"), no Amneal Group Member may transfer any shares of Holdco Common Stock, unless with the prior written consent of the Conflicts Committee, subject to certain exceptions. Following the expiration of the Lock-Up Period, Amneal Group Members may transfer shares of Holdco Common Stock pursuant to an effective registration statement, or in transactions exempt from or not subject to registration requirements, subject to certain customary restrictions.

  The Stockholders Agreement will terminate when the Amneal Group Members cease to own 10% of the outstanding shares of Holdco Common Stock.

Prohealth Stock Purchase Agreement

On October 24, 2017, the Company completed its previously announced acquisition of all the issued and outstanding share capital of Prohealth Biotech Inc., a company incorporated under the laws of the Republic of China (Taiwan) ("Prohealth") pursuant to the Stock Purchase Agreement dated as of July 23, 2017 (the "Prohealth SPA") with the stockholders of Prohealth who collectively had owned 42.46% of the issued and outstanding share capital of Prohealth. Prior to the closing of the transactions contemplated by the Prohealth SPA, the Company had owned 57.54% of the issued and outstanding share capital of Prohealth. Prohealth currently does not conduct any business activities and the Company currently intends to dissolve the entity during fiscal year 2017. The total purchase price payable by the Company to the stockholders of Prohealth pursuant to the Prohealth SPA was $0.1 million .

Generic Concerta ® (methylphenidate hydrochloride) Product Launch Delay

In late October 2017, it became clear that the validation efforts for the Company's AB-rated methylphenidate hydrochloride (generic equivalent to Concerta ®) product, produced by the Company's third party manufacturer, were not immediately successful and would require additional time and effort. The Company and its third party manufacturer are currently assessing the issue. As the assessment is currently ongoing, the Company is currently unable to determine the impact of the issue on the timing of the product launch. A significant delay of the product launch compared to the Company's estimated launch date could result in a significant intangible asset impairment charge, as well as a change in the fair value of the contingent consideration potentially due to Teva pursuant to the Termination Agreement as described under "Note 6. Fair Value Measurement and Financial Instruments." As of September 30, 2017, the fair value of the generic Concerta ® intangible asset was $149.7 million and the fair value of the contingent consideration was $38.1 million on the Company's consolidated balance sheet.

Supplemental Indenture related to 2% Convertible Senior Notes Due 2022

On November 6, 2017, the Company entered into a supplemental indenture (the "First Supplemental Indenture") to the indenture (the "Indenture"), dated as of June 30, 2015, by and between the Company and Wilmington Trust, National Association, a national banking association, as Trustee, under which the Company previously issued its 2% Convertible Senior Notes due 2022 (the "Notes"). Refer to "Note 12. Debt" for a description of the Notes. The First Supplemental Indenture was entered into by the Company to effectuate certain amendments to the Indenture in connection with the consummation of the Company's consent solicitation for holders of the Notes to amend the Indenture. The Company initiated the consent solicitation pursuant to the requirements of the Business Combination Agreement with Amneal. See "Business Combination Agreement with Amneal Pharmaceuticals LLC" above for a description of the Business Combination Agreement and the Company's proposed transaction with Amneal. The First Supplemental Indenture (a) amends a covenant in the Indenture relating to the Company's corporate existence, (b) allows the Company to satisfy its reporting requirements by providing reports of any parent entity, (c) adds a provision to the Indenture requiring the Company to make and consummate a tender offer for any outstanding notes under the Indenture, and (d) expressly authorizes the Company to consummate the transactions contemplated by the Business Combination Agreement.

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

The following discussion and analysis, as well as other sections in this Quarterly Report on Form 10-Q, should be read in conjunction with the unaudited interim consolidated financial statements and related notes to the unaudited interim consolidated financial statements included elsewhere herein.

Statements included in this Quarterly Report on Form 10-Q that do not relate to present or historical conditions are "forward-looking statements." Such forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in the forward-looking statements. Forward-looking statements may include statements relating to our plans, strategies, objectives, expectations and intentions. Words such as "believes," "forecasts," "intends," "possible," "estimates," "anticipates," and "plans" and similar expressions are intended to identify forward-looking statements. Our ability to predict results or the effect of events on our operating results is inherently uncertain. Forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those discussed in this Quarterly Report on Form 10-Q. Such risks and uncertainties include, but are not limited to, fluctuations in our operating results and financial condition, the volatility of the market price of our common stock, our ability to successfully develop and commercialize pharmaceutical products in a timely manner, the impact of competition, the effect of any manufacturing or quality control problems, our ability to manage our growth, risks related to acquisitions of or investments in technologies, products or businesses, the risks related to the sale or closure of our Taiwan manufacturing facility, effects from fluctuations in currency exchange rates between the U.S. dollar and the Taiwan dollar, risks relating to goodwill and intangibles, the reduction or loss of business with any significant customer, the substantial portion of our total revenues derived from sales of a limited number of products, the impact of consolidation of our customer base, our ability to sustain profitability and positive cash flows, the impact of any valuation allowance on our deferred tax assets, the restrictions imposed by our credit facility and indenture, our level of indebtedness and liabilities and the potential impact on cash flow available for operations, the availability of additional funds in the future, any delays or unanticipated expenses in connection with the operation of our manufacturing facilities, the effect of foreign economic, political, legal and other risks on our operations abroad, the uncertainty of patent litigation and other legal proceedings, the increased government scrutiny on our agreements to settle patent litigations, product development risks and the difficulty of predicting FDA filings and approvals, consumer acceptance and demand for new pharmaceutical products, the impact of market perceptions of us and the safety and quality of our products, our determinations to discontinue the manufacture and distribution of certain products, our ability to achieve returns on our investments in research and development activities, changes to FDA approval requirements, our ability to successfully conduct clinical trials, our reliance on third parties to conduct clinical trials and testing, our lack of a license partner for commercialization of Numient ® (IPX066) outside of the United States, the impact of illegal distribution and sale by third parties of counterfeits or stolen products, the availability of raw materials and impact of interruptions in our supply chain, our policies regarding returns, rebates, allowances and chargebacks, the use of controlled substances in our products, the effect of current economic conditions on our industry, business, results of operations and financial condition, disruptions or failures in our information technology systems and network infrastructure caused by third party breaches or other events, our reliance on alliance and collaboration agreements, our reliance on licenses to proprietary technologies, our dependence on certain employees, our ability to comply with legal and regulatory requirements governing the healthcare industry, the regulatory environment, the effect of certain provisions in our government contracts, our ability to protect our intellectual property, exposure to product liability claims, changes in tax regulations, uncertainties involved in the preparation of our financial statements, our ability to maintain an effective system of internal control over financial reporting, the effect of terrorist attacks on our business, the location of our manufacturing and research and development facilities near earthquake fault lines, expansion of social media platforms and other risks described herein and in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. You should not place undue reliance on forward-looking statements. Such statements speak only as to the date on which they are made, and we undertake no obligation to update or revise any forward-looking statement, regardless of future developments or availability of new information.

Rytary® and Emverm® are registered trademarks of Impax Laboratories, Inc. Other names are for informational purposes only and are used to identify companies and products and may be trademarks of their respective owners.

Overview

We are a specialty pharmaceutical company applying formulation and development expertise, as well as our drug delivery technology, to the development, manufacture and marketing of bioequivalent pharmaceutical products, commonly referred to as "generics," in addition to the development, manufacture and marketing of branded products. We operate in two segments, referred to as "Impax Generics" and "Impax Specialty Pharma." Impax Generics concentrates its efforts on generic products, which are the pharmaceutical and therapeutic equivalents of brand-name drug products and are usually marketed under their established nonproprietary drug names rather than by a brand name. Impax Specialty Pharma utilizes its specialty sales force to market proprietary branded pharmaceutical products for the treatment of CNS disorders and other select specialty segments. We sell our Impax Generics division products within the continental United States and the Commonwealth of Puerto Rico. We have no sales in foreign countries.

We plan to continue to expand Impax Generics through targeted ANDAs and a first-to-file and first-to-market strategy and to continue to evaluate and pursue external growth initiatives, including acquisitions and partnerships. We focus our efforts on a broad range of therapeutic areas including products that have technically challenging drug-delivery mechanisms or unique product formulations. We employ our technologies and formulation expertise to develop generic products that reproduce brand-name products' physiological characteristics but do not infringe any valid patents relating to such brand-name products. We generally focus our generic product development on brand-name products as to which the patents covering the active pharmaceutical ingredient have expired or are near expiration, and we employ our proprietary formulation expertise to develop controlled-release technologies that do not infringe patents covering the brand-name products' controlled-release technologies. We also develop, manufacture, sell and distribute specialty generic pharmaceuticals that we believe present one or more competitive advantages, such as difficulty in raw materials sourcing, complex formulation or development characteristics or special handling requirements. In addition to our focus on solid oral dosage products, we have expanded our generic pharmaceutical products portfolio to include alternative dosage form products, primarily through alliance and collaboration agreements with third parties. As of September 30, 2017 , we marketed 222 generic pharmaceuticals, which represent dosage variations of 74 different pharmaceutical compounds through our Impax Generics division; another five of our generic pharmaceuticals representing dosage variations of two different pharmaceutical compounds are marketed by our alliance and collaboration agreement partners. As of September 30, 2017 , in our Impax Generics Division, we had 18 applications pending at the FDA and 22 other products in various stages of development for which applications have not yet been filed.

The Impax Generics division develops, manufactures, sells, and distributes generic pharmaceutical products primarily through the following sales channels:

- the *"Impax Generics sales channel"* for sales of generic prescription products we sell directly to wholesalers, large retail drug chains, and others;
- the *"Private Label Product sales channel"* for generic pharmaceutical over-the-counter and prescription products we sell to unrelated third-party customers who in-turn sell the product to third parties under their own label;
- the *"Rx Partner sales channel"* for generic prescription products sold through unrelated third-party pharmaceutical entities under their own label pursuant to alliance agreements; and
- the *"OTC Partner sales channel"* for sales of generic pharmaceutical over-the-counter products sold through unrelated third-party pharmaceutical entities under their own label pursuant to alliance agreements.

Revenues from generic products are reported under the caption "Impax Generics, net."

Impax Specialty Pharma is engaged in the development, sale and distribution of proprietary branded pharmaceutical products that we believe represent improvements to already-approved pharmaceutical products addressing CNS disorders, including migraine, multiple sclerosis, Parkinson's disease and post-herpetic neuralgia, and other select specialty segments. We believe that we have the research, development and formulation expertise to develop branded products that will deliver significant improvements over existing therapies.

Our branded pharmaceutical product portfolio consists of commercial CNS and other select specialty products, as well as development stage projects. In February 2012, we licensed from AZ the exclusive U.S. commercial rights to Zomig® (zolmitriptan) tablet, orally disintegrating tablet and nasal spray formulations pursuant to the terms of the AZ Agreement (which was subsequently amended) and began sales of the Zomig® products under our label during the year ended December 31, 2012 through our specialty sales force. In May 2013, our exclusivity period for branded Zomig® tablets and orally disintegrating tablets expired and we launched authorized generic versions of those products in the United States. In June 2015, the FDA approved the Zomig® nasal spray for use in pediatric patients 12 years of age or older for the acute treatment of migraine with or without aura. In addition to the Zomig® products and our internally developed pharmaceutical product, Rytary® for the treatment of Parkinson's disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication and/or manganese intoxication, which was approved by the FDA on January 7, 2015, we are currently engaged in the sales and marketing of Emverm® (mebendazole) 100 mg chewable tablets, indicated for the treatment of pinworm, whipworm, common roundworm, common hookworm, and two other products, all acquired in the Tower Acquisition which closed in March 2015 as described further below. In November 2015, the European Commission granted marketing authorization for Numient® (referred to as Rytary® in the United States). The review of the Numient® application was conducted under the centralized licensing procedure as a therapeutic innovation, and the authorization is applicable in all 28 member states of the European Union, as well as Iceland, Liechtenstein and Norway.

We have entered into several alliance, collaboration or license and distribution agreements with respect to certain of our products and services and may enter into similar agreements in the future. These agreements may require us to relinquish rights to certain of our technologies or product candidates, or to grant licenses on terms which ultimately may prove to be unfavorable to us. Relationships with alliance and collaboration partners may also include risks due to the failure of a partner to perform under the agreement, incomplete marketplace information, inventories, development capabilities, regulatory compliance and commercial strategies of our partners and our agreements may be the subject of contractual disputes. For instance, we have historically experienced some disruptions in supply of certain products. If we suffer similar supply failures on our significant products in the future, or if we or our partners are not successful in commercializing the products covered by such alliance, collaboration or license and distribution agreements, our revenues and relationships with our customers may be materially adversely affected.

We have in the past made, and may in the future continue to make, acquisitions of businesses or products. For instance, on March 9, 2015, we acquired Tower Holdings, Inc. and its subsidiaries, including CorePharma, LLC and Lineage Therapeutics, Inc. (the “Tower Acquisition”). On August 3, 2016, we completed an acquisition of specified assets related to certain marketed and pipeline generic pharmaceutical products and the return to us of our full commercial rights to our pending ANDA for the generic equivalent to Concerta® (methylphenidate hydrochloride) from Teva Pharmaceutical Industries Ltd. (“Teva”) and certain its affiliates (the “Teva Transaction”). Refer to “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 2. Business Acquisition” above for details related to the Teva Transaction. Acquisitions involve numerous risks and expenses, including difficulties in assimilating the personnel, operations and products of the acquired companies or products, the diversion of management’s attention from other business concerns, risks of entering markets in which we have limited or no prior experience, and the potential loss of key employees of the acquired company. If we are unable to successfully or timely integrate the operations of acquired companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the acquisition, and our business, results of operations and financial condition could be materially and adversely affected.

On October 17, 2017, we entered into a Business Combination Agreement (the "Business Combination Agreement") with Atlas Holdings, Inc., our wholly-owned subsidiary ("Holdco"), K2 Merger Sub Corporation, a wholly-owned subsidiary of Holdco, and Amneal Pharmaceuticals LLC ("Amneal"). At the closing of the transactions contemplated by the Business Combination Agreement (the "Closing"), (i) Merger Sub will merge with and into us (the "Impax Merger"), with us surviving the Impax Merger as a direct wholly-owned subsidiary of Holdco, (ii) each share of our common stock issued and outstanding immediately prior to the Impax Merger, other than common stock held by us in treasury, by Amneal or by any of their respective subsidiaries, will be converted into the right to receive one fully paid and nonassessable share of Class A common stock of Holdco, par value $0.01 per share ("Holdco Class A Common Stock"), (iii) we will convert to a limited liability company pursuant to the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act, (iv) Holdco will contribute to Amneal all of Holdco's equity interests in us to Amneal, in exchange for common units of Amneal, (v) Holdco will issue an aggregate number of shares of Class B common stock of Holdco, par value $0.01 per share ("Holdco Class B Common Stock", and together with Holdco Class A Common Stock, "Holdco Common Stock") to the existing members of Amneal (the "Amneal Members") and (vi) Holdco will become the managing member of Amneal. In connection with the Closing, Holdco will be renamed Amneal Pharmaceuticals, Inc. ("New Amneal"). Subject to the satisfaction or waiver of closing conditions, the Closing is expected to occur in the first half of 2018. Immediately following the Closing, (A) the Amneal Members will hold 100% of Holdco Class B Common Stock, which, together with their common units of Amneal, will represent approximately 75% of the voting power and economic interests in New Amneal, and (B) our stockholders immediately prior to the Closing will hold 100% of the Holdco Class A Common Stock, which will represent approximately 25% of the voting power and economic interests in New Amneal. Refer to "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 23. Subsequent Events" above for details related to the Business Combination Agreement with Amneal.

Quality Control

Regulatory agencies such as the FDA regularly inspect our manufacturing facilities and the facilities of our third party suppliers. The failure of one of our facilities, or a facility of one of our third party suppliers, to comply with applicable laws and regulations may lead to breach of representations made to our customers or to regulatory or government action against us related to products made in that facility. We have in the past received a warning letter from the FDA regarding certain operations within our manufacturing network at our Hayward manufacturing facility, which we subsequently resolved in 2015. We remain committed to continuing to improve our quality control and manufacturing practices, however, we cannot be assured that the FDA will continue to be satisfied with our corrective actions and with our quality control and manufacturing systems and standards. Failure to comply strictly with these regulations and requirements may damage our reputation and lead to financial penalties, compliance expenditures, the recall or seizure of products, total or partial suspension of production and/or distribution, withdrawal or suspension of the applicable regulator's review of our submissions, enforcement actions, injunctions and criminal prosecution. Further, other federal agencies, our customers and partners in our alliance, development, collaboration and other partnership agreements with respect to our products and services may take any such FDA observations or warning letters into account when considering the award of contracts or the continuation or extension of such partnership agreements. Because regulatory approval to manufacture a drug is site-specific, the delay and cost of remedial actions, or obtaining approval to manufacture at a different facility, could negatively impact our business. Any failure by us to comply with applicable laws and regulations and/or any actions by the FDA and other agencies as described above could have a material adverse effect on our business, financial position and results of operations.

Critical Accounting Policies and Use of Estimates

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP") and the rules and regulations of the U.S. Securities & Exchange Commission ("SEC") require the use of estimates and assumptions, based on complex judgments considered reasonable, and affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant judgments are employed in estimates used in determining values of tangible and intangible assets, contingent consideration, legal contingencies, tax assets and tax liabilities, fair value of share-based compensation related to equity incentive awards issued to employees and directors, and estimates used in applying our revenue recognition policy including those related to accrued chargebacks, rebates, distribution service fees, product returns, Medicare, Medicaid, and other government rebate programs, shelf-stock adjustments, and the timing and amount of deferred and recognized revenue under our several alliance and collaboration agreements. Actual results may differ from estimated results. Certain prior year amounts have been reclassified to conform to the presentation for the three and nine months ended September 30, 2017 .

Although we believe our estimates and assumptions are reasonable when made, they are based upon information available to us at the time they are made. We periodically review the factors having an influence on our estimates and, if necessary, adjust such estimates. Due to the risks and uncertainties involved in our business and evolving market conditions, and given the subjective element of the estimates made, actual results may differ from estimated results. This possibility may be greater than normal during times of pronounced economic volatility.

Impax Generics sales, net, and Impax Specialty Pharma sales, net. We recognize revenue from the sale of products when title and risk of loss of the product is transferred to the customer and the sales price is fixed and determinable. Provisions for discounts, early payments, rebates, sales returns and distributor chargebacks under terms customary in the industry are provided for in the same period the related sales are recorded. We record estimated reductions to revenue at the time of the initial sale and these estimates are based on the sales terms, historical experience and trend analysis.

Gross to Net Sales Accruals

Sales returns accruals are based on using a historical lag period, which is the time between when the product is sold and when it is ultimately returned, and estimated return rates which may be adjusted based on various assumptions including: changes to internal policies and procedures, business practices, commercial terms with customers, and the competitive position of each product; the amount of inventory in the wholesale and retail supply chain; the introduction of new products; and changes in market sales information. We also consider other factors, including significant market changes which may impact future expected returns, and actual product returns. We allow our customers to return product if approved by authorized personnel in writing or by telephone with the lot number and expiration date accompanying any request and if such products are returned within six months prior to or until twelve months following, the product's expiration date. We estimate and recognize an accrued provision for product returns as a percentage of gross sales based upon historical experience. Any changes from the historical trend rates are considered in determining the current sales return allowance. If the historical data we use to calculate these estimates do not properly reflect future returns, then a change in the allowance would be made in the period in which such a determination is made and revenues in that period could be materially affected.

Cash discount accruals are based on payment terms extended to customers which are generally 2% to 3% of the gross selling price, as an incentive for paying within invoice terms, which generally range from 30 to 90 days. An estimate of cash discounts is recorded in the same period when revenue is recognized.

Government rebate accruals are based on estimated payments due to governmental agencies for purchases made by third parties under various governmental programs. U.S. Medicaid rebate accruals are generally based on historical payment data and estimates of future Medicaid beneficiary utilization applied to the Medicaid unit rebate formula established by the Center for Medicaid and Medicare Services. The accrual of the rebates associated with Medicaid Managed Care Organizations is calculated based on actual billings received from the states. We adjust the rebate accruals as more information becomes available and to reflect actual claims experience. Effective January 1, 2011, manufacturers of pharmaceutical products are responsible for 50% of the patient's cost of branded prescription drugs related to the Medicare Part D Coverage Gap. In order to estimate the cost to us of this coverage gap responsibility, we analyze the historical invoices. This expense is recognized throughout the year as costs are incurred. TRICARE is a health care program of the U.S. Department of Defense Military Health System that provides civilian health benefits for military personnel, military retirees and their dependents. TRICARE rebate accruals are based on estimated Department of Defense eligible sales multiplied by the TRICARE rebate formula.

Rebates and administrative fees are offered to certain customers, group purchasing organizations and pharmacy benefit managers, consistent with pharmaceutical industry practices. Settlement of rebates and fees may generally occur from one to 15 months from the date of sale. We provide a provision for rebates and administrative fees at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include level of customer inventories, contract sales mix and average contract pricing. We regularly review the information related to these estimates and adjust the provision accordingly.

Chargeback accruals are based on the differentials between product acquisition prices paid by wholesalers and lower contract pricing paid by eligible customers.

Distribution service fee accruals are based on contractual fees to be paid to the wholesale distributor for services provided.

A significant majority of our gross to net accruals are the result of chargebacks and rebates and administrative fees, with the majority of those programs having an accrual to payment cycle of three months. In addition to this relatively short accrual to payment cycle, we receive monthly information from the wholesalers regarding their sales of our products and actual on hand inventory levels of our products. During the nine months ended September 30, 2017 , the three large wholesalers accounted for 99% of our chargebacks and 67% of our indirect sales rebates. Consistent with the pharmaceutical industry, the accrual to payment cycle for returns is longer and can take several years depending on the expiration of the related products. However, returns represent the smallest gross to net adjustment. We have not experienced any significant changes in our estimates as it relates to our chargebacks, rebates or returns in the nine month and one year periods ended September 30, 2017 and December 31, 2016 , respectively.

The following tables are rollforwards of the activity in the reserves for the nine months ended September 30, 2017 and the year ended December 31, 2016 with an explanation for any significant changes in the accrual percentages (in thousands):

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Chargeback reserve		
Beginning balance	$ 151,978	$ 102,630
Provision recorded during the period	899,587	1,011,400
Credits issued during the period	(932,179)	(962,052)
Ending balance	$ 119,386	$ 151,978
Provision as a percent of gross product sales	41%	36%

As noted in the table above, the provision for chargebacks, as a percent of gross product sales, increased from 36% during the year ended December 31, 2016 to 41% during the nine months ended September 30, 2017 primarily due to the change in product sales mix due to the Teva Transaction, which closed in August 2016 and which products carry a higher chargeback rate, a higher chargeback rate on Fenofibrate product sales due to increased market competition in 2017 and lower product sales of diclofenac sodium gel, which carried a lower chargeback rate.

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Rebate reserve		
Beginning balance	$ 300,647	$ 265,229
Provision recorded during the period	513,183	768,629
Credits issued during the period	(657,101)	(733,211)
Ending balance	$ 156,729	$ 300,647
Provision as a percent of gross product sales	23%	27%

As noted in the table above, the provision for rebates, as a percent of gross product sales, decreased from 27% during the year ended December 31, 2016 to 23% during the nine months ended September 30, 2017 primarily due to lower product sales of diclofenac sodium gel, which carried a higher rebate rate, and the discontinuation of the amphetamine salts IR product in May 2017, which carried a higher rebate rate.

The table above represents rebates in both the Impax Generics and Impax Specialty Pharma divisions. The payment mechanisms for rebates in the Impax Generics and Impax Specialty Pharma divisions are different, which impacts the location on our balance sheet. Only rebates in the Impax Generics division are shown in "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 7. Accounts Receivable," as Impax Specialty Pharma rebates are classified as Accrued Expenses on our consolidated balance sheets.

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Returns reserve		
Beginning balance	$ 72,888	$ 48,950
Provision related to sales recorded in the period	38,820	52,383
Credits issued during the period	(30,992)	(28,445)
Ending balance	$ 80,716	$ 72,888
Provision as a percent of gross product sales	1.8%	1.8%

The provision for returns as a percent of gross product sales remained consistent at 1.8% during the nine month period ended September 30, 2017 and during the year ended December 31, 2016 .

Medicaid and Other Government Pricing Programs. As required by law, we provide a rebate payment on drugs dispensed under the Medicaid, Medicare Part D, TRICARE, and other U.S. government pricing programs. We determine our estimate of the accrued rebate reserve for government programs primarily based on historical experience of claims submitted by the various states, and other jurisdictions, as well as any new information regarding changes in the pricing programs that may impact our estimate of rebates. In determining the appropriate accrual amount, we consider historical payment rates and processing lag for outstanding claims and payments. We record estimates for government rebate payments as a deduction from gross sales, with corresponding adjustments to accrued liabilities. The accrual for payments under government pricing programs totaled $64.9 million and $72.1 million as of September 30, 2017 and December 31, 2016 , respectively.

Shelf-Stock Adjustments. Based upon competitive market conditions, we may reduce the selling price of some of our products to customers for certain future product shipments. We may issue a credit against the sales amount to a customer based upon its remaining inventory of the product in question, provided the customer agrees to continue to make future purchases of product from us. This type of customer credit is referred to as a shelf-stock adjustment, which is the difference between the sales price and the revised lower sales price, multiplied by an estimate of the number of product units on hand at a given date. Decreases in selling prices are discretionary decisions made by us in response to market conditions, including estimated launch dates of competing products and estimated declines in market price. The accrued reserve for shelf-stock adjustments totaled $5.7 million and $7.0 million as of September 30, 2017 and December 31, 2016 , respectively.

Rx Partner and OTC Partner. Each of our Rx Partner and OTC Partner agreements contain multiple deliverables in the form of products, services and/or licenses over extended periods. FASB ASC Topic 605-25 supplemented SAB 104 and provides guidance for accounting for such multiple-element revenue arrangements. With respect to our multiple-element revenue arrangements that are material to our financial results, we determine whether any or all of the elements of the arrangement should be separated into individual units of accounting under FASB ASC Topic 605-25. If separation into individual units of accounting is appropriate, we recognize revenue for each deliverable when the revenue recognition criteria specified by SAB 104 are achieved for the deliverable. If separation is not appropriate, we recognize revenue and related direct manufacturing costs over the estimated life of the agreement or our estimated expected period of performance using either the straight-line method or a modified proportional performance method.

The Rx Partners and OTC Partners agreements obligate us to deliver multiple goods and/or services over extended periods. Such deliverables include manufactured pharmaceutical products, exclusive and semi-exclusive marketing rights, distribution licenses, and research and development services. In exchange for these deliverables, we receive payments from our agreement partners for product shipments and research and development services, and may also receive other payments including royalty, profit sharing, upfront payments, and periodic milestone payments. Revenue received from our partners for product shipments under these agreements is generally not subject to deductions for chargebacks, rebates, product returns, and other pricing adjustments. Royalty and profit sharing amounts we receive under these agreements are calculated by the respective agreement partner, with such royalty and profit share amounts generally based upon estimates of net product sales or gross profit which include estimates of deductions for chargebacks, rebates, product returns, and other adjustments the alliance agreement partners may negotiate with their customers. We record the agreement partner's adjustments to such estimated amounts in the period the agreement partner reports the amounts to us.

OTC Partner revenue is related to our alliance and collaboration agreement with Pfizer, Inc., formerly Wyeth LLC (“Pfizer”) and our supply agreement with L. Perrigo Company (“Perrigo”) with respect to the supply of over-the-counter pharmaceutical product Loratadine and Pseudoephedrine Sulfate 5 mg/120 mg 12-hour Extended Release Tablets (the "D12 Product"). The OTC Partner sales channel is no longer a core area of our business, and the over-the-counter pharmaceutical products we sell through this sales channel are older products which are only sold to Pfizer and Perrigo. We recognize profit share revenue in the period earned.

During the quarter ended September 30, 2016, we sold the ANDAs for both the D12 Product and Loratadine and Pseudoephedrine Sulfate 10 mg/240 mg 24-hour Extended Release Tablets, in addition to other specified assets, to Perrigo pursuant to an asset purchase agreement with Perrigo dated as of March 31, 2016 (the "Perrigo APA"). Under the terms of the Perrigo APA, we will also continue to supply the D-12 Product to Pfizer and Perrigo until the date that is the earliest of (i) the date that Perrigo's manufacturing facility is approved to manufacture the D-12 Product and (ii) December 31, 2017 (the "Supply End Date"). On the Supply End Date, we will assign and transfer our supply agreement with Pfizer in its entirety to Perrigo in accordance with the Perrigo APA.

Research Partner . We have entered into development agreements with unrelated third-party pharmaceutical companies under which we are collaborating in the development of five dermatological products, including four generic products and one branded dermatological product. We are not currently in the process of developing the branded dermatological product. Under each of the development agreements, we received an upfront fee with the potential to receive additional milestone payments upon completion of contractually specified clinical and regulatory milestones. We defer and recognize revenue received from the achievement of contingent research and development milestones in the period such payment is earned. We will recognize royalty fee income, if any, as current period revenue when earned.

Estimated Lives of Alliance and Collaboration Agreements. Because we may defer revenue we receive under our alliance agreements, and recognize it over the estimated life of the related agreement, or our expected period of performance, we are required to estimate the recognition period under each such agreement in order to determine the amount of revenue to be recognized in each period. Sometimes this estimate is based on the fixed term of the particular alliance agreement. In other cases the estimate may be based on more subjective factors as noted in the following paragraphs. While changes to the estimated recognition periods have been infrequent, such changes, should they occur, may have a significant impact on our consolidated financial statements.

As an illustration, the consideration received from the provision of research and development services under the Joint Development Agreement with Valeant Pharmaceuticals International, Inc. (“Valeant Agreement”), including the upfront fee and milestone payments received before January 1, 2011, have been initially deferred and are being recognized as revenue on a straight-line basis over our expected period of performance to provide research and development services under the Valeant Agreement. The completion of the final deliverable under the Valeant Agreement represents the end of our estimated expected period of performance, as we will have no further contractual obligation to perform research and development services under the Valeant Agreement, and therefore the earnings process will be complete. The expected period of performance was initially estimated to be a 48 month period, starting in December 2008, upon receipt of the $40.0 million upfront payment, and ending in November 2012. During the year ended December 31, 2012, we extended the end of the revenue recognition period for the Valeant Agreement from November 2012 to November 2013 and during the three month period ended March 31, 2013, we further extended the end of the revenue recognition period for the agreement from November 2013 to December 2014 due to changes in the estimated timing of completion of certain research and development activities under the agreement. All deferred revenue under the Valeant Agreement was completely recognized as of December 31, 2014.

Third-Party Research Agreements. In addition to our own research and development resources, we may use unrelated third-party vendors, including universities and independent research companies, to assist in our research and development activities. These vendors provide a range of research and development services to us, including clinical and bio-equivalency studies. We generally sign agreements with these vendors which establish the terms of each study performed by them, including, among other things, the technical specifications of the study, the payment schedule, and timing of work to be performed. Third-party researchers generally earn payments either upon the achievement of a milestone, or on a pre-determined date, as specified in each study agreement. We account for third-party research and development expenses as they are incurred according to the terms and conditions of the respective agreement for each study performed, with an accrued expense at each balance sheet date for estimated fees and charges incurred by us, but not yet billed to us. We monitor aggregate actual payments and compare them to the estimated provisions to assess the reasonableness of the accrued expense balance at each quarterly balance sheet date.

Share-Based Compensation. We recognize the grant date fair value of each option and restricted share over its vesting period. Stock options and restricted stock awards granted under the 2002 Plan generally vest over a four year period and, in the case of stock options, have a term of 10 years. We estimate the fair value of each stock option award on the grant date using the Black-Scholes-Merton option-pricing model, wherein expected volatility is based on historical volatility of our common stock. We base the expected term calculation on the "simplified" method described in SAB No. 107, Share-Based Payment and SAB No. 110, Share-Based Payment, because it provides a reasonable estimate in comparison to our actual experience. We base the risk-free interest rate on the U.S. Treasury yield in effect at the time of grant for an instrument with a maturity that is commensurate with the expected term of the stock options. The dividend yield is zero as we have never paid cash dividends on our common stock, and have no present intention to pay cash dividends.

Income Taxes. We are subject to U.S. federal, state and local income taxes, Netherlands income tax, Republic of Ireland income tax and Taiwan R.O.C. income taxes.

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against net deferred tax assets. The process involves summarizing temporary differences between the financial statement carrying values (in accordance with U.S. GAAP) and the tax bases of our assets and liabilities. These differences result in a net deferred tax asset or liability, which is included within the consolidated balance sheet. In addition, we are required to assess whether valuation allowances should be established against our deferred tax assets based on consideration of all available evidence using a "more likely than not" standard. To the extent a valuation allowance is established in a period, an expense must generally be recorded within the income tax provision in the statement of operations.

In assessing the realizability of our deferred tax assets, we consider whether it is more likely than not that our deferred tax assets will be realized based upon all available evidence, including, but not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carryback and carryforward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight we afford the evidence is commensurate with the extent the evidence may be objectively verified. As such, we did not rely on or project future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence of a recent financial reporting loss for the year ended December 31, 2016 or the nine months ended September 30, 2017.

In relying on the objectively verifiable negative evidence of the three-year cumulative loss, and in not considering or projecting taxable income under the provisions of FASB ASC Topic 740, "Income Taxes," we confined our sources of income to realize the deferred tax assets to (1) carryback to recover taxes paid in the current year or prior years and (2) offsetting taxable amounts related to taxable temporary differences within the carryback or carryforward period for which deferred tax liabilities are more likely than not to be realized. The deferred tax liabilities consist of indefinite-lived acquired IPR&D product rights.

Our consolidated net deferred tax asset valuation allowance totaled $177.5 million as of September 30, 2017 , such that we realize on a more likely than not basis, a tax-effected net deferred tax asset of $15.1 million. If actual results differ from these estimates or these estimates are adjusted in future periods, the valuation allowance may need to be adjusted, which could materially impact our financial position and results of operations. If sufficient positive evidence arises in the future indicating that all or a portion of the deferred tax assets meet the more likely than not standard for realization, the valuation allowance would be reduced accordingly in the period that such a conclusion is reached.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. We reevaluate the effect of uncertain income tax positions on a quarterly basis, and any changes in recognition or measurement are reflected in the period in which the change in judgment occurs. This evaluation is based on factors including, but not limited to, changes in facts and circumstances, changes in tax law, effectively settled issues, and new audit activity. Any changes in these factors could result in changes to a tax benefit or tax provision.

Fair Value of Financial Instruments. We carry our deferred compensation liability at the value of the amount owed to participants, and derive it from observable market data by reference to hypothetical investments. The carrying values of other financial assets and liabilities such as cash equivalents, accounts receivable, prepaid and other current assets, and accounts payable approximate their fair values due to their short-term nature.

Contingencies. In the normal course of business, we are subject to loss contingencies, such as legal proceedings and claims arising out of our business, covering a wide range of matters, including, among others, patent litigation, stockholder lawsuits, and product and clinical trial liability. In accordance with FASB ASC Topic 450, "Contingencies," we record accrued loss contingencies when it is probable a liability will be incurred and the amount of loss can be reasonably estimated. We do not recognize gain contingencies until they have been realized.

Intangible Assets. Our intangible assets include both finite lived and indefinite-lived assets. Finite lived intangible assets, consisting of marketed product rights and royalties received from product sales by our third party partners, are amortized over the estimated useful life of the asset based on the pattern in which the economic benefits are expected to be consumed or otherwise used up or, if that pattern is not readily determinable, on a straight-line basis. Indefinite-lived intangible assets consist of acquired in-process research and development (IPR&D) product rights and acquired future royalty rights to be paid based on other companies' net sales of products not yet approved. IPR&D assets acquired in a business combination are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. If FDA approval to market the product is not obtained, we will immediately expense the related capitalized cost.

Finite lived intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. All of our indefinite-lived intangible assets are tested for impairment at least annually during the fourth quarter of the fiscal year, or more often if indicators of impairment are present. Impairment testing requires management to estimate the future undiscounted cash flows of an intangible asset using assumptions believed to be reasonable, but which are unpredictable and inherently uncertain. Actual future cash flows may differ from the estimates used in the impairment testing. We recognize an impairment loss when and to the extent that the estimated fair value of an intangible asset is less than its carrying value.

Goodwill . In accordance with FASB ASC Topic 350, "Goodwill and Other Intangibles," rather than recording periodic amortization of goodwill, goodwill is subject to an annual assessment for impairment. Under FASB ASC Topic 350, if the fair value of the reporting unit exceeds the reporting unit's carrying value, including goodwill, then goodwill is considered not impaired, making further analysis not required. We consider each of our Impax Generics division and Impax Specialty Pharma division operating segments to be a reporting unit, as this is the lowest level for each of which discrete financial information is available. We attribute $59.7 million of goodwill to the Impax Specialty Pharma division and $147.6 million of goodwill to the Impax Generics division.

We concluded the carrying value of goodwill was not impaired as of December 31, 2016 , as the fair value of the Impax Specialty Pharma division and the Impax Generics division exceeded their respective carrying values at each date. We perform our annual goodwill impairment test in the fourth quarter of each year. We estimate the fair value of the Impax Specialty Pharma division and the Impax Generics division using a discounted cash flow model for both the reporting unit and the enterprise, as well as earnings and revenue multiples per common share outstanding for enterprise fair value. In addition, on a quarterly basis, we perform a review of our business operations to determine whether events or changes in circumstances have occurred that could have a material adverse effect on the estimated fair value of each reporting unit, and thus indicate a potential impairment of the goodwill carrying value. If such events or changes in circumstances were deemed to have occurred, we would perform an interim impairment analysis, which may include the preparation of a discounted cash flow model, or consultation with one or more valuation specialists, to analyze the impact, if any, on our assessment of the reporting unit's fair value. As of September 30, 2017 , we have not deemed there to be any significant adverse changes in the legal, regulatory or business environment in which we conduct our operations that would require us to perform an interim impairment test.

Results of Operations

Three Months Ended September 30, 2017 Compared to the Three Months Ended September 30, 2016

Overview

The following table sets forth our summarized, consolidated results of operations for the three month periods ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Total revenues	$ 206,392	$ 227,909	$ (21,517)	(9)%
Gross profit (loss)	34,033	(165,426)	199,459	*
Loss from operations	(37,013)	(272,628)	235,615	86 %
Loss before income taxes	(52,414)	(283,868)	231,454	82 %
Benefit from income taxes	(3,045)	(104,531)	101,486	97 %
Net loss	$ (49,369)	$ (179,337)	$ 129,968	72 %

** Percentage exceeds 100%*

Consolidated total revenues for the three month period ended September 30, 2017 decreased by 9%, or $21.5 million, to $206.4 million compared to $227.9 million for the three month period ended September 30, 2016. The decrease was attributable to lower Impax Generics division product sales, partially offset by higher Impax Specialty Pharma division product sales. Selling price for existing products decreased consolidated total revenues by 27.7%, while volumes for existing products increased consolidated total revenues by 16.1%, in each case compared to the same period of 2016. The decrease in selling price was primarily the result of additional competition during the three month period ended September 30, 2017 in generic Adderall XR®, fenofibrate and lower prices on epinephrine auto injector, partially offset by volume increases in epinephrine auto injector. New product launches, including those resulting from acquisitions, increased consolidated total revenues by 2.2% compared to the same period of 2016.

Revenues from our Impax Generics division decreased by $24.2 million during the three month period ended September 30, 2017, as compared to the prior year period. The decrease was primarily due to lower sales of metaxalone, oxymorphone ER and fenofibrate, partially offset by higher sales of our epinephrine auto-injector, diclofenac sodium gel and the products we acquired as part of the Teva Transaction, in each case compared to the prior year period.

Revenues from our Impax Specialty Pharma division increased by $2.7 million during the three month period ended September 30, 2017, as compared to the prior year period. The increase was primarily due to higher sales of Rytary® and of our anthelmintic products franchise, partially offset by lower sales of Zomig®, in each case compared to the prior year period.

Net loss for the three month period ended September 30, 2017 was $49.4 million, a decrease of $129.9 million compared to a net loss of $179.3 million for the three month period ended September 30, 2016. The decline in net loss for the three month period ended September 30, 2017 as compared to the prior year period was primarily due to $13.6 million of intangible asset impairment charges during the three month period ended September 30, 2017, for which there were $285.2 million of comparable charges recognized during the prior year period, lower operating expenses, the recognition of $4.7 million of gains on the disposal of property, plant and equipment, as well as a $3.0 million income tax benefit on the current period net loss before taxes, for which there was a $104.5 million benefit from income taxes recognized on the prior year period loss before taxes. These factors contributing to the decline in net loss were partially offset by an increase in interest expense related to our $400.0 million Term Loan Facility entered into in the third quarter of 2016 to fund the Teva Transaction, an increase in fixed asset impairment charges, and a loss on the change in the fair value of contingent consideration potentially payable to Teva related to methylphenidate hydrochloride (generic Concerta®), all during the three month period ended September 30, 2017. Refer to “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 23. Subsequent Events” above for further details related to our methylphenidate hydrochloride product.

Impax Generics

The following table sets forth results of operations for Impax Generics for the three month periods ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Revenues:				
Impax Generics, net	$ 151,098	$ 175,320	$ (24,222)	(14)%
Cost of revenues	141,133	115,020	26,113	23 %
Cost of revenues impairment charges	13,623	256,462	(242,839)	(95)%
Gross loss	(3,658)	(196,162)	192,504	98 %
Operating expenses:				
Selling, general and administrative	5,570	6,103	(533)	(9)%
Research and development	12,241	15,375	(3,134)	(20)%
In-process research and development impairment charges	—	15,543	(15,543)	*
Patent litigation expense	28	147	(119)	(81)%
Total operating expenses	17,839	37,168	(19,329)	(52)%
Loss from operations	$ (21,497)	$ (233,330)	$ 211,833	91 %

** Percentage exceeds 100%*

Revenues

Total revenues for the Impax Generics division for the three month period ended September 30, 2017 were $151.1 million, a decrease of $24.2 million, or 14%, over the prior year period. The decrease compared to the prior year period was primarily due to lower sales of metaxalone, oxymorphone ER, and fenofibrate, partially offset by higher sales of our epinephrine auto-injector, diclofenac sodium gel and the products we acquired as part of the Teva Transaction.

Cost of Revenues

Cost of revenues for the three month period ended September 30, 2017 was $141.1 million, an increase of $26.1 million compared to the prior year period. The increase compared to the prior year period was primarily attributable to higher intangible asset amortization expenses resulting from the Teva Transaction, an increase in the new product launch inventory reserve, an increase in the short dated inventory reserve, an increase in the scrap inventory reserve related to cancelled product transfers to our Taiwan facility, higher restructuring costs incurred in conjunction with the reduction-in-force of our technical operations group and higher inventory underabsorption charges related to the closure of our Middlesex, New Jersey facility, partially offset by lower sales and lower restructuring costs incurred in conjunction with the closure of our Middlesex, New Jersey facility. See “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 16. Restructurings” for additional information related to the reduction-in-force of our technical operations group and the closure of our Middlesex facility.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges were $13.6 million for the three month period ended September 30, 2017, as compared to $256.5 million for the three month period ended September 30, 2016. The $13.6 million of impairment charges for the three month period ended September 30, 2017 were due to continued price erosion on one currently marketed product acquired as part of the Teva Transaction, resulting in significantly lower expected future cash flows. The $256.5 million of impairment charges for the three month period ended September 30, 2016 were primarily due to price reductions taken on certain products acquired as part of the Teva Transaction in order to retain key customers.

Gross Loss

Gross loss for the three month period ended September 30, 2017 was $3.7 million, or 2% of total revenues, as compared to gross loss of $196.2 million, or 112% of total revenues, for the prior year period. The decrease in gross loss compared to the prior year period were primarily due to the lower impairment charges during the current year period as noted above, partially offset by lower product revenue, increased intangibles amortization expenses, increased net restructuring costs, increased new product launch, short dated and scrap inventory reserves and increased inventory underabsorption charges, also noted above, in each case compared to the prior year period.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the three month period ended September 30, 2017 were $5.6 million, as compared to $6.1 million for the three month period ended September 30, 2016. The $0.5 million decrease from the prior year period was primarily due to lower failure to supply claims from our wholesale customers and lower administrative costs, partially offset by higher marketing and freight costs.

Research and Development Expenses

Research and development expenses for the three month period ended September 30, 2017 were $12.2 million, as compared to $15.4 million for the three month period ended September 30, 2016. The $3.2 million decrease from the prior year period was primarily due to lower external development costs and lower personnel costs resulting from the closure of our Generic Division's research and development site in Middlesex, New Jersey.

In-Process Research and Development Impairment Charges

In-process research and development impairment charges were $15.5 million for the three month period ended September 30, 2016, primarily due to delays in the expected start of commercialization and/or lower pricing amid highly competitive market conditions of certain pipeline products, resulting in lower expected future cash flows. No comparable impairment charges were recognized during the three month period ended September 30, 2017.

Patent Litigation Expenses

Patent litigation expenses for the three month period ended September 30, 2017 were minimal, which was relatively consistent with patent litigation expenses for the three month period ended September 30, 2016.

Impax Specialty Pharma

The following table sets forth results of operations for Impax Specialty Pharma for the three month periods ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Revenues:				
Rytary®, net	$ 21,520	$ 19,807	$ 1,713	9 %
Zomig®, net	13,899	15,257	(1,358)	(9)%
All other Specialty Pharma Products, net	19,875	17,525	2,350	13 %
Total revenues	55,294	52,589	2,705	5 %
Cost of revenues	17,603	21,853	(4,250)	(19)%
Gross profit	37,691	30,736	6,955	23 %
Operating expenses:				
Selling, general and administrative	16,135	16,358	(223)	(1)%
Research and development	3,580	4,740	(1,160)	(24)%
In-process research and development impairment charges	—	13,227	(13,227)	*
Patent litigation expense	1,612	3,132	(1,520)	(49)%
Total operating expenses	21,327	37,457	(16,130)	(43)%
Income (loss) from operations	$ 16,364	$ (6,721)	$ 23,085	*

** Percentage exceeds 100%*

Revenues

Total revenues for the Impax Specialty Pharma division for the three month period ended September 30, 2017 were $55.3 million, an increase of $2.7 million, or 5%, over the prior year period. The increase from the prior year period was primarily due to higher sales of Rytary® and of our anthelmintic products franchise, partially offset by lower sales of Zomig®.

Cost of Revenues

Cost of revenues for the three month period ended September 30, 2017 was $17.6 million, a decrease of $4.3 million compared to the prior year period. The decrease was primarily attributable to lower intangible asset amortization expenses and reduced short dated inventory reserves, partially offset by higher unit sales and an increase in accelerated depreciation expenses related to our Taiwan facility, in each case compared to the prior year period.

Gross Profit

Gross profit for the three month period ended September 30, 2017 was $37.7 million, or 68% of total revenues, as compared to gross profit of $30.7 million, or 58% of total revenues, for the prior year period. The increases in gross profit and gross margin were primarily due to higher revenues, lower intangible asset amortization expenses and lower short dated inventory reserves, as noted above, partially offset by higher accelerated depreciation expenses, also noted above, in each case compared to the prior year period.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the three month period ended September 30, 2017 were $16.1 million, as compared to $16.4 million for the three month period ended September 30, 2016. The $0.3 million decrease from the prior year period was primarily due to lower advertising and promotion costs related to Rytary® and lower costs related to the expanded sales force, which we increased in size during the second quarter of 2016, partially offset by higher advertising and promotion costs related to Emverm® and Zomig®, in each case compared to the prior year period.

Research and Development

Research and development expenses for the three month period ended September 30, 2017 were $3.6 million, as compared to $4.7 million for the three month period ended September 30, 2016. The $1.1 million decrease from the prior year period was primarily due to reduced research and development activities related to our branded initiatives.

In-Process Research and Development Impairment Charges

In-process research and development impairment charges were $13.2 million for the three month period ended September 30, 2016, primarily due to delays in the expected start of commercialization and/or lower pricing amid highly competitive market conditions of certain pipeline products, resulting in lower expected future cash flows. No comparable impairment charges were recognized during the three month period ended September 30, 2017.

Patent Litigation Expenses

Patent litigation expenses for the three month period ended September 30, 2017 were $1.6 million, as compared to $3.1 million for the three month period ended September 30, 2016. The $1.5 million decrease from the prior year period was primarily due to reduced patent litigation activity.

Corporate and Other

The following table sets forth corporate general and administrative expenses, as well as other items of income and expense presented below income or loss from operations for the three month periods ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
General and administrative expenses	$ 31,880	$ 32,577	$ (697)	(2)%
Unallocated corporate expenses	(31,880)	(32,577)	697	2 %
Interest expense	(13,636)	(11,089)	(2,547)	(23)%
Interest income	336	222	114	51 %
Gain (loss) on disposal of property, plant and equipment	4,708	(33)	4,741	*
Change in fair value of contingent consideration	(6,333)	—	(6,333)	*
Fixed asset impairment charges	(828)	(134)	(694)	*
Other income (expense), net	352	(206)	558	*
Loss before income taxes	(47,281)	(43,817)	(3,464)	(8)%
Benefit from income taxes	$ (3,045)	$ (104,531)	$ 101,486	97 %

** Percentage exceeds 100%*

General and Administrative Expenses

General and administrative expenses for the three month period ended September 30, 2017 were $31.9 million, as compared to $32.6 million for the three month period ended September 30, 2016. The $0.7 million decrease compared to the prior year period was primarily due to lower IT and business development spending and lower share-based compensation costs. These reduced expenses were partially offset by higher legal expenses compared to the prior year period.

Interest Expense

Interest expense was $13.6 million for the three month period ended September 30, 2017, a $2.5 million increase from the three month period ended September 30, 2016. Interest expense for the third quarter of 2017 reflects interest on our $600.0 million senior convertible notes, interest on our $400.0 million Term Loan Facility entered into in the third quarter of 2016 to fund the Teva Transaction, and interest on our Revolving Credit Facility. In contrast, interest expense for the third quarter of 2016 reflects interest on our $600.0 million senior convertible notes, two months of interest on our $400.0 million Term Loan Facility and interest on our Revolving Credit Facility.

Interest Income

Interest income was $0.3 million for the three month period ended September 30, 2017, which was relatively consistent with interest income for the three month period ended September 30, 2016.

Gain (Loss) on Disposal of Property, Plant and Equipment

During the three month period ended September 30, 2017, we recognized a gain of $4.7 million on the disposal of property, plant and equipment. There was a minimal loss during the three month period ended September 30, 2016. The gain recognized during the three month period ended September 30, 2017 primarily related to the sale of a storage warehouse in Hayward, California.

Change in Fair Value of Contingent Consideration

During the three month period ended September 30, 2017, we recognized a $6.3 million loss on the change in the fair value of contingent consideration. The loss resulted from the passage of time, an increase in the probability of launch of methylphenidate hydrochloride (generic Concerta®) and a change in the discount rate. No comparable charge was recognized during the three month period ended September 30, 2016.

Fixed Asset Impairment Charges

Fixed asset impairment charges were $0.8 million for the three month period ended September 30, 2017, as compared to $0.1 million for the three month period ended September 30, 2016. The $0.7 million increase from the prior year period was primarily due to abandoned software.

Other Income (Expense), net

Other income, net was $0.4 million for the three month period ended September 30, 2017, as compared to other expense, net of $0.2 million for the three month period ended September 30, 2016. The $0.6 million increase in other income, net from the prior year period was primarily due to foreign exchange gains.

Income Taxes

During the three month periods ended September 30, 2017 and 2016, we recognized aggregate consolidated tax benefit of $3.0 million and $104.5 million, respectively, for U.S. domestic and foreign income taxes. The effective tax rate for the three month periods ended September 30, 2017 and 2016 was 5.8% and 36.8%, respectively. The amount of tax benefit recorded for the three month period ended September 30, 2017 was calculated using the discrete effective tax rate method, while the tax benefit recorded for the three month period ended September 30, 2016 was calculated using the annual estimated effective tax rate method.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective evidence that management evaluated was the cumulative loss incurred over the three year period ended December 31, 2016. Such objective evidence limits our ability to consider other subjective evidence, such as projected taxable income.

On the basis of this evaluation, as of June 30, 2017, we had a valuation allowance of $164.4 million. During the three month period ended September 30, 2017, we considered new evidence, both positive and negative, that could impact management’s assessment with regard to future realization of deferred tax assets. Based on the cumulative loss over the three year period ended September 30, 2017, we provided an additional valuation allowance in the amount of $13.1 million recorded against the gross deferred tax asset balance for a total valuation allowance of $177.5 million as of September 30, 2017.

Nine Months Ended September 30, 2017 Compared to the Nine Months Ended September 30, 2016

Overview

The following table sets forth our summarized, consolidated results of operations for the nine month periods ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Total revenues	$ 592,877	$ 626,007	$ (33,130)	(5)%
Gross profit	131,330	10,148	121,182	*
Loss from operations	(96,043)	(230,276)	134,233	58 %
Loss before income taxes	(140,881)	(305,312)	164,431	54 %
Provision for (benefit from) income taxes	27,336	(112,866)	140,202	*
Net loss	$ (168,217)	$ (192,446)	$ 24,229	13 %

** Percentage exceeds 100%*

Consolidated total revenues for the nine month period ended September 30, 2017 decreased by 5%, or $33.1 million, to $592.9 million compared to $626.0 million for the nine month period ended September 30, 2016. The decrease was attributable to both lower Impax Generics division and Impax Specialty Pharma division product sales. Selling price for existing products decreased consolidated total revenues by 24.5%, while volumes for existing products increased consolidated total revenues by 17.5%, in each case compared to the same period of 2016. The decrease in selling price was primarily the result of additional competition during the nine month period ended September 30, 2017 in generic Adderall XR®, fenofibrate and lower prices on epinephrine auto injector, partially offset by volume increases in epinephrine auto injector. New product launches, including those resulting from acquisitions, increased consolidated total revenues by 1.8% compared to the same period of 2016.

Revenues from our Impax Generics division decreased by $31.0 million during the nine month period ended September 30, 2017, as compared to the prior year period. The decrease was primarily due to increased competition on diclofenac sodium gel, metaxalone, generic Adderall XR® and fenofibrate. These decreases were partially offset by increased sales of our epinephrine auto-injector, oxymorphone ER and the products we acquired as part of the Teva Transaction.

Revenues from our Impax Specialty Pharma division decreased by $2.2 million during the nine month period ended September 30, 2017, as compared to the prior year period. The decrease was primarily due to lower sales of Zomig® and of our anthelmintic products franchise, partially offset by higher sales of Rytary®.

Net loss for the nine month period ended September 30, 2017 was $168.2 million, a decrease of $24.2 million compared to net loss of $192.4 million for the nine month period ended September 30, 2016. The decline in net loss for the nine month period ended September 30, 2017 as compared to the prior year period was primarily due to $59.0 million in intangible asset impairment charges, for which there were $287.7 million of comparable charges during the prior year period, as well as a $27.3 million income tax provision on the current period net loss before taxes, for which there was a $112.9 million benefit from income taxes recognized on the prior year period loss before taxes. Due to our cumulative loss over the three year period ended September 30, 2017, no current tax benefit could be recorded on our loss before taxes for the nine month period ended September 30, 2017. Included in our results for the nine month period ended September 30, 2016 was a $48.0 million reserve recorded as a result of the uncertainty of collection of the receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities, as compared to a net $2.7 million of such charges during the nine month period ended September 30, 2017. Refer to "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 7. Accounts Receivable" for information related to the receivable due from Turing.

Additional factors contributing to the decline in net loss for the nine month period ended September 30, 2017 compared to the prior year period included the recognition of an $11.9 million gain on the sale of 29 ANDAs and one NDA for non-strategic approved generic products, the vast majority of which products were not marketed, and all acquired as part of the Tower Acquisition, and the recognition of $5.0 million of gains on the disposal of property, plant and equipment, both during the nine month period ended September 30, 2017. These factors contributing to the decline in net loss were partially offset by an increase in interest expense related to our $400.0 million Term Loan Facility entered into in the third quarter of 2016 to fund the Teva Transaction, an increase in fixed asset impairment charges, an increase in legal settlement accruals and a loss on the change in the fair value of contingent consideration potentially payable to Teva related to methylphenidate hydrochloride (generic Concerta®). Refer to "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 23. Subsequent Events" above for further details related to our methylphenidate hydrochloride product.

Of the $59.0 million of intangible asset impairment charges we incurred during the nine month period ended September 30, 2017, we recognized $52.9 million in cost of revenues impairment charges and $6.1 million in in-process research and development impairment charges on our consolidated statement of operations. The $59.0 million impairment charge was almost entirely attributable to four products, three of which are currently marketed products and one of which is an IPR&D product, all acquired as part of the Teva Transaction. For the currently marketed products, the impairment charge was the result of continued significant price and volume erosion during the nine month period ended September 30, 2017 without an offsetting increase in customer demand, resulting in significantly lower expected future cash flows. For the IPR&D product, the impairment charge was the result of increased estimated research and development expenses and a delay in the anticipated product launch due to a change in the regulatory strategy to secure FDA approval of such product.

Impax Generics

The following table sets forth results of operations for Impax Generics for the nine month periods ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2017	**2016**	**Dollars**	**Percentage**
Revenues:				
Impax Generics, net	$ 436,134	$ 467,094	$ (30,960)	(7)%
Cost of revenues	355,375	307,936	47,439	15 %
Cost of revenues impairment charges	52,903	258,007	(205,104)	(79)%
Gross profit (loss)	27,856	(98,849)	126,705	*
Operating expenses:				
Selling, general and administrative	20,072	12,442	7,630	61 %
Research and development	50,632	46,113	4,519	10 %
In-process research and development impairment charges	6,079	16,489	(10,410)	(63)%
Patent litigation expense	715	416	299	72 %
Total operating expenses	77,498	75,460	2,038	3 %
Loss from operations	$ (49,642)	$ (174,309)	$ 124,667	72 %

** Percentage exceeds 100%*

Revenues

Total revenues for the Impax Generics division for the nine months ended September 30, 2017 were $436.1 million, a decrease of $31.0 million, or 7%, over the prior year period. The decrease compared to the prior year period was primarily due to increased competition on diclofenac sodium gel, metaxalone, generic Adderall XR® and fenofibrate. These decreases were partially offset by increased sales of our epinephrine auto-injector, oxymorphone ER and the products we acquired as part of the Teva Transaction compared to the prior year period.

Cost of Revenues

Cost of revenues for the nine month period ended September 30, 2017 was $355.4 million, an increase of $47.4 million compared to the prior year period. The increase compared to the prior year period was primarily due to higher intangible asset amortization expenses resulting from the Teva Transaction, an increase in bad batch inventory reserve, an increase in the new product launch inventory reserve, an increase in the short dated inventory reserve, an increase in the scrap inventory reserve related to cancelled product transfers to our Taiwan facility, higher restructuring costs incurred in connection with the closure of our Middlesex, New Jersey facility and the reduction-in-force of our technical operations group, and higher inventory underabsorption charges related to the closure of our Middlesex, New Jersey facility. Such increased costs during the nine month period ended September 30, 2017 compared to the prior year period were partially offset by reduced costs related to lower product sales. See "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 16. Restructurings" for additional information related to the reduction-in-force of our technical operations group and the closure of our Middlesex facility.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges were $52.9 million for the nine month period ended September 30, 2017, as compared to $258.0 million for the nine month period ended September 30, 2016. The $52.9 million of impairment charges for the nine month period ended September 30, 2017 were due to continued price and volume erosion on three currently marketed products acquired in the Teva Transaction without an offsetting increase in customer demand, resulting in significantly lower expected future cash flows. The $258.0 million of impairment charges for the nine month period ended September 30, 2016 were primarily due to price reductions taken on certain products acquired as part of the Teva Transaction in order to retain key customers.

Gross Profit (Loss)

Gross profit for the nine month period ended September 30, 2017 was $27.9 million, or 6% of total revenues, as compared to gross loss of $98.8 million, or 21% of total revenues, for the prior year period. The increase in gross profit and gross margin compared to the prior year period were primarily due to lower intangible asset impairment charges, as noted above, partially offset by lower product revenue, increased intangible asset amortization expenses, increased bad batch, new product launch, short dated and scrap inventory reserves, increased restructuring costs and increased inventory underabsorption charges, also noted above, in each case as compared to the prior year period.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the nine month period ended September 30, 2017 were $20.1 million, as compared to $12.4 million for the nine month period ended September 30, 2016. The $7.7 million increase from the prior year period was primarily due to higher marketing and freight costs, coupled with higher failure to supply claims from our wholesale customers, partially offset by lower administrative costs.

Research and Development Expenses

Research and development expenses for the nine month period ended September 30, 2017 were $50.6 million, as compared to $46.1 million for the nine month period ended September 30, 2016. The $4.5 million increase from the prior year period was primarily due to higher internal project costs and higher costs related to employee termination benefits from the closure of our Generic Division's research and development site in Middlesex, New Jersey.

In-Process Research and Development Impairment Charges

In-process research and development impairment charges were $6.1 million for the nine month period ended September 30, 2017, as compared to $16.5 million for the nine month period ended September 30, 2016. The $6.1 million of impairment charges for the nine month period ended September 30, 2017 were due to increased estimated research and development expenses and a delay in the anticipated launch of a product candidate acquired in the Teva Transaction due to a change in the regulatory strategy to secure FDA approval of such product. The $16.5 million of impairment charges for the nine month period ended September 30, 2016 were due to delays in the expected start of commercialization and/or lower pricing amid highly competitive market conditions of certain pipeline products, resulting in lower expected future cash flows.

Patent Litigation Expenses

Patent litigation expenses for the nine month period ended September 30, 2017 were $0.7 million, as compared to $0.4 million for the nine month period ended September 30, 2016. The $0.3 million increase was primarily due to increased legal activity related to cases during the current year period.

Impax Specialty Pharma

The following table sets forth results of operations for Impax Specialty Pharma for the nine month periods ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Revenues:				
Rytary®, net	$ 63,347	$ 52,030	$ 11,317	22 %
Zomig®, net	36,081	39,963	(3,882)	(10)%
All other Specialty Pharma Products, net	57,315	66,920	(9,605)	(14)%
Total revenues	156,743	158,913	(2,170)	(1)%
Cost of revenues	53,269	49,916	3,353	7 %
Gross profit	103,474	108,997	(5,523)	(5)%
Operating expenses:				
Selling, general and administrative	49,279	46,309	2,970	6 %
Research and development	14,525	13,824	701	5 %
In-process research and development impairment charges	—	13,227	(13,227)	*
Patent litigation expense	3,167	6,111	(2,944)	(48)%
Total operating expenses	66,971	79,471	(12,500)	(16)%
Income from operations	$ 36,503	$ 29,526	$ 6,977	24 %

** Percentage exceeds 100%*

Revenues

Total revenues for the Impax Specialty Pharma division for the nine month period ended September 30, 2017 were $156.7 million, a decrease of $2.2 million, or 1%, over the prior year period. The decrease from the prior year period was primarily due to lower sales of Zomig® and our anthelmintic products franchise, partially offset by higher sales of Rytary®.

Cost of Revenues

Cost of revenues for the nine month period ended September 30, 2017 was $53.3 million, an increase of $3.4 million compared to the prior year period. The increase compared to the prior year period was primarily due to an increase in accelerated depreciation expenses related to our Taiwan facility, partially offset by lower sales, lower intangible asset amortization expenses, and a net reduction in short dated inventory reserves.

Gross Profit

Gross profit for the nine month period ended September 30, 2017 was $103.5 million, or 66% of total revenues, as compared to gross profit of $109.0 million, or 69% of total revenues, for the prior year period. The decrease in gross profit compared to the prior year period was primarily due to lower product sales and an increase in accelerated depreciation expenses, as noted above, partially offset by a net reduction in short dated inventory reserves and lower intangible asset amortization expenses, also noted above.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the nine month period ended September 30, 2017 were $49.3 million, as compared to $46.3 million for the nine month period ended September 30, 2016. The $3.0 million increase from the prior year period was primarily due to higher advertising and promotion costs related to Rytary®, Emverm® and Zomig®.

Research and Development

Research and development expenses for the nine month period ended September 30, 2017 were $14.5 million, as compared to $13.8 million for the nine month period ended September 30, 2016. The $0.7 million increase from the prior year period was primarily due to increased research and development activities related to our branded initiatives.

In-Process Research and Development Impairment Charges

In-process research and development impairment charges were $13.2 million for the nine month period ended September 30, 2016, primarily due to delays in the expected start of commercialization and/or lower pricing amid highly competitive market conditions of certain pipeline products, resulting in lower expected future cash flows. No comparable impairment charges were recognized during the nine month period ended September 30, 2017.

Patent Litigation Expenses

Patent litigation expenses for the nine month period ended September 30, 2017 were $3.2 million, as compared to $6.1 million for the nine month period ended September 30, 2016. The $2.9 million decrease from the prior year period was primarily due to reduced patent litigation activity.

Corporate and Other

The following table sets forth corporate general and administrative expenses, as well as other items of income and expense presented below income or loss from operations for the nine month periods ended September 30, 2017 and 2016 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
General and administrative expenses	$ 82,904	$ 85,493	$ (2,589)	(3)%
Unallocated corporate expenses	(82,904)	(85,493)	2,589	3 %
Interest expense	(40,385)	(27,874)	(12,511)	(45)%
Interest income	645	895	(250)	(28)%
Reserve for Turing receivable	(2,670)	(48,043)	45,373	94 %
Gain on sale of intangible assets	11,850	—	11,850	*
Gain on disposal of property, plant and equipment	4,963	111	4,852	*
Loss on debt extinguishment	(1,215)	—	(1,215)	*
Change in fair value of contingent consideration	(7,075)	—	(7,075)	*
Fixed asset impairment charges	(3,022)	(134)	(2,888)	*
Other (expense) income, net	(7,929)	9	(7,938)	*
Loss before income taxes	(127,742)	(160,529)	32,787	20 %
Provision for (benefit from) income taxes	$ 27,336	$ (112,866)	$ 140,202	*

** Percentage exceeds 100%*

General and Administrative Expenses

General and administrative expenses for the nine month period ended September 30, 2017 were $82.9 million, as compared to $85.5 million for the nine month period ended September 30, 2016. The $2.6 million decrease compared to the prior year period was primarily due to lower expenses related to the absence of a permanent President and Chief Executive Officer prior to Mr. Bisaro's appointment as our new President and Chief Executive Officer effective March 27, 2017, lower IT and business development spending and lower share-based compensation costs. These reduced expenses were partially offset by higher legal expenses compared to the prior year period.

Interest Expense

Interest expense was $40.4 million for the nine month period ended September 30, 2017, a $12.5 million increase from the nine month period ended September 30, 2016. Interest expense for the current year period reflects interest on our $600.0 million senior convertible notes, interest on our $400.0 million Term Loan Facility entered into in the third quarter of 2016 to fund the Teva Transaction, and interest on our Revolving Credit Facility. In contrast, interest expense for the prior year period reflects interest on our $600.0 million senior convertible notes, two months of interest on our $400.0 million Term Loan Facility and interest on our Revolving Credit Facility.

Interest Income

Interest income was $0.6 million for the nine month period ended September 30, 2017, a $0.3 million decrease from the nine month period ended September 30, 2016. The decrease was primarily due to Tolmar repaying the outstanding loan balance due under the Tolmar Loan Agreement in the second quarter of 2016.

Reserve for Turing Receivable

During the nine month period ended September 30, 2016, we recorded a reserve of $48.0 million, representing the full amount of the estimated receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities as of September 30, 2016. During the nine month period ended September 30, 2017, we increased the reserve balance by a net $2.7 million, consisting of a $3.6 million increase in the reserve resulting from additional Medicaid rebate claims received during the period and a $0.9 million reduction in the reserve resulting from payments we received from Turing during the period.

Gain on Sale of Intangible Assets

During the nine month period ended September 30, 2017, we recognized a gain of $11.9 million on the sale of 29 ANDAs and one NDA for non-strategic approved generic products, the vast majority of which products were not marketed, and all acquired as part of the Tower Acquisition. There was no comparable gain during the nine month period ended September 30, 2016.

Gain on Disposal of Property, Plant and Equipment

During the nine month period ended September 30, 2017, we recognized a gain of $5.0 million on the disposal of property, plant and equipment, for which there was a $0.1 million comparable gain during the nine month period ended September 30, 2016. The gain recognized during the nine month period ended September 30, 2017 was primarily related to the sale of a storage warehouse in Hayward, California.

Loss on Debt Extinguishment

During the nine month period ended September 30, 2017, we recognized a $1.2 million loss on debt extinguishment related to the voluntary prepayment of $50.0 million on our Term Loan Facility with Royal Bank of Canada. There was no comparable loss in the nine month period ended September 30, 2016.

Change in Fair Value of Contingent Consideration

During the nine month period ended September 30, 2017, we recognized a $7.1 million loss on the change in the fair value of contingent consideration. The loss resulted from the passage of time, an increase in the probability of launch of methylphenidate hydrochloride (generic Concerta®) and a change in the discount rate. No comparable charge was recognized during the nine month period ended September 30, 2016.

Fixed Asset Impairment Charges

Fixed asset impairment charges were $3.0 million for the nine month period ended September 30, 2017, as compared to $0.1 million for the nine month period ended September 30, 2016. The $2.9 million increase from the prior year period was primarily due to abandoned software.

Other (Expense) Income, net

Other expense, net was $7.9 million for the nine month period ended September 30, 2017, as compared to a minimal amount of other income, net for the nine month period ended September 30, 2016. The expense for the nine month period ended September 30, 2017 was primarily due to the accrual of legal settlements.

Income Taxes

During the nine month periods ended September 30, 2017 and 2016, we recognized aggregate consolidated tax expense (benefit) of $27.3 million and $(112.9) million, respectively, for U.S. domestic and foreign income taxes. The effective tax rates for the nine month periods ended September 30, 2017 and 2016 were (19.4)% and 37.0%, respectively. The amount of tax liability recorded for the nine month period ended September 30, 2017 was calculated using the discrete effective tax rate method, while the tax benefit recorded for the nine month period ended September 30, 2016 was calculated using the annual estimated effective tax rate method.

Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective evidence that management evaluated was the cumulative loss incurred over the three year period ended December 31, 2016. Such objective evidence limits our ability to consider other subjective evidence, such as projected taxable income.

On the basis of this evaluation, as of December 31, 2016, we established a valuation allowance of $108.8 million. During the nine month period ended September 30, 2017, we considered new evidence, both positive and negative, that could impact management's assessment with regard to future realization of deferred tax assets. Based on the cumulative loss over the three year period ended September 30, 2017, we provided an additional valuation allowance in the amount of $68.7 million recorded against the gross deferred tax asset balance for a total valuation allowance of $177.5 million as of September 30, 2017.

A discrete tax benefit of $17.4 million for the reserve recorded against the Turing receivable was reflected in income tax benefit for the nine months ended September 30, 2016. Excluding discrete items, our estimate of the annualized effective tax rate for the nine months ended September 30, 2016 was 37.1%.

Liquidity and Capital Resources

We generally fund our operations with cash flows from operating activities, although we have also funded our operations with proceeds from the sale of debt and equity securities. Our cash flows from operating activities consist primarily of the proceeds from sales of our products and services.

We expect to incur significant operating expenses, including research and development and patent litigation expenses, for the foreseeable future. In addition, we are generally required to make cash expenditures to manufacture and/or acquire finished product inventory in advance of selling the finished product to our customers and collecting payment, which may result in a significant use of cash. We believe our existing cash and cash equivalents, together with cash expected to be generated from operations and our revolving line of credit facility, will be sufficient to meet our financing requirements through the next 12 months. We may, however, seek additional financing through alliance, collaboration, and licensing agreements, as well as from the debt and equity capital markets, to fund capital expenditures, research and development plans, potential acquisitions, and potential revenue shortfalls due to delays in new product introductions or otherwise. We cannot be assured that such financing will be available on favorable terms, or at all.

Cash and Cash Equivalents

At September 30, 2017 , we had $157.7 million in cash and cash equivalents, a decrease of $22.5 million as compared to December 31, 2016 . As more fully discussed below, the decrease in cash and cash equivalents during the nine month period ended September 30, 2017 was primarily driven by $67.6 million of net cash used in financing activities and $2.7 million of net cash used in investing activities, partially offset by $46.8 million of cash provided by operating activities.

Cash Flows - Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net cash provided by operating activities for the nine month period ended September 30, 2017 was $46.8 million , a decrease of $57.3 million compared to $104.1 million for the same period of the prior year. The decrease in net cash provided by operating activities was driven by large changes in the adjustments to reconcile net loss to net cash provided by operating activities and a $24.2 million decrease in net loss for the nine month period ended September 30, 2017 compared to the nine month period ended September 30, 2016. We incurred non-cash intangible asset impairment charges of $59.0 million during the nine month period ended September 30, 2017, for which there were $287.7 million of comparable charges in the nine month period ended September 30, 2016. In addition, there was a significant change in our deferred tax position as a result of our three-year cumulative loss position and the need to provide for income taxes while in a current year loss position. During the nine month period ended September 30, 2017, we recorded a $2.7 million reserve against the Turing receivable, for which there were $48.0 million of comparable charges during the nine month period ended September 30, 2016. We also recognized $16.8 million of gains on the sale of intangible assets and disposal of property, plant and equipment during the nine month period ended September 30, 2017, for which there were $0.1 million of comparable gains during the nine month period ended September 30, 2016. A $7.1 million loss on the change in the fair value of contingent consideration was also recognized during the nine month period ended September 30, 2017. Non-cash interest and intangible asset amortization expenses increased during the nine month period ended September 30, 2017 compared to the same period of 2016 due to the completion of the Teva Transaction and related financing on August 3, 2016. The change in working capital for the nine month periods ended September 30, 2017 and 2016 reduced cash flows by $18.1 million and $47.7 million, respectively. During the nine month period ended September 30, 2017, the change in working capital was largely due to an increase in income tax receivable, partially offset by higher cash collections on accounts receivable. During the nine month period ended September 30, 2016, the change in working capital was largely due to increased inventory and changes in prepaid tax balances, which were partially offset by higher cash collections on accounts receivable. The increased cash collections were the result of high sales in the fourth quarter of 2015, primarily related to Diclofenac sodium gel sold under the Tolmar Agreement. The increased inventory purchases were to support the closure and transfer of products from our Middlesex, New Jersey facility as well as to support new product launches.

Net cash used in investing activities for the nine month period ended September 30, 2017 was $2.7 million , a decrease of $602.1 million compared to $604.8 million for the same period of the prior year. The period over period decrease in net cash used in investing activities was primarily due to the payment of $585.8 million of cash to fund the Teva Transaction in August 2016 and higher capital expenditures during the nine month period ended September 30, 2016 compared to the same period of 2017. For the nine month period ended September 30, 2017, we received proceeds from sales of property and intangible assets totaling $21.0 million. For the nine month period ended September 30, 2016, we received $15.0 million of proceeds from the loan repayment from Tolmar pursuant to the Tolmar Loan Agreement, as described above under "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 18. Alliance and Collaboration Agreements," partially offset by $3.5 million of payments we made related to certain third party licensing agreements.

Net cash used in financing activities for the nine month period ended September 30, 2017 was $67.6 million , a decrease of $459.1 million compared to $391.5 million net cash provided by financing activities for the same period of the prior year. The period over period change in net cash attributable to financing activities was primarily reflective of the $400.0 million Term Loan Facility we entered into during August 2016 to fund a portion of the Teva Transaction, partially offset by $11.9 million of deferred financing fees incurred in connection with the debt issuance, and the $65.0 million of principal payments made on the $400.0 million Term Loan Facility during the nine month period ended September 30, 2017. Refer to “Outstanding Debt Obligations” below for additional information regarding our outstanding convertible notes and credit facilities.

Outstanding Debt Obligations

Royal Bank of Canada Credit Facilities

On August 3, 2016, we entered into a restatement agreement with Royal Bank of Canada, as administrative agent, and the lenders and guarantors party thereto (the "Restatement Agreement"). The Restatement Agreement amends and restates the existing Revolving Credit Facility Agreement (as amended and restated and amended to date, the "Amended and Restated Credit Agreement") to, among other things, (i) add a term loan feature to allow for the borrowing of up to $400.0 million of term loans (the "Term Loan Facility") by us in accordance with the terms of the Amended and Restated Credit Agreement, (ii) increase the aggregate principal amount of revolving loans permitted under the Amended and Restated Credit Agreement (the "Revolving Credit Facility," and, together with the Term Loan Facility, the "RBC Credit Facilities"), from $100.0 million to $200.0 million ; and (iii) extend the maturity date of the Revolving Credit Facility from August 4, 2020 to August 3, 2021. On March 27, 2017, we entered into Amendment No. 1 by and among us, Royal Bank of Canada, as administrative agent, and the lenders party thereto (the “Amendment”) to the Amended and Restated Credit Agreement.

Borrowings under the Amended and Restated Credit Agreement will accrue interest at a rate equal to LIBOR or the base rate, plus an applicable margin. The applicable margin may be increased or reduced by 0.25% based on our total net leverage ratio. Up to $12.5 million of the Revolving Credit Facility is available for issuance of letters of credit and any such letters of credit will reduce the amount available under the Revolving Credit Facility on a dollar-for-dollar basis. We are required to pay a commitment fee to the lenders on the average daily unused portion of the Revolving Credit Facility at 0.50% or 0.375% per annum, depending on our total net leverage ratio.

The Amended and Restated Credit Agreement contains certain negative covenants (subject to exceptions, materiality thresholds and other allowances) including, without limitation, negative covenants that limit our and our restricted subsidiaries' ability to incur additional debt, guarantee other obligations, grant liens on assets, make loans, acquisitions or other investments, dispose of assets, make optional payments in connection with or modify certain debt instruments, pay dividends or make other payments on capital stock, engage in mergers or consolidations, enter into arrangements that restrict our and our restricted subsidiaries' ability to pay dividends or grant liens, engage in transactions with affiliates, or change our fiscal year. Prior to the effective date of the Amendment on March 27, 2017, the Amended and Restated Credit Agreement also included a financial maintenance covenant whereby we must not permit our total net leverage ratio in any 12 -month period to exceed 5.00 :1.00, as tested at the end of each fiscal quarter. Effective as of March 27, 2017 and pursuant to the Amendment, the total net leverage ratio financial covenant was replaced with a new senior secured net leverage ratio financial covenant. Pursuant to the Amendment, we must not permit our senior secured net leverage ratio to exceed 2.50 :1.00 and the interest coverage ratio to be less than 3.00 :1.00, in each case in any 12 -month period, as tested at the end of each fiscal quarter. We were in compliance with all of our covenants under the Amended and Restated Credit Agreement as of September 30, 2017 .

The Amended and Restated Credit Agreement contains events of default, including, without limitation (subject to customary grace periods and materiality thresholds), events of default upon (i) the failure to make payments pursuant to the terms of the Amended and Restated Credit Agreement, (ii) violation of covenants, (iii) incorrectness of representations and warranties, (iv) cross-default and cross-acceleration to other material indebtedness, (v) bankruptcy events, (vi) material monetary judgments (to the extent not covered by insurance), (vii) certain matters arising under the Employee Retirement Income Security Act of 1974, as amended, that could reasonably be expected to result in a material adverse effect, (viii) the actual or asserted invalidity of the documents governing the RBC Credit Facilities, any material guarantees or the security interests (including priority thereof) required under the Amended and Restated Credit Agreement and (ix) the occurrence of a change of control (as defined therein). Upon the occurrence of certain events of default, the obligations under the Amended and Restated Credit Agreement may be accelerated and any remaining commitments thereunder may be terminated.

The full amount of proceeds from the Term Loan Facility of $400.0 million , along with $196.4 million of cash were used to finance the Teva Transaction (including transaction costs) at closing on August 3, 2016. As of September 30, 2017 , the full amount of the $200.0 million Revolving Credit Facility remains available to us for working capital and other general corporate purposes.

In connection with the Term Loan Facility, we incurred $11.0 million of debt issuance costs for banking, legal and accounting fees and other expenses during the third quarter of 2016. In connection with the Amendment, we incurred $0.8 million of debt issuance costs for banking fees during the first quarter of 2017. These debt issuance costs were recorded on our consolidated balance sheet as a reduction to the current and long-term portions of debt related to the Term Loan Facility. These deferred debt issuance costs will be accreted to interest expense over the term of the debt using the effective interest method. In connection with the increase in the aggregate principal amount of revolving loans permitted under the Revolving Credit Facility, we incurred $0.8 million of debt issuance costs for banking fees which were recorded as an asset with current and long-term portions on our consolidated balance sheet. These deferred debt issuance costs, in addition to the $0.3 million balance remaining from the initial $100.0 million revolving credit facility, will be amortized to interest expense over the term of the Revolving Credit Facility using the straight-line method.

For the three and nine months ended September 30, 2017 , we recognized $4.5 million and $13.1 million , respectively, of interest expense related to the Term Loan Facility, of which $3.9 million and $11.4 million , respectively, was cash and $0.6 million and $1.7 million , respectively, was non-cash accretion of the debt discount recorded for deferred debt issuance costs. For the period of August 3, 2016 through September 30, 2016 , the Company recognized $2.6 million of interest expense related to the Term Loan Facility, of which $2.2 million was cash and $0.4 million was non-cash accretion of the debt discount recorded for deferred debt issuance costs. As of September 30, 2017 , the Term Loan Facility had a carrying value of $322.0 million , of which $17.8 million is classified as current debt and $304.2 million is classified as long-term debt on our consolidated balance sheets. The Term Loan Facility requires us to make quarterly principal payments of $5.0 million beginning from December 2016 through June 2021, and the remaining principal balance is due and payable in August 2021. As of September 30, 2017 , the outstanding principal amount for the Term Loan Facility was $330.0 million .

Loss on Early Extinguishment of Debt - Voluntary Prepayment of $50.0 Million of Principal - RBC Term Loan Facility

On February 28, 2017, we made a voluntary prepayment in the amount of $50.3 million under our Term Loan Facility, representing $50.0 million of principal amount and $0.3 million of accrued interest thereon. As a result of this voluntary prepayment, for the quarter ended March 31, 2017, we recorded a loss on early extinguishment of debt of $1.2 million to write-off a pro rated portion of the related unaccreted debt issuance costs.

2% Convertible Senior Notes due June 2022

On June 30, 2015, we issued an aggregate principal amount of $600.0 million of 2.00% Convertible Senior Notes due June 2022 (the "Notes") in a private placement offering, which are our senior unsecured obligations. The Notes were issued pursuant to an Indenture dated June 30, 2015 (the "Indenture") between us and Wilmington Trust, N.A. as trustee. The Indenture includes customary covenants and sets forth certain events of default after which the Notes may be due and payable immediately. The Notes will mature on June 15, 2022, unless earlier redeemed, repurchased or converted. The Notes bear interest at a rate of 2.00% per year, and interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning from December 15, 2015.

The conversion rate for the Notes is initially set at 15.7858 shares per $1,000 of principal amount, which is equivalent to an initial conversion price of $63.35 per share of our common stock. If a Make-Whole Fundamental Change (as defined in the Indenture) occurs or becomes effective prior to the maturity date and a holder elects to convert its Notes in connection with the Make-Whole Fundamental Change, we are obligated to increase the conversion rate for the Notes so surrendered by a number of additional shares of our common stock as prescribed in the Indenture. Additionally, the conversion rate is subject to adjustment in the event of an equity restructuring transaction such as a stock dividend, stock split, spinoff, rights offering, or recapitalization through a large, nonrecurring cash dividend ("standard antidilution provisions," per FASB ASC 815-40, *Contracts in Entity's Own Equity* ("ASC 815-40")).

The Notes are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding December 15, 2021 only under the following circumstances:

(i) If during any calendar quarter commencing after the quarter ending September 30, 2015 (and only during such calendar quarter) the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; or

(ii) If during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per $1,000 of principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last report sale price of our common stock and the conversion rate on each such trading day; or

(iii) Upon the occurrence of corporate events specified in the Indenture.

On or after December 15, 2021 until the close of business on the second scheduled trading day immediately preceding the maturity date, the holders may convert their Notes at any time, regardless of the foregoing circumstances. We may satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock, at our election and in the manner and subject to the terms and conditions provided in the Indenture.

Concurrently with the offering of the Notes and using a portion of the proceeds from the sale of the Notes, we entered into a series of convertible note hedge and warrant transactions (the "Note Hedge Transactions" and "Warrant Transactions") which are designed to reduce the potential dilution to our stockholders and/or offset the cash payments we are required to make in excess of the principal amount upon conversion of the Notes. The Note Hedge Transactions and Warrant Transactions are separate transactions, in each case, entered into by us with a financial institution and are not part of the terms of the Notes. These transactions will not affect any holder's rights under the Notes, and the holders of the Notes have no rights with respect to the Note Hedge Transactions and Warrant Transactions. See "Note 13. Stockholders' Equity" for additional information.

For the three and nine months ended September 30, 2017 , we recognized $8.9 million and $26.4 million , respectively, of interest expense related to the Notes, of which $3.0 million and $9.0 million , respectively, was cash and $5.9 million and $17.4 million , respectively, was non-cash accretion of the debt discounts recorded. For the three and nine months ended September 30, 2016 , we recognized $8.5 million and $25.3 million , respectively, of interest expense related to the Notes, of which $3.0 million and $9.0 million , respectively, was cash and $5.5 million and $16.3 million , respectively, was non-cash accretion of the debt discounts recorded. As the Notes mature in 2022, they have been classified as long-term debt on our consolidated balance sheets, with a carrying value of $463.8 million and $446.4 million as of September 30, 2017 and December 31, 2016 , respectively. Accrued interest payable on the Notes of $3.5 million as of September 30, 2017 and $0.5 million as of December 31, 2016 is included in accrued expenses on our consolidated balance sheets.

We may elect to purchase or otherwise retire all or a portion of our Notes with cash, stock or other assets from time to time in the open market or in privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe the market conditions are favorable to do so.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2017 .

Commitments and Contractual Obligations

As of September 30, 2017 , there were no significant changes to our contractual obligations as set forth in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016 .

Recently Issued Accounting Standards

Recently issued accounting standards are discussed in "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 5. Recent Accounting Pronouncements" above.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our cash is held on deposit in demand accounts at large financial institutions in amounts in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of $250,000 per depositor, per FDIC-insured bank, per ownership category. Our cash equivalents are comprised of highly-rated money market funds. We had no short-term investments as of September 30, 2017 or December 31, 2016 .

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents and accounts receivable. We limit our credit risk associated with cash equivalents by placing investments with high credit quality securities, including U.S. government securities, treasury bills, corporate debt, short-term commercial paper and highly-rated money market funds. As discussed above under “Outstanding Debt Obligations,” we are party to a Term Loan Facility of $400.0 million and a Revolving Credit Facility of up to $200.0 million pursuant to the RBC Credit Facilities. The amount under our Revolving Credit Facility is available for working capital and other general corporate purposes. We also issued the Notes in a private placement offering on June 30, 2015, which are our senior unsecured obligations, as described above under “Outstanding Debt Obligations.”

We limit our credit risk with respect to accounts receivable by performing credit evaluations when deemed necessary. We do not require collateral to secure amounts owed to us by our customers.

We do not use derivative financial instruments or engage in hedging activities in our ordinary course of business and have no material foreign currency exchange exposure or commodity price risks. See “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 21. Segment Information” for more information regarding the value of our investment in Impax Laboratories (Taiwan), Inc.

We do not believe that inflation has had a significant impact on our revenues or operations to date.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective as of September 30, 2017 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2017 , there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Systems of disclosure controls and internal controls over financial reporting and their associated policies and procedures, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance the objectives of the system of control are achieved. Further, the design of a control system must be balanced against resource constraints, and therefore the benefits of controls must be considered relative to their costs. Given the inherent limitations in all systems of controls, no evaluation of controls can provide absolute assurance all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Accordingly, given the inherent limitations in a cost-effective system of internal control, financial statement misstatements due to error or fraud may occur and may not be detected. Our disclosure controls and procedures are designed to provide a reasonable assurance of achieving their objectives. We conduct periodic evaluations of our systems of controls to enhance, where necessary, our control policies and procedures.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information pertaining to legal proceedings can be found in “Item 1. Financial Statements - Notes to Interim Consolidated Financial Statements - Note 20. Legal and Regulatory Matters” and is incorporated by reference herein.

Item 1A. Risk Factors

During the quarter ended September 30, 2017 , other than as set forth below, there were no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2016 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017. Please carefully consider the information set forth in this Quarterly Report on Form 10-Q and the risk factors discussed in "Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which could materially affect our business, consolidated financial condition or consolidated results of operations. The risks described herein, and in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 are not the only risks we face. Additional risks and uncertainties not currently known to us or which we currently deem to be immaterial may also materially adversely affect our business, consolidated financial condition and/or consolidated results of operations.

The transactions contemplated by the Business Combination Agreement with Amneal Pharmaceuticals LLC may not be completed on the terms or timeline currently contemplated, or at all, and failure to complete the transactions may result in material adverse consequences to our business, results of operations and financial condition.

As detailed above under “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 23. Subsequent Events”, we entered into a Business Combination Agreement (the “Business Combination Agreement”) on October 17, 2017 with Atlas Holdings, Inc., our wholly-owned subsidiary (“Holdco”), K2 Merger Sub Corporation, a wholly-owned subsidiary of Holdco and Amneal Pharmaceuticals LLC (“Amneal”). At the closing of the transactions contemplated by the Business Combination Agreement (the “Closing”), (i) Merger Sub will merge with and into us (the “Impax Merger”), with us surviving the Impax Merger as a direct wholly-owned subsidiary of Holdco, (ii) each share of our common stock issued and outstanding immediately prior to the Impax Merger, other than common stock held by us in treasury, by Amneal or by any of their respective subsidiaries, will be converted into the right to receive one fully paid and nonassessable share of Class A common stock of Holdco, par value $0.01 per share (“Holdco Class A Common Stock”), (iii) we will convert to a limited liability company pursuant to the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act, (iv) Holdco will contribute all of Holdco’s equity interests in us to Amneal, in exchange for common units of Amneal, (v) Holdco will issue an aggregate number of shares of Class B common stock of Holdco, par value $0.01 per share (“Holdco Class B Common Stock”, and together with Holdco Class A Common Stock, “Holdco Common Stock”) to the existing members of Amneal (the “Amneal Members”) and (vi) Holdco will become the managing member of Amneal (the transactions contemplated by (i) through (vi) collectively, the “Combination”). At the Closing, Holdco will be renamed Amneal Pharmaceuticals, Inc. (“New Amneal”). Immediately following the Closing, (A) the Amneal Members will hold 100% of Holdco Class B Common Stock, which, together with their common units of Amneal, will represent approximately 75% of the voting power and economic interests in New Amneal, and (B) our stockholders immediately prior to the Closing will hold 100% of the Holdco Class A Common Stock, which will represent approximately 25% of the voting power and economic interests in New Amneal.

The Combination is subject to several closing conditions, including the adoption of the Business Combination Agreement by our stockholders, the effectiveness of a registration statement relating to the registration of the issuance of the Class A Common Stock in the Combination, the approval of the listing of the Class A Common Stock to be issued in connection with the issuance of shares by Holdco, and the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the “HSR Act”). If any one of these conditions is not satisfied or waived, the Combination may not be completed. We cannot assure that we will complete the Combination on the terms or timeline currently contemplated, or at all.

The parties have not yet obtained all regulatory clearances, consents and approvals required to complete the Combination. Governmental or regulatory agencies could still seek to block or challenge the Combination or could impose restrictions they deem necessary or desirable in the public interest as a condition to approving the Combination. These restrictions could include a requirement that we sell certain specified assets to obtain such regulatory approvals, which could have a material and adverse effect on our business, results of operations and financial condition. If these approvals are not received, then we will not be obligated to complete the Combination.

If our stockholders do not approve and adopt the Business Combination Agreement and thereby approve the Combination or if the Combination is not completed for any other reason, we would be subject to a number of risks, including the following:

- we are our stockholders would not realize the anticipated benefits of the Combination, including any anticipated synergies from combining the two companies;
- we may be required to pay a termination fee of $45.0 million if the Business Combination Agreement is terminated in accordance with the specified terms thereof;
- we may be required to reimburse Amneal for all reasonable out-of-pocket fees and expenses incurred by Amneal in connection with the Business Combination Agreement and the Combination up to a maximum of $15.0 million in the event that we fail to receive the required approval from our stockholders; and
- the trading price of our shares may experience increased volatility to the extent that the current market prices reflect a market assumption that the Combination will be completed.

We are also exposed to general competitive pressures and risks, which may be increased if the Combination is not completed. The occurrence of any of these events individually or in combination could have a material adverse effect on our business, results of operation and financial condition.

We are subject to business uncertainties and contractual restrictions while the Combination is pending that could have a material and adverse effect on our business, results of operations and financial condition.

Uncertainty about the effect of the Combination on our employees and customers may have a material and adverse effect on our business, regardless of whether the Combination is eventually completed. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Combination is completed, or the Business Combination Agreement is terminated, and for a period of time thereafter, and could cause customers, suppliers and others that deal with us to seek to change our existing business relationships.

Employee retention and recruitment may be particularly challenging for us during the pendency of the Combination, as employees and prospective employees may experience uncertainty about their future roles with us or with New Amneal. The departure of existing key employees or the failure of potential key employees to accept or maintain employment with us despite our retention and recruiting efforts, could have a material adverse impact on our business, results of operation and financial condition, regardless of whether the Combination is eventually completed.

The pursuit of the Combination and the preparation for the integration of the two companies have placed, and will continue to place, a significant burden on our management and internal resources. There is a significant degree of difficulty and management distraction inherent in the process of closing the Combination and planning for the integration of the two companies, which could cause an interruption of, or loss of momentum in, the activities of our existing businesses, regardless of whether the Combination is eventually completed. Before and immediately following Closing, our management team will be required to devote considerable amounts of time to this integration planning process, which will decrease the time they will have to manage their respective existing businesses, service existing customers, attract new customers and develop new products, services or strategies. One potential consequence of such distractions could be the failure of management to realize other opportunities that could be beneficial to us. If our senior management are not able to effectively manage the process leading up to and immediately following Closing, or if any significant business activities are interrupted as a result of the integration planning process, our business, results of operations and financial condition could be materially and adversely affected.

In addition, the Business Combination Agreement restricts us from making certain acquisitions and taking other specified actions without the consent of Amneal until the Combination is consummated or the Business Combination Agreement is terminated. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other changes to our businesses before completion of the Combination or termination of the Business Combination Agreement, which could have a material and adverse effect on our business, results of operations and financial condition.

The Business Combination Agreement contains provisions that may discourage other companies from trying to acquire us.

The Business Combination Agreement contains provisions that may discourage third parties from submitting business combination proposals to us that might result in greater value to our stockholders than the Combination. The Business Combination Agreement generally prohibits us from soliciting any competing acquisition proposal. In addition, if the Business Combination Agreement is terminated by us or Amneal in circumstances that obligate us to pay a termination fee of $45.0 million or to reimburse transaction expenses of up to $15.0 million incurred by Amneal, our financial condition may be adversely affected as a result of the payment of the termination fee and transaction expenses, which might deter third parties from proposing alternative business combination proposals.

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

Issuer Purchases of Equity Securities

The following table provides information regarding the purchases of our equity securities by us during the three months ended September 30, 2017 :

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or programs
July 1, 2017 to July 31, 2017	42,189	$16.14	—	—
August 1, 2017 to August 31, 2017	5,282	$17.85	—	—
September 1, 2017 to September 30, 2017	299	$12.52	—	—

(1) Represents shares of our common stock that we accepted during the indicated periods as a tax withholding from certain of our employees in connection with the vesting of shares of restricted stock pursuant to the terms of our 2002 Plan.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

Exhibit No.	Description of Document
2.1	Business Combination Agreement, dated October 17, 2017, by and among Amneal Pharmaceuticals LLC, the Company, Atlas Holdings, Inc. and K2 Merger Sub Corporation (1).**
11.1	Statement re computation of per share earnings (incorporated by reference to Note. 14 in the Notes to Interim Consolidated Financial Statements in this Quarterly Report on Form 10-Q).
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief 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 Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) Consolidated Statements of Operations for each of the three and nine months ended September 30, 2017 and 2016, (iii) Consolidated Statements of Comprehensive Loss for each of the three and nine months ended September 30, 2017 and 2016, (iv) Consolidated Statements of Cash Flows for each of the nine months ended September 30, 2017 and 2016 and (v) Notes to Interim Consolidated Financial Statements.*

(1) Incorporated by reference to the Company's Current Report on Form 8-K filed on October 17, 2017.

* Filed herewith

**Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request.

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.

Date: November 9, 2017

Impax Laboratories, Inc.
(Registrant)

By: /s/ Paul M. Bisaro

Paul M. Bisaro
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Bryan M. Reasons

Bryan M. Reasons
Chief Financial Officer and
Senior Vice President, Finance
(Principal Financial and Accounting Officer)

Exhibit 31.1

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

I, Paul M. Bisaro, certify:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017 of Impax Laboratories, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

November 9, 2017

By: /s/ Paul M. Bisaro

Paul M. Bisaro

President and Chief Executive Officer

Exhibit 31.2

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

I, Bryan M. Reasons, certify:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017 of Impax Laboratories, Inc.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

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

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

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

November 9, 2017

By: /s/ Bryan M. Reasons

Bryan M. Reasons

Chief Financial Officer and Senior Vice President, Finance

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 Impax Laboratories, Inc. (the "Company") for the fiscal quarter ended September 30, 2017 (the "Report"), Paul M. Bisaro, President and Chief Executive Officer, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), that:

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

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

November 9, 2017

By: /s/ Paul M. Bisaro
Paul M. Bisaro
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.

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 Impax Laboratories, Inc. (the "Company") for the fiscal quarter ended September 30, 2017 (the "Report"), Bryan M. Reasons, Chief Financial Officer, and Senior Vice President, Finance hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), that:

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

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

November 9, 2017

By: /s/ Bryan M. Reasons
Bryan M. Reasons
Chief Financial Officer and Senior Vice President, Finance

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.