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, 2016**

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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	☐

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

As of October 28, 2016 , there were 73,879,017 shares of the registrant's common stock outstanding.

Impax Laboratories, Inc.

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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, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 232,123	$ 340,351
Accounts receivable, net	239,590	324,451
Inventory, net	167,554	125,582
Prepaid expenses and other current assets	61,319	31,689
Total current assets	700,586	822,073
Property, plant and equipment, net	227,588	214,156
Intangible assets, net	891,225	602,020
Goodwill	208,382	210,166
Deferred income taxes	36,666	315
Other non-current assets	55,209	73,757
Total assets	$ 2,119,656	$ 1,922,487
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 61,885	$ 56,325
Accrued expenses	235,181	204,711
Accrued profit sharing and royalty expenses	19,759	65,725
Current portion of long-term debt, net	17,708	—
Total current liabilities	334,533	326,761
Long-term debt, net	812,375	424,595
Deferred income taxes	—	72,770
Other non-current liabilities	68,888	35,952
Total liabilities	1,215,796	860,078
Commitments and contingencies (Notes 20 and 21)		
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; No shares issued or outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, $0.01 par value, 150,000,000 shares authorized; 74,174,083 issued and 73,930,354 outstanding shares at September 30, 2016; 72,926,205 issued and 72,682,476 outstanding shares at December 31, 2015	742	729
Treasury stock at cost: 243,729 shares at September 30, 2016 and December 31, 2015	(2,157)	(2,157)
Additional paid-in capital	531,301	504,077
Retained earnings	377,777	570,223
Accumulated other comprehensive loss	(3,803)	(10,463)
Total stockholders' equity	903,860	1,062,409
Total liabilities and stockholders' equity	$ 2,119,656	$ 1,922,487

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,	
	2016	**2015**	**2016**	**2015**
Revenues:				
Impax Generics, net	$ 175,320	$ 180,666	$ 467,094	$ 484,086
Impax Specialty Pharma, net	52,589	40,433	158,913	94,291
Total revenues	227,909	221,099	626,007	578,377
Cost of revenues	136,873	127,550	357,852	340,743
Cost of revenues impairment charges	256,462	—	258,007	—
Gross (loss) profit	(165,426)	93,549	10,148	237,634
Operating expenses:				
Selling, general and administrative	55,038	46,307	144,244	144,776
Research and development	20,115	18,631	59,937	50,588
In-process research and development impairment charges	28,770	—	29,716	—
Patent litigation	3,279	1,052	6,527	3,506
Total operating expenses	107,202	65,990	240,424	198,870
(Loss) income from operations	(272,628)	27,559	(230,276)	38,764
Other income (expense):				
Interest expense	(11,089)	(8,182)	(27,874)	(19,110)
Interest income	222	247	895	825
Reserve for Turing receivable	—	—	(48,043)	—
Gain on sale of asset	—	45,574	—	45,574
Loss on debt extinguishment	—	—	—	(16,903)
Net change in fair value of derivatives	—	(4,000)	—	(4,000)
Other, net	(373)	134	(14)	929
(Loss) income before income taxes	(283,868)	61,332	(305,312)	46,079
(Benefit from) provision for income taxes	(104,531)	25,577	(112,866)	18,509
Net (loss) income	$ (179,337)	$ 35,755	$ (192,446)	$ 27,570
Net (loss) income per common share:				
Basic	$ (2.51)	$ 0.51	$ (2.71)	$ 0.40
Diluted	$ (2.51)	$ 0.49	$ (2.71)	$ 0.38
Weighted-average common shares outstanding:				
Basic	71,331,247	69,820,348	71,033,346	69,378,792
Diluted	71,331,247	72,777,746	71,033,346	72,548,557

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net (loss) income	$ (179,337)	$ 35,755	$ (192,446)	$ 27,570
Other comprehensive (loss) income component:				
Currency translation adjustments	3,687	(8,707)	6,660	(5,123)
Comprehensive (loss) income	$ (175,650)	$ 27,048	$ (185,786)	$ 22,447

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,	
	2016	**2015**
Cash flows from operating activities:		
Net (loss) income	$ (192,446)	$ 27,570
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	63,101	48,664
Non-cash interest expense	16,604	6,026
Share-based compensation expense	23,375	21,851
Tax benefit from employees' exercises of stock options and vestings of restricted stock awards	(507)	(5,213)
Deferred income taxes, net and uncertain tax positions	(94,703)	(8,833)
Intangible asset impairment charges	287,723	—
Accrued profit sharing and royalty expenses, net of payments	(45,966)	16,004
Reserve for Turing receivable	48,043	—
Gain on sale of asset	—	(45,574)
Loss on debt extinguishment	—	16,903
Net change in fair value of derivatives	—	4,000
Provision for inventory reserves	14,779	(10,204)
Other	23	(762)
Changes in certain assets and liabilities, net of effects from acquisition:		
Accounts receivable	36,818	(25,180)
Inventory	(50,524)	(8,818)
Prepaid expenses and other assets	(42,655)	7,025
Accounts payable and accrued expenses	31,824	(5,505)
Other liabilities	2,279	(2,878)
Net cash provided by operating activities	97,768	35,076
Cash flows from investing activities:		
Payment for business acquisition (prior year net of cash acquired)	(585,800)	(691,348)
Proceeds from sales of intangible assets	—	59,546
Purchases of property, plant and equipment	(31,860)	(14,709)
Proceeds from sales of property, plant and equipment	1,346	—
Payments for licensing agreements	(3,500)	(5,550)
Proceeds from repayment of Tolmar loan	15,000	—
Maturities of short-term investments	—	200,064
Net cash used in investing activities	(604,814)	(451,997)

Cash flows from financing activities:		
Proceeds from sale of convertible notes	—	600,000
Proceeds from issuance of term loan	400,000	435,000
Repayment of term loan	—	(435,000)
Payment of deferred financing fees	(11,867)	(36,941)
Purchase of bond hedge derivative asset	—	(147,000)
Proceeds from sale of warrants	—	88,320
Tax benefit from employees' exercises of stock options and vestings of restricted stock awards	507	5,213
Proceeds from exercises of stock options and ESPP	9,137	10,928
Net cash provided by financing activities	397,777	520,520
Effect of exchange rate changes on cash and cash equivalents	1,041	(70)
Net (decrease) increase in cash and cash equivalents	(108,228)	103,529
Cash and cash equivalents, beginning of period	340,351	214,873
Cash and cash equivalents, end of period	$ 232,123	$ 318,402
Supplemental disclosure of cash flow information:		
Cash paid for interest	8,206	9,843
Cash paid for income taxes	23,136	24,599

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 the “Impax Generics” sales channel and the “Private Label” sales channel are reported under the caption “Impax Generics sales, net” in “Note 23. Supplementary Financial Information.” Revenues from the “OTC Partner” sales channel are reported under the caption “Other Revenues” in “Note 23. Supplementary Financial Information.”

Impax Specialty Pharma is engaged in the development, sale and distribution of proprietary branded 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 U.S. Food and Drug Administration ("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 Impax-labeled branded products are reported under the caption “Impax Specialty Pharma sales, net” in “Note 23. Supplementary Financial Information.” Finally, the Company generated revenue in Impax Specialty Pharma from research and development services provided under a development and license agreement with another unrelated third-party pharmaceutical company (which was terminated by mutual agreement of the parties effective December 23, 2015), and reports such revenue under the caption “Other Revenues” in “Note 23. Supplementary Financial Information.” Impax Specialty Pharma also has a number of product candidates that are in varying stages of development. See “Note 22. Segment Information” for financial information about our segments for the three and nine months ended September 30, 2016 and 2015 .

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 five 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 leased facilities in Chalfont, Montgomeryville, and Horsham used for sales and marketing, finance, and administrative personnel. During September 2016, the Company consolidated the three Pennsylvania locations into a new leased facility located in Fort Washington, Pennsylvania. In addition, the Company previously owned a packaging plant in Philadelphia, Pennsylvania that was closed and sold in February 2016 in conjunction with the Company's restructuring of its packaging and distribution operations announced in June 2015 and discussed below in "Note 17. Restructurings." In New Jersey, the Company leases manufacturing, packaging, research and development and warehousing facilities in Middlesex, New Jersey and office space in Bridgewater, New Jersey. Outside the United States, in Taiwan, R.O.C., the Company owns a manufacturing facility.

2. BUSINESS ACQUISITIONS

Teva Transaction

On August 3, 2016, the Company completed its previously announced acquisition of (A) certain assets related to (i) 15 currently marketed generic pharmaceutical products, (ii) one approved generic product and two tentatively approved strengths of a currently marketed product, which have not yet launched, (iii) one pipeline generic product and one pipeline strength of a currently marketed product, which are pending approval by the FDA and (iv) one generic product under development, and (B) the return to the Company of its full commercial rights to its pending Abbreviated New Drug Application ("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”), including Actavis Elizabeth LLC, Actavis Group PTC Ehf., Actavis Holdco US, Inc., Actavis LLC, Actavis Mid Atlantic LLC, Actavis Pharma, Inc., Actavis South Atlantic LLC, Andrx LLC, Breath Ltd., The Rugby Group, Inc. and Watson Laboratories, Inc. (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. 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 new Term Loan Facility, as discussed in "Note 13. Debt." The Company incurred acquisition-related costs for the Teva Transaction of $3.6 million , of which $1.6 million and $2.9 million are included, respectively in selling, general and administration expenses in the Company's consolidated statement of operations for the three and nine months ended September 30, 2016 , respectively.

The acquisition of the foregoing currently marketed and pipeline products fits 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 expects to expand 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 product 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, 2016, the Company had paid $24.8 million on behalf of Teva and Allergan related to chargebacks and rebates as described above and $17.6 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 a preliminary estimate of the purchase price for the Teva Transaction (in thousands) as of the closing date of August 3, 2016:

	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 preliminarily allocated the purchase price for the Teva Transaction based upon the estimated fair value of the assets acquired at the date of acquisition. Accordingly, the preliminary purchase price allocation described below is subject to change. The Company expects to finalize the allocation of purchase price upon receipt of the final valuations for the intangible assets. Any adjustments to the preliminary fair values will be made as soon as practicable but no later than one year from the August 3, 2016 closing date of the Teva Transaction.

The following is a preliminary 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 preliminary 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. See also "Note 11. Intangible Assets and Goodwill" for a discussion on a non-cash impairment charge recorded during the third quarter of 2016 related to the intangible assets acquired in the Teva Transaction:

	Estimated Fair Value	Weighted-Average Estimated Useful Life
Marketed product rights	$ 461,152	19 years
Acquired IPR&D product rights (1)	151,880	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 $78.1 million related to the reacquired in-process research and development product right. 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 preliminary 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 rates used to arrive at the present value at the closing date of the intangible assets was 6.9% . 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. As described in "Note 11. Intangible Assets and Goodwill," the Company recorded a non-cash impairment charge during the third quarter of 2016 in the amount of $251.0 million related to the intangible assets from the Teva Transaction.

Revenues and Earnings for Acquired Product Lines

Included in the Company's consolidated statement of operations for the three and nine months ended September 30, 2016 were revenues of $11.4 million and a net loss of $162.0 million (including the $251.0 million impairment charge - See "Note 11. Intangible Assets and Goodwill"), representing the results of operations for the Acquired Product Lines from the Teva Transaction from the August 3, 2016 closing date through September 30, 2016.

Unaudited Pro Forma Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Total revenues	$ 242,647	$ 262,381	$ 729,171	$ 702,224
Net (loss) income	(177,379)	43,600	(167,505)	50,535

During the third quarter, the Company recognized an intangible asset impairment charge of $251.0 million , related to certain of the intangible assets acquired in the Teva Transaction. See "Note 11. Intangible Assets and Goodwill." The impairment charge is reflected as part of the loss from operations in the accompanying financial statements. 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 cost of revenues for amortization expense related to identifiable intangible assets acquired;
- Adjustments to interest expense for the Term Loan Facility (described in detail in "Note 13. Debt" below); and
- Adjustments to selling, general and administrative expense, including the following non-recurring transaction costs which have been included in the comparable nine months ended September 30, 2015 as if the transaction closed on January 1, 2015:
  (i) For the three months ended September 30, 2016, the elimination of $1.7 million of non-recurring transaction costs directly related to the transaction; and
  (ii) For the nine months ended September 30, 2016, the elimination of $2.9 million of non-recurring transaction costs directly related to the transaction.

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

Tower Acquisition

On March 9, 2015, the Company completed the Tower Acquisition for a purchase price of $691.3 million , net of $41.5 million of cash acquired and including the repayment of indebtedness of Tower and Lineage and post-closing working capital adjustments. The privately-held companies specialized in the development, manufacture and commercialization of complex generic and branded pharmaceutical products. The Tower Acquisition included the Company's acquisition of all of the outstanding shares of common stock of Tower and Lineage, pursuant to the Stock Purchase Agreement dated as of October 8, 2014, by and among the Company, Tower, Lineage, Roundtable Healthcare Partners II, L.P., Roundtable Healthcare Investors II, L.P., and the other parties thereto, including holders of certain options and warrants, to acquire the common stock of Tower and Lineage. In connection with the Tower Acquisition, all of the options and warrants of Tower and Lineage that were outstanding at the time of the acquisition were cancelled. The total consideration paid for Tower and Lineage was $691.3 million , net of $41.5 million of cash acquired and including the repayment of indebtedness of Tower and Lineage and post-closing working capital adjustments. The Company incurred total acquisition-related costs of $10.9 million , of which $6.8 million were incurred during the nine months ended September 30, 2015 and were included in selling, general and administrative expenses in the Company's consolidated statement of operations for that period. In connection with the Tower Acquisition, the Company recorded an accrual for severance and related termination costs of $2.4 million during 2015 related to the elimination of approximately 10 positions at the acquired companies. The Company paid all severance and related termination costs related to the Tower Acquisition as of the end of the second quarter of 2016.

The Tower Acquisition allows the Company to expand its commercialized generic and branded product portfolios. The Company has also leveraged its sales and marketing organization to promote the marketed products acquired.

Consideration

The Company has accounted for the Tower Acquisition as a business combination under the acquisition method of accounting. The Company has allocated the purchase price for the transaction based upon the fair value of net assets acquired and liabilities assumed at the date of acquisition.

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The following tables summarize the final fair values of the tangible and identifiable intangible assets acquired and liabilities assumed in the transaction at the closing date, net of cash acquired of $41.5 million (in thousands):

Accounts receivable (1)	$	56,851
Inventory		31,259
Income tax receivable and other prepaid expenses		2,407
Property, plant and equipment		27,540
Intangible assets		632,600
Intangible assets held for sale		4,000
Goodwill		180,808
Deferred income taxes		37,041
Other non-current assets		3,844
Total assets acquired		976,350
Current liabilities		67,706
Deferred tax liabilities		210,005
Other non-current liabilities		7,291
Total liabilities assumed		285,002
Cash paid, net of cash acquired (2)	$	691,348

(1) The accounts receivable acquired in the Tower Acquisition had a fair value of $56.9 million , net of an allowance for doubtful accounts of $9.0 million , which represented the Company's best estimate on March 9, 2015 (the closing date of the transaction) of the contractual cash flows not expected to be collected by the acquired companies.

(2) The initial net purchase price of $697.2 million was subject to post-closing working capital adjustments, which resulted in the return of $5.9 million to the Company during the third quarter of 2015.

Intangible Assets

The following table identifies the Company's allocations, by category, of the Tower purchase price to the intangible assets acquired as of the closing date:

		Estimated Fair Value	Weighted-Average Estimated Useful Life (years)
Marketed product rights	$	381,100	13
Royalty rights		80,800	12
Acquired IPR&D product rights		170,700	n/a
Total intangible assets	$	632,600	

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. 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 rates used to arrive at the present value at the acquisition date of currently marketed products was 15% . For in-process research and development, the discount rate used was 16% to reflect the internal rate of return and incremental commercial uncertainty in the cash flow projections. 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.

Goodwill

The Company recorded $180.8 million of goodwill in connection with the Tower Acquisition, some of which will not be tax-deductible. Goodwill of $59.7 million was assigned to the Impax Specialty Pharma segment and $121.1 million was assigned to the Impax Generics segment. Factors that contributed to the Company's recognition of goodwill include the Company's intent to expand its generic and branded pharmaceutical product portfolios and to acquire certain benefits from the Tower and Lineage product pipelines, in addition to the anticipated synergies that the Company expects to generate from the acquisition.

Unaudited Pro Forma Results of Operations

The following table reflects the unaudited pro forma combined results of operations for the nine months ended September 30, 2015 (assuming the closing of the Tower Acquisition occurred on January 1, 2014) (in thousands):

		Nine Months Ended September 30, 2015
Total revenues	$	610,814
Net income	$	40,007

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 transaction taken place on January 1, 2014. 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 depreciation expense related to property, plant and equipment acquired;
- Adjustments to interest expense to reflect the long-term debt held by Tower and Lineage paid out and eliminated at the closing and the Company's Senior Secured Credit Facilities with Barclays Bank PLC (described in "Note 13. Debt" below);
- Adjustments to cost of revenues related to the fair value adjustments in inventory sold, including elimination of $6.1 million for the nine months ended September 30, 2015 ;
- Adjustments to selling, general and administrative expense related to severance and retention costs of $3.4 million incurred as part of the transaction. These costs were eliminated in the pro forma results for the nine months ended September 30, 2015 ;
- Adjustments to selling, general and administrative expense related to transaction costs directly attributable to the transaction include the elimination of $12.2 million of charges in the pro forma results for the nine month period ended September 30, 2015 ; and
- Adjustments to reflect the elimination of $2.3 million in commitment fees related to the Company's $435.0 million term loan with Barclays Bank PLC (described in "Note 13. Debt" below) that were incurred during the nine months ended September 30, 2015 .

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) income, 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, 2015 , 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, 2016 . 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) income.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP and the rules and regulations of the 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, 2015 , 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 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, 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 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

The Company maintains various rebate 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 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/120 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.

- 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, cash equivalents, and accounts receivable. The Company limits its credit risk associated with cash and cash equivalents by placing its investments with high quality money market funds, corporate debt, and short-term commercial paper and in securities backed by the U.S. Government. The Company limits its credit risk with respect to accounts receivable by performing credit evaluations when deemed necessary. The Company does not require collateral to secure amounts owed to it by its customers.

In July 2015, the Company received an unsolicited offer from Turing Pharmaceuticals AG (“Turing”) to purchase the U.S. rights to Daraprim®, one of the marketed products acquired in the Tower Acquisition, as well as the active pharmaceutical ingredient for the product and the finished goods inventory on hand. Pursuant to the terms of the Asset Purchase Agreement between the Company and Turing dated August 7, 2015 (the “Turing APA”), the Company also granted a limited license to sell the existing Daraprim® product under the Company’s labeler code with the Company’s trade dress. The sale closed on August 7, 2015.

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 governmental programs, health plans and other health care providers for product 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®.

During the fourth quarter of 2015, the Company began receiving invoices for chargebacks from wholesalers and rebates from various state Medicaid agencies for Daraprim® purchases made by governmental agencies during the third quarter of 2015. As a result, the Company recorded a $40.6 million receivable from Turing as of December 31, 2015, representing actual invoices received related to the third quarter of 2015 and an estimate for invoices not yet received related to the third and fourth quarters of 2015. During the first three quarters of 2016, the Company received additional invoices related to the third and fourth quarters of 2015 and recorded an estimate for invoices not yet received related to the first three quarters of 2016. In total, the Company recorded an additional $7.4 million receivable from Turing during the nine month period ended September 30, 2016 , resulting in an estimated accounts receivable balance due to the Company of $48.0 million as of September 30, 2016 , with over $40.4 million of such amount representing overdue unpaid invoices due from Turing for chargebacks and Medicaid rebate liability as of September 30, 2016 . The Company has paid $33.5 million of cash on Turing's behalf through September 30, 2016 and the remaining difference of $14.5 million (compared to the $48.0 million receivable due from Turing) is included in "Accrued expenses" on the Company's consolidated balance sheet. As of October 28, 2016 , the amount of total payments made by the Company on Turing’s behalf was $33.6 million .

As a result of the uncertainty of the Company collecting the reimbursement amounts owed by Turing that developed since the filing of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 , the Company recorded a reserve in the amount of $48.0 million on the Company's consolidated statement of operations in "Other income (expense)" for the three month period ended March 31, 2016, representing the full amount of the estimated receivable due from Turing as of March 31, 2016. There were no changes to either the receivable or the related reserve from March 31, 2016 through September 30, 2016 .

On May 2, 2016, the Company filed suit against Turing in the United States District Court for the Southern District of New York alleging breach of the terms of the Turing APA seeking (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 Turing APA 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 $40.4 million , and for future amounts that may be due. See "Note 21. Legal and Regulatory Matters" for a description of the Company's suit against Turing. If the Company receives an unfavorable outcome in its suit against Turing or if Turing for any reason does not, or is unable to, make its reimbursement payments to the Company, it could have a material adverse effect on the Company's business, results of operation and financial condition.

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 guidance can be applied using one of two methods: retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

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 will be effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): "Simplifying the Accounting for Measurement-Period Adjustments," with guidance regarding the accounting for and disclosure of measurement-period adjustments that occur in periods after a business combination is consummated. This update requires that the acquirer recognize measurement-period adjustments in the reporting period in which they are determined and, as such, eliminates the previous requirement to retrospectively account for these adjustments. This update also requires an entity to present separately on the face of the income statement, or disclose in the notes, the amount recorded in the current-period income statement that would have been recorded in previous reporting periods if the adjustments had been recognized as of the acquisition date. The effective date for annual and interim periods begins after December 15, 2015. The Company adopted this guidance during 2016, 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 may have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06, Contingent Put and Call Options in Debt Instruments (Topic 815), 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 will be effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting (Topic 718), 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 will be effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the effect that this guidance may have on its consolidated financial statements.

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.

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, 2016 and December 31, 2015 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 as of September 30, 2016 and December 31, 2015 are indicated below (in thousands):

	As of September 30, 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 assets [1]	$ 32,050	$ 32,050	$ —	$ 32,050	$ —
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]	$ 380,000	$ 380,000	$ —	$ 380,000	$ —
2% Convertible senior notes due June 2022 [3]	$ 600,000	$ 532,692	$ 532,692	$ —	$ —
Deferred Compensation Plan liabilities [1]	$ 27,860	$ 27,860	$ —	$ 27,860	$ —
Contingent consideration [4]	$ 30,100	$ 30,100	$ —	$ —	$ 30,100

	As of December 31, 2015				
			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 assets [1]	$ 30,726	$ 30,726	$ —	$ 30,726	$ —
Liabilities					
2% Convertible senior notes due June 2022 [3]	$ 600,000	$ 602,250	$ 602,250	$ —	$ —
Deferred Compensation Plan liabilities [1]	$ 25,581	$ 25,581	$ —	$ 25,581	$ —

(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 item 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, 2016 and December 31, 2015 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, 2016 and December 31, 2015 represents the unaccreted discounts related to deferred debt issuance costs and bifurcation of the conversion feature of the notes.

(4) The contingent consideration liability is a non-current liability representing 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 Acquisitions". A discounted cash flow valuation model was used to value the contingent consideration as of September 30, 2016. The valuation is based on significant unobservable inputs, including the probability and timing of successful product launch and the expected number of competitors at the time of launch and the 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. Changes in the value of the contingent consideration liability are included in "Other income (expense)" on the Company's consolidated statements of operations. A 5% increase or decrease in the probability of successful product launch would cause the fair value of the contingent consideration to both decrease and increase by $1.6 million , respectively. An increase or decrease in the number of competitors at the date of the product launch or the first anniversary would cause the fair value of the contingent consideration to decrease by $13.0 million and increase by $5.0 million , respectively. 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 .

7. SHORT-TERM INVESTMENTS

Prior to December 31, 2014, the Company invested its excess cash in high quality (AAA-rated) short-maturity marketable debt securities, such as commercial paper and corporate bonds. The Company historically held all of its investments in marketable debt securities until maturity. Accordingly, these investments were accounted for as “held-to-maturity” securities and were recorded at amortized cost, which approximated fair value. During the first quarter of 2015, the Company allowed all of its investments in marketable debt securities to mature. The proceeds from these maturities of $200.1 million were used to fund part of the Tower Acquisition on March 9, 2015. The Company held no short-term investments as of September 30, 2016 and December 31, 2015 .

8. ACCOUNTS RECEIVABLE

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

	September 30, 2016	December 31, 2015
Gross accounts receivable [1]	$ 755,859	$ 738,730
Less: Rebate reserve	(295,489)	(265,229)
Less: Chargeback reserve	(127,251)	(102,630)
Less: Distribution services reserve	(16,529)	(12,576)
Less: Discount reserve	(15,743)	(18,657)
Less: Uncollectible accounts reserve [2]	(61,257)	(15,187)
Accounts receivable, net	$ 239,590	$ 324,451

(1) Includes estimated $48.0 million and $40.6 million as of September 30, 2016 and December 31, 2015 , respectively, receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities.

(2) As a result of the uncertainty of collection that developed since the filing of the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, the Company recorded a reserve of $48.0 million as of March 31, 2016, which represents the full amount of the estimated receivable due from Turing. See "Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk" for additional information regarding the Turing receivable. There were no changes to the reserve from March 31, 2016 through September 30, 2016.

A roll-forward of the rebate and chargeback reserves activity for the nine months ended September 30, 2016 and the year ended December 31, 2015 is as follows (in thousands):

Rebate reserve	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Beginning balance	$ 265,229	$ 88,812
Acquired balances	—	75,447
Provision recorded during the period for Impax Generics rebates	526,913	571,642
Credits issued during the period for Impax Generics rebates	(496,653)	(470,672)
Ending balance	$ 295,489	$ 265,229

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 Specialty Pharma rebates are classified as "Accrued expenses" on the Company's consolidated balance sheets.

Chargeback reserve	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Beginning balance	$ 102,630	$ 43,125
Acquired balances	—	24,532
Provision recorded during the period	690,275	833,157
Credits issued during the period	(665,654)	(798,184)
Ending balance	$ 127,251	$ 102,630

9. INVENTORY

Inventory, net of carrying value reserves, at September 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	September 30, 2016	December 31, 2015
Raw materials	$ 51,806	$ 52,366
Work in-process	5,959	4,417
Finished goods	121,087	82,311
Total inventory	178,852	139,094
Less: Non-current inventory	11,298	13,512
Total inventory-current	$ 167,554	$ 125,582

Inventory carrying value reserves were $39.0 million and $24.1 million at September 30, 2016 and December 31, 2015 , respectively.

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 $13.0 million and $8.7 million at September 30, 2016 and December 31, 2015 , 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 .

10. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2016	December 31, 2015
Land	$ 5,603	$ 5,773
Buildings and improvements	173,637	165,322
Equipment	143,914	135,998
Office furniture and equipment	15,018	14,548
Construction-in-progress	41,641	25,659
Property, plant and equipment, gross	379,813	347,300
Less: Accumulated depreciation	(152,225)	(133,144)
Property, plant and equipment, net	$ 227,588	$ 214,156

Depreciation expense was $21.8 million and $19.2 million for the nine months ended September 30, 2016 and September 30, 2015 , respectively.

Unpaid vendor invoices relating to purchases of property, plant and equipment of $3.5 million and $1.0 million , which were accrued as of September 30, 2016 and September 30, 2015 , 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.

11. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company’s 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 of economic benefit expected to be realized 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 12.1 years as of September 30, 2016 . The Company’s 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. 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.

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

September 30, 2016	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Amortized intangible assets:			
Marketed product rights	$ 760,981	$ (122,359)	$ 638,622
Royalties	339	(339)	—
	761,320	(122,698)	638,622
Non-amortized intangible assets:			
Acquired IPR&D product rights	244,803	—	244,803
Acquired future royalty rights	7,800	—	7,800
	252,603	—	252,603
Total intangible assets	$ 1,013,923	$ (122,698)	$ 891,225

December 31, 2015	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net
Amortized intangible assets:			
Marketed product rights	$ 458,675	$ (82,906)	$ 375,769
Royalties	2,200	(189)	2,011
	460,875	(83,095)	377,780
Non-amortized intangible assets:			
Acquired IPR&D product rights	145,640	—	145,640
Acquired future royalty rights	78,600	—	78,600
	224,240	—	224,240
Total intangible assets	$ 685,115	$ (83,095)	$ 602,020

During the first quarter of 2016, the Company capitalized $3.5 million of milestone payments due to an affiliate of Teva under the terms of the product agreement between the parties and related to the FDA's approval and the Company's subsequent commercial launch of Emverm® (mebendazole) 100 mg chewable tablets. As of December 31, 2015, the Emverm® acquired IPR&D product right had a carrying value of $82.8 million , which was the fair value assigned by the Company during the purchase price allocation accounting for the Tower Acquisition. As a result of the Company's commercial launch of the product during the first quarter of 2016, the Company transferred the total $86.3 million of asset value from non-amortized, indefinite-lived acquired IPR&D product rights to amortized, finite-lived marketed product rights and began amortization of the asset. The Emverm® marketed product right intangible asset will be amortized over an estimated useful life of nine years based on the pattern of economic benefit expected to be realized through 2024.

During the second quarter of 2016, the Company recognized a total of $1.5 million of charges within cost of revenues impairment charges on the Company's consolidated statements of operations related to two currently marketed products, which were acquired as part of the Tower Acquisition, primarily due to active pharmaceutical ingredient ("API") supply issues and minimal sales activity, resulting in immediate discontinuation of one product and rapid phase-out of the other. Additionally, one of the Company's IPR&D generic products, also acquired as part of the Tower Acquisition, was determined to be impaired as a result of the commercial launch of a competitor's generic product, resulting in a $1.0 million charge to in-process research and development impairment charges on the Company's consolidated statements of operations.

During the third quarter of 2016, the Company recorded $613.0 million of intangible asset additions as a result of the Teva Transaction, of which $461.1 million were amortized, finite-lived marketed product rights and $151.9 million were non-amortized, indefinite-lived acquired IPR&D product rights. Refer to "Note 2. Business Acquisitions" for additional information on the Teva Transaction. Pursuant to the Termination Agreement, the Company reacquired its full commercial rights to its pending ANDA for the generic equivalent to Concerta® (methylphenidate hydrochloride), a product candidate the Company had acquired in the Tower Acquisition that the Company had previously partnered with Teva USA, in accordance with the terms of the Strategic Alliance Agreement, as amended, pursuant to which each party would retain 50% of the gross profit realized upon sales of the product following approval. The Company's 50% interest in this product was previously considered a non-amortized, indefinite-lived acquired future royalty right owing to the fact that Teva would sell the product upon receiving FDA approval and pay the Company 50% of the gross profit realized. Upon reacquisition of Teva's interest in this product, the $70.8 million asset value of

the Company's 50% interest, determined at the time of the Tower Acquisition, was transferred to non-amortized, indefinite-lived acquired IPR&D products rights, as reflected in the tables above.

In addition to the intangible asset additions resulting from the Teva Transaction as described above, during the third quarter of 2016, the Company also commercially launched two products, resulting in the transfer of $11.0 million of asset value from non-amortized, indefinite-lived acquired IPR&D product rights to amortized, finite-lived marketed products rights.

Upon closing the Teva Transaction on August 3, 2016, the Company initiated the process of transferring and securing Teva's and Allergan's customers for the acquired products to its account. The Company assumed certain price concessions would occur following the closing, however, the Company elected to take additional price reductions on certain of the acquired products in order to retain key customers. These reductions produced significantly lower than expected operating cash flows from the Acquired Product Lines and triggered an impairment analysis. The Company's impairment analysis resulted in the recognition of a total $251.0 million non-cash impairment charge to earnings. Of the total $251.0 million impairment charge, $248.0 million was recorded in cost of revenues impairment charges and $3.0 million was recorded in in-process research and development impairment charges, each in the Company's consolidated statement of operations for the third quarter of 2016.

Certain other non-cash impairment charges unrelated to the Teva Transaction were also recorded in the third quarter of 2016. During the third quarter of 2016, the Company also recognized a total of $34.2 million of intangible asset impairment charges, of which $8.5 million was recognized in cost of revenues impairment charges on the Company's consolidated statement of operations and attributable to the full impairment of three marketed products and one third-party partnered product where the Company received royalties from the sale of such product. The affected products were manufactured in the Company's Middlesex, New Jersey facility, which the Company is in the process of closing as discussed in "Note 17. Restructurings." The products were discontinued for several reasons, including the inability to efficiently transfer technology to another manufacturing site, the inability to continue to secure API from third parties on a timely basis, and/or minimal current and projected sales activity. The remaining $25.7 million of impairment charges recognized by the Company during the third quarter of 2016 were recognized in in-process research and development impairment charges and related to two of the Company's IPR&D product rights acquired in the Tower Acquisition due to delays in expected start of commercialization and lower pricing amid highly competitive market conditions, resulting in lower expected future cash flows.

The Company recognized amortization expense of $18.4 million and $39.6 million for the three and nine months ended September 30, 2016 , respectively, and $10.3 million and $27.2 million for the three and nine months ended September 30, 2015 , respectively, in cost of revenues on its consolidated statements of operations. Assuming no changes to the gross carrying amount of finite-lived intangible assets, amortization expense for fiscal years 2016 through 2020 is estimated to be in the range of $56.6 million to $87.4 million annually.

Goodwill

Goodwill on the Company's consolidated balance sheets at September 30, 2016 and December 31, 2015 is the result of the 2015 Tower Acquisition and the 1999 merger of Impax Pharmaceuticals, Inc. with Global Pharmaceuticals Corporation. Goodwill had a carrying value of $208.4 million and $210.2 million at September 30, 2016 and December 31, 2015 , respectively. The change in the carrying value during the nine months ended September 30, 2016 compared to December 31, 2015 was entirely attributable to the finalization of the purchase price allocation during the first quarter of 2016 for the Tower Acquisition as a result of the completion and filing of federal and state tax returns for the various entities acquired, which resulted in the adjustment of goodwill. At September 30, 2016 , the Company attributed $148.7 million and $59.7 million to the Impax Generics division and the Impax Specialty Pharma division, respectively.

12. ACCRUED EXPENSES

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

	September 30, 2016	December 31, 2015
Payroll-related expenses	$ 29,761	$ 37,419
Product returns	70,282	48,950
Accrued shelf stock	9,614	6,619
Government rebates [1]	79,775	91,717
Legal and professional fees	14,633	5,929
Income taxes payable	—	830
Physician detailing sales force fees	—	1,132
Interest payable	3,500	500
Estimated Teva and Allergan chargebacks and rebates [2]	17,627	—
Other	9,989	11,615
Total accrued expenses	$ 235,181	$ 204,711

(1) Includes estimated $14.5 million and $40.6 million as of September 30, 2016 and December 31, 2015 , respectively, of liabilities for Daraprim® chargebacks and rebates resulting from utilization by Medicaid, Medicare and other federal, state and local governmental programs, health plans and other health care providers for product sold under the Company's labeler code, which amounts are subject to reimbursement by Turing in accordance with the terms of the Company's purchase agreement with Turing. The Company made payments of $33.5 million on Turing's behalf during the first three quarters of 2016. See "Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk" for additional information related to the Turing receivable.

(2) As discussed in "Note 2. Business Acquisitions," 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 product 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, 2016, the Company had paid $24.8 million related to chargebacks and rebates as described above and $17.6 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 roll-forward of the return reserve activity for the nine months ended September 30, 2016 and the year ended December 31, 2015 is as follows (in thousands):

Returns Reserve	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Beginning balance	$ 48,950	$ 27,174
Acquired balances	—	11,364
Provision related to sales recorded in the period	41,662	43,967
Credits issued during the period	(20,330)	(33,555)
Ending balance	$ 70,282	$ 48,950

13. 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, 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.

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. The Amended and Restated Credit Agreement also includes 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.

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 on the Company's consolidated balance sheet, were used to finance the Teva Transaction (including transaction costs) at closing on August 3, 2016. 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 which 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 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, 2016 , the Term Loan Facility had a carrying value of $389.3 million , of which $17.7 million is classified as current debt and $371.6 million is classified as long-term debt on the Company's

consolidated balance sheets. The Term Loan Facility requires quarterly principal payments of $5.0 million beginning from December 2016 through June 2021, and the remaining principal balance is payable in August 2021.

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 Topic 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 14. 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 Topic 470-20, *Debt with Conversion and Other Options* , and FASB Topic 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 remains and continues to be accreted to interest expense. See “Note 14. 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, 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 $440.8 million and $424.6 million as of September 30, 2016 and December 31, 2015 , respectively. Accrued interest payable on the Notes of $3.5 million as of September 30, 2016 and $0.5 million as of December 31, 2015 is included in accrued expenses on the Company's consolidated balance sheets.

Loss on Early Extinguishment of Debt – Barclays $435.0 million Term Loan

In connection with the Tower Acquisition during the first quarter of 2015, the Company entered into a $435.0 million senior secured term loan facility (the “Barclays Term Loan”) and a $50.0 million senior secured revolving credit facility (the “Barclays Revolver,” and collectively with the Barclays Term Loan, the “Barclays Senior Secured Credit Facilities”), pursuant to a credit agreement, dated as of March 9, 2015, by and among the Company, the lenders party thereto from time to time and Barclays Bank PLC ("Barclays"), as administrative and collateral agent (the “Barclays Credit Agreement”). In connection with the Barclays Senior Secured Credit Facilities, the Company incurred debt issuance costs for banking, legal and accounting fees and other expenses of $17.8 million , which were previously reflected as a discount to the carrying value of the debt on the Company’s consolidated balance sheet in accordance with ASU 2015-03. Prior to repayment of the Barclays Term Loan on June 30, 2015, this debt discount was accreted to interest expense over the term of the loan using the effective interest rate method.

On June 30, 2015, the Company used $436.4 million of the proceeds from the sale of the Notes to repay the $435.0 million of principal and $1.4 million of accrued interest due on its Barclays Term Loan under the Barclays Credit Agreement. In connection with this repayment of the loan, for the quarter ended June 30, 2015, the Company recorded a loss on early extinguishment of debt of $16.9 million related to the unaccreted portion of the debt discount.

For the six months ended June 30, 2015, the Company incurred total interest expense related to the Barclays Term Loan of $10.7 million , of which $9.8 million was cash and $0.9 million was non-cash accretion of the debt discount recorded. Included in the prior year-to-date cash interest expense of $12.8 million is a $2.3 million ticking fee paid to Barclays during the first quarter of 2015, prior to the funding of the Barclays Senior Secured Credit Facilities on March 9, 2015, to lock in the financing terms from the lenders' commitment of the Barclays Term Loan until the actual allocation of the loan occurred at the closing of the Tower Acquisition.

14. 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, 2016 and December 31, 2015 .

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 74,174,083 shares have been issued and 73,930,354 shares were outstanding as of September 30, 2016 . 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, 2016 (in thousands):

Shares issued	74,174
Stock options outstanding [1]	2,470
Conversion of Notes payable [2]	9,471
Warrants outstanding (see below)	9,471
Total shares of common stock issued and reserved for issuance	95,586

(1) See “Note 16. Share-based Compensation.”
(2) See “Note 13. Debt.”

Warrants

As discussed in “Note 13. 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.

During the quarter ended September 30, 2015, the Company recognized in its consolidated statement of income $4.0 million of net expense related to the change in the fair value of the former derivative asset and liability.

15. 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) income per share of common stock for the three and nine months ended September 30, 2016 and 2015 (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Basic (Loss) Earnings Per Common Share:				
Net (loss) income	$ (179,337)	$ 35,755	$ (192,446)	$ 27,570
Weighted-average common shares outstanding	71,331	69,820	71,033	69,379
Basic (loss) earnings per share	$ (2.51)	$ 0.51	$ (2.71)	$ 0.40
Diluted (Loss) Earnings Per Common Share:				
Net (loss) income	$ (179,337)	$ 35,755	$ (192,446)	$ 27,570
Add-back of interest expense on outstanding convertible notes payable, net of tax	— (1)	— (2)	— (1)	— (2)
Adjusted net (loss) income	$ (179,337)	$ 35,755	$ (192,446)	$ 27,570
Weighted-average common shares outstanding	71,331	69,820	71,033	69,379
Weighted-average incremental shares related to assumed exercise of warrants and stock options, vesting of non-vested shares and ESPP share issuance	— (3)	2,958 (4)	— (3)	3,170 (4)
Weighted-average incremental shares assuming conversion of outstanding notes payable	— (1)	— (2)	— (1)	— (2)
Diluted weighted-average common shares outstanding	71,331 (3)	72,778 (5)	71,033 (3)	72,549 (5)
Diluted net (loss) income per share	$ (2.51)	$ 0.49	$ (2.71)	$ 0.38

(1) 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. Accordingly, there were no numerator or denominator adjustments related to the Company's outstanding Notes.

(2) The add-back of interest expense incurred on the Company’s outstanding Notes, net of tax, to the numerator and the weighted-average incremental shares assuming conversion of the outstanding Notes to the denominator were excluded from the calculation of diluted EPS for the period ended September 30, 2015 because the Company was required to settle the conversion of the Notes in cash. See “Note 13. Debt” and “Note 14. Stockholders’ Equity” for additional information.

(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, included 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.

(4) The 9.47 million warrants outstanding have been excluded from the denominator of the diluted EPS calculation under the treasury stock method as of September 30, 2015 because the weighted-average exercise price of the warrants exceeded the average market price of the Company’s common stock for the periods presented and to do so would be anti-dilutive.

(5) As of September 30, 2015 , shares issuable but not included in the Company's calculation of diluted EPS, which could potentially dilute future earnings, included 9.47 million warrants outstanding and 9.47 million shares for conversion of outstanding convertible notes payable. In addition, for the three and nine month periods ended September 30, 2015 , the Company excluded 0.4 million and 0.3 million , respectively, of shares issuable upon the exercise of stock options and vesting of non-vested restricted stock awards from the computation of diluted net income per common share under the treasury stock method.

16. SHARE-BASED COMPENSATION

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

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 938 and 10,938 stock options outstanding at September 30, 2016 and December 31, 2015 , respectively, under the 1999 Plan.

Impax Laboratories, Inc. Third 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 15,950,000 shares. There were 2,469,397 and 2,394,433 stock options outstanding at September 30, 2016 and December 31, 2015 , respectively, and 2,599,661 and 2,146,498 non-vested restricted stock awards outstanding at September 30, 2016 and December 31, 2015 , respectively, under the 2002 Plan.

The stock option activity for all of the Company's equity compensation plans noted above is summarized as follows:

Stock Options	Number of Shares Under Option		Weighted-Average Exercise Price per Share
Outstanding at December 31, 2015	2,405,371	$	21.39
Options granted	552,180	$	12.52
Options exercised	(464,950)	$	19.37
Options forfeited	(22,266)	$	38.10
Outstanding at September 30, 2016	2,470,335	$	23.94
Options exercisable at September 30, 2016	1,453,277	$	17.43

As of September 30, 2016 , stock options outstanding and exercisable had average remaining contractual lives of 7.24 years and 5.50 years, respectively. Also, as of September 30, 2016 , stock options outstanding and exercisable each had aggregate intrinsic values of $12.0 million and $11.5 million , respectively, and restricted stock awards outstanding had an aggregate intrinsic value of $61.6 million . As of September 30, 2016 , the Company estimated there were 2,186,970 stock options and 2,301,462 restricted shares 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, 2015	2,146,498	$	33.20
Granted	1,181,068	$	32.20
Vested	(528,396)	$	31.14
Forfeited	(199,509)	$	32.74
Non-vested at September 30, 2016	2,599,661	$	33.20

Included in the 528,396 shares of restricted stock vested during the nine months ended September 30, 2016 are 179,018 shares with a weighted-average fair value of $32.30 per share that were withheld for minimum withholding tax purposes upon vesting of such awards from stockholders who elected to net share settle such tax withholding obligation.

As of September 30, 2016 , the Company had 1,520,062 shares available for issuance for either stock options or restricted stock awards, including 1,160,413 shares from the 2002 Plan, 296,921 shares from the 1999 Plan, and 62,728 shares from the 2001 Non-Qualified Employee Stock Purchase Plan ("ESPP") Plan.

As of September 30, 2016 , the Company had total unrecognized share-based compensation expense, net of estimated forfeitures, of $73.4 million related to all of its share-based awards, which will be recognized over a weighted-average period of 2.2 years. The intrinsic value of options exercised during the nine months ended September 30, 2016 and 2015 was $5.6 million and $33.0 million , respectively. The total fair value of restricted shares which vested during the nine months ended September 30, 2016 and 2015 was $16.4 million and $9.0 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 Payments 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 from three to 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,	
	2016	2015	2016	2015
Manufacturing expenses	$ 1,331	$ 1,436	$ 4,579	$ 3,674
Research and development	1,312	1,755	4,259	4,486
Selling, general and administrative	5,070	5,101	14,537	13,691
Total	$ 7,713	$ 8,292	$ 23,375	$ 21,851

17. RESTRUCTURINGS

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 to complete. In August 2016, the Company's Board of Directors approved a plan to repurpose a part of the Middlesex manufacturing site as a research and development pilot plant in an effort to expand capacity for the number of generic projects in the Company's pipeline. As a result, approximately 32 employees that were previously expected to be terminated will be retained, reducing the number of positions expected to be eliminated to 183 .

Management currently estimates that over the next two years the Company will incur aggregate pre-tax charges in connection with this plan of $45.6 million , of which approximately half will be incurred in the fourth quarter of 2016 and the remainder 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	$ 13.7
Technical transfer of products	12.6
Asset impairment and accelerated depreciation charges	18.0
Facilities lease terminations and asset retirement obligations	1.0
Legal and professional fees	0.3
Total estimated restructuring charges	$ 45.6

Employee retention and severance payments are being accrued over the estimated service period. For the three months ended September 30, 2016 , the Company recorded to cost of revenues accrued expenses for employee retention and severance payments of $1.9 million and accelerated depreciation, intangible asset impairment charges, technical transfer and legal and professional fees and expenses of $1.5 million , $8.5 million , $1.9 million , and $0.1 million , respectively. For the nine months ended September 30, 2016 , the Company recorded to cost of goods sold accrued expenses for employee retention and severance payments of $4.5 million and accelerated depreciation, intangible asset impairment charges, technical transfer and legal and professional fees and expenses of $3.8 million , $8.5 million , $3.5 million and $0.2 million , respectively. At September 30, 2016 , the $4.5 million balance of accrued employee retention and severance payments was included in accrued expenses on the Company’s consolidated balance sheet.

Hayward, California Technical Operations and R&D

In November 2015, the Company's management assessed the headcount in the technical operations and research and development groups in Hayward, California, primarily as a result of the resolution of the warning letter at the Hayward facility, and determined that a reduction-in-force was necessary to adjust the headcount to the operating conditions of the post-warning letter resolution environment. The Company eliminated 27 positions and recorded an accrual for severance and related employee termination benefits of $2.5 million during the quarter ended December 31, 2015. As of September 30, 2016 , $2.0 million has been paid, and the Company currently expects the remainder of this balance to be paid by early 2017.

Philadelphia, Pennsylvania Packaging and Distribution Operations

On June 30, 2015, the Company committed to a plan of restructuring of its packaging and distribution operations and as a result of this plan, the Company closed its Philadelphia packaging site and all Company-wide distribution operations were outsourced to United Parcel Services during the fiscal year ended December 31, 2015. The Company eliminated 93 positions and recorded an accrual for severance and related employee termination benefits of $2.6 million during the quarter ended June 30, 2015. As of June 30, 2016, the full $2.6 million had been paid.

18. INCOME TAXES

The Company calculates its interim income tax provision in accordance with FASB ASC Topics 270 and 740. At the end of each interim period, the Company makes an estimate of the annual United States domestic and foreign jurisdictions’ expected effective tax rates and applies these rates to its respective year-to-date taxable income or loss. The computation of the annual estimated effective tax rates at each interim period requires certain estimates and assumptions including, but not limited to, the expected operating income for the year, projections of the proportion of income (or loss) earned and taxed in the United States, and the various state and local tax jurisdictions, as well as tax jurisdictions outside the United States, along with permanent differences, and the likelihood of deferred tax asset utilization. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is acquired or additional information is obtained. The computation of the annual estimated effective tax rate includes modifications, which were projected for the year, for share-based compensation and state research and development credits, among others. In addition, the effect of changes in enacted tax laws, rates, or tax status is recognized in the interim period in which the respective change occurs.

The Company's effective tax rate for the nine month periods ended September 30, 2016 and 2015 was 37% and 40% , respectively. During the nine month period ended September 30, 2016 and 2015 , the Company recognized aggregate consolidated tax benefit of $112.9 million and tax provision of $18.5 million, respectively, for U.S. domestic and foreign income taxes. The amount of tax benefit recorded for the nine months ended September 30, 2016 reflects the Company’s estimate as of such date of the annual effective tax rate applied to the year-to-date loss. A discrete tax benefit of $17.4 million for the reserve recorded against the Turing receivable as described above under "Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk" is also reflected in income tax benefit for the nine months ended September 30, 2016 . The decrease in tax provision compared to the prior year period resulted from a consolidated loss before taxes in the nine month period ended September 30, 2016 , as compared to consolidated income in the same period in the prior year. The decrease in tax provision during the nine month period ended September 30, 2016 was also a result of a change in the timing and mix of U.S. and foreign income; the exclusion of a zero-rate jurisdiction from the interim effective tax rate calculation; the inclusion of the federal research and development credit which was permanently reinstated in December 2015; and an increase in the deferred tax asset related to a state R&D tax credit carryforward in a state with indefinite carryforwards. The Company is closely monitoring the events and circumstances that determine the need for a valuation allowance related to state research and development tax credit carryforwards and have determined that, based upon the evaluation of the provisions of ASC 740, no valuation allowance will be recorded at this time.

As of June 30, 2016, Lineage was in the process of closing an audit for federal income tax by the U.S. Internal Revenue Service ("IRS") for the 2013 tax year, which pre-dates the Company's acquisition of Lineage. Even though the Company would not have been responsible for pre-acquisition income tax liabilities, under the Stock Purchase Agreement related to the Tower Acquisition, the Company was notified, in a letter dated July 29, 2016, that the IRS made no changes to the reported federal income tax for the 2013 tax year.

Neither the Company nor any of its other affiliates is currently under audit for federal income tax. No provision has been made for U.S. federal deferred income taxes on accumulated earnings on foreign subsidiaries since it is the current intention of management to indefinitely reinvest the undistributed earnings in the foreign subsidiary.

19. 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 its 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 Milestone 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 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. During 2013, the Company received a payment of $48.0 million from Shire in connection with such litigation settlement, which was recorded in the first quarter of 2013 under the line item "Other Income" on the consolidated statement of operations. 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. The Company is required to pay a profit share to Shire on sales of the AG Product, of which the Company owed a profit share payable to Shire of $7.2 million and $15.4 million on sales of the AG Product during the nine months ended September 30, 2016 and 2015 , respectively, with a corresponding charge included in the cost of revenues line in the consolidated statement of operations. 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 continued to pay a profit share to Shire on sales of such products during the nine months ended September 30, 2016 .

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 ten 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, 2016 , 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 upon the achievement of certain specified milestone events. Such contingent milestone payments will initially be 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 will be capitalized and amortized over the remaining estimated useful life of the approved product. During the year ended December 31, 2012, the Company made a $1.0 million milestone payment and, during the fourth quarter of 2013, the Company made a $12.0 million payment to Tolmar upon Tolmar's achievement of a regulatory milestone event in accordance with the terms of pursuant to the Tolmar 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 initially allocated $1.55 million of the upfront payment to two products which were in development and has recorded such amount as in-process research and development expense in its results of operations for the year ended December 31, 2012. The Company similarly recorded the $1.0 million milestone paid in the year ended December 31, 2012 as a research and development expense. The Company is 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 $32.2 million and $35.4 million during the nine months ended September 30, 2016 and 2015 , respectively, with a corresponding charge included in the cost of revenues line in the Company's consolidated statement of operations. During the fourth quarter of 2014, the Company paid a $2.0 million milestone related to the Diclofenac Sodium Gel 3% or Solaraze® product to Tolmar pursuant to the Tolmar Agreement. During the second quarter of 2015, the Company paid a $5.0 million milestone related to certain topical products pursuant to the Tolmar Agreement.

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 was 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 entered into a Strategic Alliance Agreement with Teva Pharmaceutical 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, 2016 , 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. Refer to "Note 2. Business Acquisitions" for additional information on developments related to the Teva Agreement.

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 "D-24 Product"). The Company previously developed the products, and is currently only responsible for manufacturing the products, and Pfizer is responsible for marketing and sale. 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 February 2005, the agreement was partially cancelled with respect to the 24-hour Extended Release Product due to lower than planned sales volume. In December 2011, Pfizer and the Company 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 to Perrigo. As noted above, the Company is currently only required to manufacture the products under its agreements with Pfizer and Perrigo. The Company recognizes profit share revenue in the period earned. On March 31, 2016, the Company entered into an asset purchase agreement with Perrigo (the "Perrigo APA") whereby the Company agreed to, among other things, sell the assets related to the D-12 Product and D-24 Product, including the ANDAs for both products, to Perrigo. The transactions under the Perrigo APA, including the sale of the ANDAs for both products, closed during the third quarter of 2016. Under the terms of the Perrigo APA, the Company will 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 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 (the “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. Under the provisions of the Joint Development Agreement the Company received a $40.0 million upfront payment, paid by Valeant in December 2008. The Company has also received an aggregate of $15.0 million in milestone payments composed of two $5 million milestone payments, paid by Valeant in March 2009 and September 2009, a $2.0 million milestone payment paid by Valeant in December 2009, and a $3.0 million milestone payment paid by Valeant in March 2011. The Company has the potential to receive up to an additional $8.0 million of contingent regulatory milestone payments each of which the Company believes to be substantive, as well as the potential to receive royalty payments from sales, if any, by Valeant

of its advanced form SOLODYN ® brand product. Finally, to the extent the Company commercializes any of its four generic dermatology products covered by the Joint Development Agreement, the Company will pay to Valeant a gross profit share on sales of such products. 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. As of December 31, 2014, the full amount of deferred revenue under the Joint Development Agreement was recognized.

The Joint Development Agreement results in three items of revenue for the Company, as follows:

(1) *Research & Development Services.* Revenue received from the provision of research and development services including the $40.0 million upfront payment and the $12.0 million of milestone payments received prior to January 1, 2011, have been deferred and are being recognized on a straight-line basis over the expected period of performance of the research and development services. During the three month period ended March 31, 2013, the Company extended the revenue recognition period for the Joint Development Agreement from the previous recognition period ending in November 2013 to December 2014, due to changes in the estimated timing of completion of certain research and development activities. This change was made on a prospective basis, and resulted in a reduced periodic amount of revenue recognized in current and future periods. Revenue from the remaining $8.0 million of contingent milestone payments, including the $3.0 million received from Valeant in March 2011, will be recognized using the Milestone Method of accounting. Revenue recognized under the Joint Development Agreement is included in "Note 23. Supplementary Financial Information," in the line item captioned "Other Revenues."

(2) *Royalty Fees Earned - Valeant's Sale of Advanced Form SOLODYN® (Brand) Product.* Under the Joint Development Agreement, the Company granted Valeant a license for the advanced form of the SOLODYN® product, with the Company receiving royalty fee income under such license for a period ending eight years after the first commercial sale of the advanced form SOLODYN® product. Commercial sales of the new SOLODYN® product, if any, are expected to commence upon FDA approval of Valeant's NDA. The royalty fee income, if any, from the new SOLODYN® product, will be recognized by the Company as current period revenue when earned.

(3) *Accounting for Sales of the Company's Four Generic Dermatology Products.* 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.

Development and Co-Promotion Agreement with Endo Pharmaceuticals Inc.

In June 2010, the Company and Endo Pharmaceuticals, Inc. ("Endo") entered into a Development and Co-Promotion Agreement ("Endo Agreement") under which the Company and Endo agreed to collaborate in the development and commercialization of a next-generation advanced form of the Company's lead branded product candidate ("Endo Agreement Product"). The Endo Agreement was terminated upon mutual agreement by the parties effective December 23, 2015. Under the provisions of the Endo Agreement, in June 2010, Endo paid to the Company a $10.0 million upfront payment. Prior to termination of the agreement, the Company also had the potential to receive up to an additional $30.0 million of contingent milestone payments.

Prior to the termination of the Endo Agreement, the Company had recognized the $10.0 million upfront payment as revenue on a straight-line basis over a period of 112 months , which was the estimated expected period of performance of research and development activities under the Endo Agreement, commencing with the June 2010 effective date of the Endo Agreement and ending in September 2019, the estimated date of FDA approval of the Company's NDA for the Endo Agreement Product. The FDA approval of the Endo Agreement Product NDA represented the end of the Company's expected period of performance, as the Company would have had no further contractual obligation to perform research and development activities under the Endo Agreement, and therefore the earnings process would have been completed on such date. There was no deferred revenue under the Endo Agreement as of September 30, 2016 and December 31, 2015 . Revenue recognized under the Endo Agreement was reported in "Note 23. Supplementary Financial Information" in the line item captioned "Other Revenues".

The Company and Endo also entered into a Settlement and License Agreement in June 2010 (the "Endo Settlement Agreement") pursuant to which Endo agreed to make a payment to the Company should prescription sales of Opana ® ER (as defined in the Endo Settlement Agreement) fall below a predetermined contractual threshold in the quarter immediately prior to the Company launching a generic version of Opana ® ER. As a result of the Company's launch of its generic version of Opana

ER in January 2013 and Endo's prescription sales of Opana ER during the fourth quarter of 2012, the Company recorded a $102.0 million settlement gain during the three month period ended March 31, 2013. Payment of the $102.0 million settlement was received from Endo in April 2013. In May 2016, Endo filed suit against the Company alleging that the Company breached the Endo Settlement Agreement with respect to the Company's marketed generic version of Opana ® ER products. Refer to "Note 21. Legal and Regulatory Matters" for a description of the legal proceeding related to the suit.

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 Amendment, 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 11 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. The Company received transition payments from AstraZeneca aggregating $43.6 million during 2012. Beginning in January 2013, the Company was obligated to pay 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 is also obligated to pay AstraZeneca royalties after a certain specified date 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 will 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 . The Company owed a royalty payable to AstraZeneca of $12.7 million and $11.5 million during the nine months ended September 30, 2016 and 2015 , 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 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 (PHN), 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 predefined development and commercialization milestones. If IPX239 is commercialized, Durect would also receive a tiered royalty on product sales.

Amedra 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 "Teva Product Acquisition Agreement") with Teva Pharmaceuticals USA, Inc. ("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. During the first quarter of 2016, the Company recognized $3.5 million of milestone payments due to Teva under the terms of the agreement related to 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.

20. 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 2026.

Purchase Order Commitments

As of September 30, 2016 , the Company had $113.5 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.

Taiwan Facility Expansion

The Company has entered into several contracts related to ongoing expansion activities at its Taiwan manufacturing facility. As of September 30, 2016 , the Company had remaining obligations under these contracts of $0.6 million .

21. 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 (collectively, "Endo") 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 the ThoRx 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 pending the outcome of further proceedings in related cases in these District of Delaware cases and/or an appellate decision in the New York proceedings described above.

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 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 settlement and license agreement for material breach.

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. Lannett filed an answer and counterclaims alleging non-infringement and invalidity in September 2014, and the Company filed an answer to the counterclaims in October 2014. Trial occurred in early September 2016. Post-trial briefing will be completed by December 12, 2016. Lannett has indicated that they will not sell their generic product to the Zomig® Nasal Spray before March 31, 2017, and the Court has indicated that it will render its bench trial decision on or before that date.

On July 28, 2015, Lannett filed petitions for *Inter Partes Review* ("IPR") of U.S. Patent Nos. 6,750,237 and 7,220,767 related to the product in the U.S. Patent and Trademark Office before the Patent Trial and Appeal Board ("PTAB"). Patent owner filed its preliminary responses in these PTAB proceedings on November 4, 2015. In January and February 2016, the PTAB denied Lannett's petitions, declining to institute IPR proceedings with respect to the patents.

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 entered into a joint stipulation to stay the case pending the outcome of the Lannett matter described above, which was subsequently approved by the Court. As part of the joint stipulation, Par agreed to toll the 30-month stay until a final decision in the Lannett matter was rendered by the United States District Court for the District of Delaware. No trial date has been set.

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 based on the filing of the Actavis ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary ®. Actavis filed an answer and counterclaims on November 19, 2015. Discovery is proceeding. A claim construction hearing is expected by December 2016 and trial is scheduled for September 2017.

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 Court granted in part and denied in part defendants' motion to dismiss the consolidated amended complaints. Discovery is ongoing. Trial is set for March 22, 2018.

Opana ER® FTC Antitrust Suit

As previously disclosed, 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. According to the FTC, the investigation relates to whether Endo Pharmaceuticals, Inc. ("Endo") and the Company have engaged or are engaged in unfair methods of competition in or affecting commerce by (i) entering into agreements regarding Opana® ER or its generic equivalents and/or (ii) engaging in other conduct regarding the regulatory filings, sale or marketing of Opana® ER or 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 is 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 October 26, 2016, the Company and Endo filed a Declaratory

Judgment complaint against the FTC in the Eastern District of Pennsylvania seeking resolution of the legal issues that were previously subject to the companies' motion to dismiss.

Opana ER® Antitrust Class Actions

From June 2014 to February 2016, 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 Stated District Court for the Middle District of Louisiana on behalf of itself and others similarly situated.

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 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 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 Digoxin and Doxycycline Class Action

From March 2016 to October 2016, 21 complaints were filed as class actions on behalf of direct and indirect purchasers against manufacturers of generic digoxin and doxycycline and the Company.

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 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* " . No trial date has been scheduled.

AWP Actions

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 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 $40.4 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 and briefing on the motion is currently underway. No trial date has been set.

22. 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 the "Impax Generics" sales channel and the "Private Label" sales channel are reported under the caption "Impax Generics sales, net" in "Note 23. Supplementary Financial Information." Revenues from the "OTC Partner" sales channel are reported under the caption "Other Revenues" in "Note 23. Supplementary Financial Information."

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 Impax-labeled branded products are reported under the caption "Impax Specialty Pharma sales, net" in "Note 23. Supplementary Financial Information." Finally, the Company generated revenue in Impax Specialty Pharma from research and development services provided under a development and license agreement with another unrelated third-party pharmaceutical company (which was terminated by mutual agreement of the parties effective December 23, 2015), and reports such revenue under the caption "Other Revenues" in "Note 23. Supplementary Financial Information." 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 below 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, 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)

Three Months Ended September 30, 2015	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 180,666	$ 40,433	$ —	$ 221,099
Cost of revenues	$ 112,716	$ 14,834	$ —	$ 127,550
Selling, general and administrative	$ 5,103	$ 11,418	$ 29,786	$ 46,307
Research and development	$ 14,346	$ 4,285	$ —	$ 18,631
Patent litigation expense	$ 397	$ 655	$ —	$ 1,052
Income before income taxes	$ 48,104	$ 9,241	$ 3,987	$ 61,332

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)

Nine Months Ended September 30, 2015	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	$ 484,086	$ 94,291	$ —	$ 578,377
Cost of revenues	$ 299,596	$ 41,147	$ —	$ 340,743
Selling, general and administrative	$ 16,673	$ 39,186	$ 88,917	$ 144,776
Research and development	$ 38,100	$ 12,488	$ —	$ 50,588
Patent litigation expense	$ 2,507	$ 999	$ —	$ 3,506
Income (loss) before income taxes	$ 127,210	$ 471	$ (81,602)	$ 46,079

Foreign Operations

The Company’s wholly-owned subsidiary, Impax Laboratories (Taiwan) Inc., has constructed a facility in Taiwan which is utilized for manufacturing, research and development, warehouse, and administrative functions, with $150.6 million and $131.6 million of net carrying value of assets, composed principally of a building and equipment, included in the Company's consolidated balance sheets at September 30, 2016 and December 31, 2015 , respectively.

23. SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

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

(in thousands, except share and per share amounts)	Quarter Ended March 31, 2016	Quarter Ended June 30, 2016	Quarter Ended September 30, 2016
Revenue:			
Impax Generic Product sales, gross	$ 611,281	$ 531,226	$ 651,372
Less:			
Chargebacks	217,354	197,864	254,681
Rebates	185,476	178,097	163,340
Product Returns	11,913	10,237	16,151
Other credits	29,354	25,075	48,607
Impax Generic Product sales, net	167,184	119,953	168,593
Rx Partner	2,835	1,669	6,672
Other Revenues	60	73	55
Impax Generic Division revenues, net	170,079	121,695	175,320
Impax Specialty Pharma sales, 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 sales, net	55,429	50,895	52,589
Other Revenues	—	—	—
Impax Specialty Pharma revenues, 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

(in thousands, except share and per share amounts)	Quarter Ended March 31, 2015	Quarter Ended June 30, 2015	Quarter Ended September 30, 2015
Revenue:			
Impax Generic Product sales, gross	$ 355,321	$ 572,079	$ 565,261
Less:			
Chargebacks	126,607	228,977	212,588
Rebates	83,130	139,477	141,646
Product Returns	6,427	7,528	6,276
Other credits	13,198	24,824	26,295
Impax Generic Product sales, net	125,959	171,273	178,456
Rx Partner	2,239	2,579	1,957
Other Revenues	543	827	253
Impax Generic Division revenues, net	128,741	174,679	180,666
Impax Specialty Pharma sales, gross	29,219	65,269	69,286
Less:			
Chargebacks	5,561	4,452	5,893
Rebates	2,132	2,970	1,078
Product Returns	2,620	6,763	2,824
Other credits	4,778	11,809	19,285
Impax Specialty Pharma sales, net	14,128	39,275	40,206
Other Revenues	227	228	227
Impax Specialty Pharma revenues, net	14,355	39,503	40,433
Total revenues	143,096	214,182	221,099
Gross profit	59,234	84,851	93,549
Net (loss) income	$ (6,333)	$ (1,852)	$ 35,755
Net (loss) income per common share:			
Basic	$ (0.09)	$ (0.03)	$ 0.51
Diluted	$ (0.09)	$ (0.03)	$ 0.49
Weighted-average common shares outstanding:			
Basic	68,967,875	69,338,789	69,820,348
Diluted	68,967,875	69,338,789	72,777,746

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 revenues and operating income, our ability to successfully develop and commercialize pharmaceutical products in a timely manner, reductions 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, the impact of competition, our ability to sustain profitability and positive cash flows, 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 with brand pharmaceutical companies, 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, 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, risks relating to goodwill and intangibles, changes in tax regulations, our ability to manage our growth, including through potential acquisitions and investments, the risks related to the Company's acquisitions of or investments in technologies, products or businesses, the restrictions imposed by our credit facility and indenture, the Company's level of indebtedness and liabilities and the potential impact on cash flow available for operations, 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, 2015 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. 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. Impax Specialty Pharma also generated revenue from research and development services provided to an unrelated third-party pharmaceutical entity (which agreement was terminated by mutual agreement of the parties effective December 23, 2015). We

currently sell our generic and branded products within the continental United States and the Commonwealth of Puerto Rico. We currently 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, 2016 , we marketed 206 generic pharmaceuticals, which represent dosage variations of 73 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, 2016 , in our Impax Generics Division, we had 18 applications pending at the FDA and 24 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 the Impax Generics sales channel and the Private Label Product sales channel are reported under the caption "Impax Generics sales, net" in our consolidated statements of operations.

Impax Specialty Pharma is focused on developing proprietary branded pharmaceuticals products for the treatment of CNS disorders, which include migraine, multiple sclerosis, Parkinson's disease and post herpetic neuralgia, as well as developing other select specialty products. Impax Specialty Pharma is involved in the promotion and sale of branded pharmaceutical products through our specialty sales force. 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 our acquisition of Tower and Lineage which closed in March 2015. 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.

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. If we receive any future FDA observations, we may be subject to regulatory action including, among others, monetary sanctions or penalties, product recalls or seizure, injunctions, total or partial suspension of production and/or distribution, and suspension or withdrawal of regulatory approvals. 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 Form 483 observations or warning letters into account when considering the award of contracts or the continuation or extension of such partnership agreements. If we receive any future Form 483 observations or warning letters from the FDA, our business, consolidated results of operations and consolidated financial condition could be materially and adversely affected.

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.

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. Although historically our estimates have generally been reasonably accurate, 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 estimated on-hand inventories at our customers, measured end-customer demand as reported by third-party sources, actual returns history and other factors, such as the trend experience for lots where product is still being returned or inventory centralization and rationalization initiatives conducted by major pharmacy chains, as applicable. 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. Under this methodology, we track actual returns by individual production lots. Returns on closed lots, that is, lots no longer eligible for return credits, are analyzed to determine historical returns experience. Returns on open lots, that is, lots still eligible for return credits, are monitored and compared with historical return trend rates. Any changes from the historical trend rates are considered in determining the current sales return allowance.

Sales discount accruals are based on payment terms extended to customers.

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 Medicaid rebate percentage was increased and extended to Medicaid Managed Care Organizations in March 2010. 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 or 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 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.

Distributor 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, 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, 2016 , the three large wholesalers account for 97% of our chargebacks and 77% of our indirect sales rebates. This enables us to execute accurate provisioning procedures. 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, 2016 and December 31, 2015 , respectively.

The following tables are roll-forwards of the activity in the reserves for the nine months ended September 30, 2016 and the year ended December 31, 2015 with an explanation for any significant changes in the accrual percentages (in thousands):

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Chargeback reserve		
Beginning balance	$ 102,630	$ 43,125
Acquired balances	—	24,532
Provision recorded during the period	690,275	833,157
Credits issued during the period	(665,654)	(798,184)
Ending balance	$ 127,251	$ 102,630
Provision as a percent of gross product sales	34%	34%

As noted in the table above, the provision for chargebacks, as a percent of gross product sales, remained consistent at 34% during the year ended December 31, 2015 and during the nine months ended September 30, 2016 .

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Rebate reserve		
Beginning balance	$ 265,229	$ 88,812
Acquired balances	—	75,447
Provision recorded during the period	535,752	571,642
Credits issued during the period	(499,645)	(470,672)
Ending balance	$ 301,336	$ 265,229
Provision as a percent of gross product sales	27%	23%

As noted in the table above, the provision for rebates, as a percent of gross product sales, increased from 23% during the year ended December 31, 2015 to 27% during the nine months ended September 30, 2016 as a result of product sales mix, the formation of alliances between major wholesalers and major retailers and the inclusion of product sales from the Tower Acquisition 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 8. Accounts Receivable," as Impax Specialty Pharma rebates are classified as Accrued Expenses on our consolidated balance sheets.

	Nine Months Ended September 30, 2016	Year Ended December 31, 2015
Returns reserve		
Beginning balance	$ 48,950	$ 27,174
Acquired balances	—	11,364
Provision related to sales recorded in the period	41,662	43,967
Credits issued during the period	(20,330)	(33,555)
Ending balance	$ 70,282	$ 48,950
Provision as a percent of gross product sales	2.1%	2.0%

The provision for returns as a percent of gross product sales increased to 2.1% during the nine month period ended September 30, 2016 compared to 2.0% during the year ended December 31, 2015 as a result of slightly higher historical returns experience.

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 $79.8 million and $91.7 million as of September 30, 2016 and December 31, 2015 , 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 $9.6 million and $6.6 million as of September 30, 2016 and December 31, 2015 , 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 our 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 are currently only required to manufacture the over-the-counter pharmaceutical products under our agreements with Pfizer and Perrigo. We recognize profit share revenue in the period earned.

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. 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. Additionally, we may also receive royalty payments from the sale, if any, of a successfully developed and commercialized branded product under one of the development agreements. 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 stock option and restricted share over its vesting period. Stock options and restricted shares granted under the 2002 Plan generally vest over a three or four year period and generally 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. During the year ended December 31, 2014, we granted shares of restricted stock that vested upon the achievement of certain stock price performance criteria. We valued these awards using a Monte Carlo simulation.

Income Taxes. We are subject to U.S. federal, state and local income taxes, Netherlands income tax and Taiwan R.O.C. income taxes. We create a deferred tax asset, or a deferred tax liability, when we have temporary differences between the financial statement carrying values (in accordance with U.S. GAAP) and the tax bases of our assets and liabilities.

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 indefinite-lived and finite-lived assets. Indefinite-lived intangible assets are not amortized. In-process research and development assets acquired in a business combination are considered indefinite lived until the completion or abandonment of the associated research and development efforts. Finite-lived intangible assets are amortized over the estimated useful life based on the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up. If that pattern cannot be reliably determined, the straight-line amortization method is used. All of our 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 the finite lived intangible assets 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 $148.7 million of goodwill to the Impax Generics division. We concluded the carrying value of goodwill was not impaired as of December 31, 2015 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, 2016 , 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, 2016 Compared to the Three Months Ended September 30, 2015

Overview

The following table sets forth our summarized, consolidated results of operations for the three month periods ended September 30, 2016 and 2015 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Total revenues	$ 227,909	$ 221,099	$ 6,810	3%
Gross (loss) profit	(165,426)	93,549	(258,975)	*
(Loss) income from operations	(272,628)	27,559	(300,187)	*
(Loss) income before income taxes	(283,868)	61,332	(345,200)	*
(Benefit from) provision for income taxes	(104,531)	25,577	(130,108)	*
Net (loss) income	$ (179,337)	$ 35,755	$ (215,092)	*

** Percentage exceeds 100%*

Consolidated total revenues for the three month period ended September 30, 2016 increased by 3%, or $6.8 million, to $227.9 million, compared to $221.1 million in the prior year period. The increase was primarily due to lower Impax Generics division product sales which were more than offset by an increase in sales of Impax Specialty Pharma division products. Existing product selling price decreased total revenues by 9.1% while product volumes remained relatively unchanged and volumes from new product launches, including those resulting from acquisitions increased our total revenues by 12.2% compared to the prior year period.

Revenues from our Impax Generics division decreased by $5.3 million during the three month period ended September 30, 2016 , as compared to the prior year period, driven primarily by increased competition for diclofenac sodium gel and metaxalone as well as lower market share of generic Adderall XR®, in each case compared to the prior year period. Revenues from Impax Specialty Pharma division increased $12.2 million during the three month period ended September 30, 2016 , as compared to the prior year period, primarily as a result of sales from Rytary® and Zomig®.

Net loss for the three month period ended September 30, 2016 was $179.3 million, a decrease of $215.1 million as compared to net income of $35.8 million for the three month period ended September 30, 2015 . The third quarter 2016 results included non-cash intangible asset impairment charges of approximately $285.2 million, while the third quarter 2015 results included a gain of $45.6 million related to the sale of the Daraprim ANDA to Turing. Of the $285.2 million in impairment charges for the third quarter 2016, approximately $251.0 million of such charges relates to certain of the intangible assets acquired in the Teva Transaction. Upon closing the Teva Transaction on August 3, 2016, we initiated the process of transferring and securing Teva's and Allergan's customers for the acquired products to our account. We assumed certain price concessions would occur following the closing, however, we elected to take additional price reductions on certain of the acquired products in order to retain key customers. These reductions produced significantly lower than expected operating cash flows from the acquired product lines and triggered an impairment analysis. Our impairment analysis resulted in the recognition of a total $251.0 million non-cash impairment charge to earnings, comprised of a $248.0 million charge recorded in cost of revenues impairment charges and a $3.0 million charge to in-process research and development impairment charges each in our consolidated statement of operations for the third quarter of 2016. Certain other non-cash impairment charges on intangible assets unrelated to the Teva Transaction were also recorded in the third quarter of 2016. In addition, the third quarter 2016 results included higher amortization costs related to the third quarter acquisition of a portfolio of generic products in the Teva Transaction, for which there were no comparable amounts in the prior year period.

Impax Generics

The following table sets forth results of operations for Impax Generics for the three month periods ended September 30, 2016 and 2015 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Revenues:				
Impax Generics sales, net	$ 168,593	$ 178,456	$ (9,863)	(6)%
Rx Partner	6,672	1,957	4,715	*
Other Revenues	55	253	(198)	(78)%
Total revenues	175,320	180,666	(5,346)	(3)%
Cost of revenues	115,020	112,716	2,304	2 %
Cost of revenues impairment charges	256,462	—	256,462	*
Gross (loss) profit	(196,162)	67,950	(264,112)	*
Operating expenses:				
Selling, general and administrative	6,103	5,103	1,000	20 %
Research and development	15,375	14,346	1,029	7 %
In-process research and development impairment charges	15,543	—	15,543	*
Patent litigation expense	147	397	(250)	(63)%
Total operating expenses	37,168	19,846	17,322	87 %
(Loss) income from operations	$ (233,330)	$ 48,104	$ (281,434)	*

***** *Percentage exceeds 100%*

Revenues

Total revenues for Impax Generics for the three month period ended September 30, 2016 were $175.3 million, a decrease of 3% over the same period in 2015, driven primarily by increased competition for diclofenac sodium gel and metaxalone as well as lower market share of generic Adderall XR®. These decreases were partially offset by an increase in the market share and price in sales of Epinephrine Auto-Injector and Oxymorphone, increased volumes from acquired products, and new product launches as compared to the prior year period.

Cost of Revenues

Cost of revenues was $115.0 million for the three month period ended September 30, 2016 , an increase of $2.3 million compared to the prior year period, principally resulting from the increased costs related to higher product amortization from acquired products, compared to the prior year period.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges was $256.5 million for the three month period ended September 30, 2016 . There were no comparable charges in the prior year period. As described above, we assumed certain price concessions would occur following the closing of the Teva Transaction, however, we elected to take additional price reductions on certain of the acquired products in order to retain key customers. These reductions produced significantly lower than expected operating cash flows from the acquired product lines and triggered an impairment analysis. Our impairment analysis resulted in the recognition of a total $251.0 million non-cash impairment charge to earnings, of which $248.0 million was recorded in cost of revenues impairment charges in our consolidated statement of operations for the third quarter of 2016. Certain other non-cash impairment charges on our intangible assets unrelated to the Teva Transaction were also recorded in the third quarter of 2016.

Gross (Loss) Profit

Gross loss for the three month period ended September 30, 2016 was $196.2 million, or 112% of total revenues, as compared to gross profit of $68.0 million, or 38% of total revenues, in the prior year period. The decrease in gross profit and margin was primarily driven by the impairment charges and higher amortization noted above as well as the decrease in sales of certain products as described above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three month period ended September 30, 2016 were $6.1 million, as compared to $5.1 million for the three month period ended September 30, 2015 . The increase of $1.0 million compared to the prior year period was primarily due to higher personnel costs of $0.5 million and an increase in failure to supply claims of $0.4 million.

Research and Development Expenses

Research and development expenses for the three month period ended September 30, 2016 were $15.4 million, an increase of 7%, as compared to $14.3 million in the prior year period primarily due to increased external development costs.

In-process Research and Development Impairment Charges

In-process research and development impairment charges for the three month period ended September 30, 2016 were $15.5 million, of which $12.5 million were 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. In addition, $3.0 million of the impairment charges taken on the products acquired under the Teva Transaction were recorded in in-process research and development impairment charges in our consolidated statement of operations for the third quarter of 2016. There were no comparable charges in the prior year period.

Patent Litigation Expenses

Patent litigation expenses for the three month period ended September 30, 2016 were $0.1 million, as compared to $0.4 million for the three month period ended September 30, 2015 . The decrease in patent litigation expenses of $0.3 million compared to the prior year period was the result of legal activity related to cases in the prior year period for which there was no corresponding activity in the current year period.

Impax Specialty Pharma

The following table sets forth results of operations for Impax Specialty Pharma for the three month periods ended September 30, 2016 and 2015 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2016	**2015**	**Dollars**	**Percentage**
Revenues:				
Impax Specialty Pharma sales, net	$ 52,589	$ 40,206	$ 12,383	31%
Other Revenues	—	227	(227)	*
Total revenues	52,589	40,433	12,156	30%
Cost of revenues	21,853	14,834	7,019	47%
Gross profit	30,736	25,599	5,137	20%
Operating expenses:				
Selling, general and administrative	16,358	11,418	4,940	43%
Research and development	4,740	4,285	455	*
In-process research and development impairment charges	13,227	—	13,227	*
Patent litigation expense	3,132	655	2,477	*
Total operating expenses	37,457	16,358	21,099	*
(Loss) income from operations	$ (6,721)	$ 9,241	$ (15,962)	*

** Percentage exceeds 100%*

Revenues

Total revenues for Impax Specialty Pharma were $52.6 million for the three month period ended September 30, 2016 , an increase of $12.2 million over the same period in the prior year, primarily due to sales from Rytary®, which we launched in April 2015, and from Zomig®, particularly sales from the new indication of Zomig® nasal spray for use in pediatric patients approved by the FDA in June 2015.

Cost of Revenues

Cost of revenues was $21.9 million for the three month period ended September 30, 2016 , an increase of $7.0 million over the prior year period due to increased costs related to increased product sales.

Gross Profit

Gross profit for the three month period ended September 30, 2016 was $30.7 million, or 58% of total revenues, as compared to $25.6 million, or 63% of total revenues, in the prior year period. The increase in gross profit during the current period was primarily attributable to higher revenues, as described above. The decrease in gross margin was due to higher inventory reserves in the current year period for short dated goods.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $16.4 million for the three month period ended September 30, 2016 , an increase of $5.0 million as compared to $11.4 million in the prior year period. The increase in expenses during the current period was primarily driven by our sales force expansion to support the sales and marketing of Rytary® and increased advertising and promotional activities for Rytary®.

Research and Development Expenses

Research and development expenses for the three month period ended September 30, 2016 were $4.7 million, an increase of $0.4 million as compared to $4.3 million in the prior year period. The increase during the current period was primarily driven by an increase in research and development expenses related to our branded initiatives compared to the prior year period.

In-process Research and Development Impairment Charges

In-process research and development impairment charges for the three month period ended September 30, 2016 were $13.2 million. The impairment charges 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. There were no comparable charges in the prior year period.

Patent Litigation Expenses

Patent litigation expenses for the three month period ended September 30, 2016 were $3.1 million, as compared to $0.7 million for the three month period ended September 30, 2015 . The increase in patent litigation expense was the result of higher spending on legal activity related to patent matters in the current period as compared to the prior year period.

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, 2016 and 2015 (in thousands):

	Three Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
General and administrative expenses	$ 32,577	$ 29,786	$ 2,791	9 %
Unallocated corporate expenses	(32,577)	(29,786)	(2,791)	9 %
Interest expense	(11,089)	(8,182)	(2,907)	36 %
Interest income	222	247	(25)	(10)%
Gain on sale of asset	—	45,574	(45,574)	*
Net change in fair value of derivatives	—	(4,000)	4,000	*
Other (expense) income, net	(373)	134	(507)	*
(Loss) income before income taxes	(43,817)	3,987	(47,804)	*
(Benefit from) provision for income taxes	$ (104,531)	$ 25,577	$ (130,108)	*

** Percentage exceeds 100%*

General and Administrative Expenses

General and administrative expenses for the three month period ended September 30, 2016 were $32.6 million, a $2.8 million increase over the same period in 2015. The increase was principally driven by higher legal expenses and other inflationary increases, partially offset by lower business development costs.

Interest Expense

Interest expense in the three month period ended September 30, 2016 was $11.1 million, compared to $8.2 million of interest expense during the prior year period. The increase of $2.9 million compared to the prior year period was attributable to $400 million Term Loan Facility we entered into during the current year period to finance a portion of the Teva Transaction.

Interest Income

Interest income in the three month period ended September 30, 2016 was $0.2 million and was relatively consistent with the same period in 2015.

Gain on sale of asset

During the three month period ended September 30, 2015 , we recognized a gain of $45.6 million on the sale of our rights to Daraprim®. There was no comparable gain in the current period.

Net change in fair value of derivatives

During the three month period ended September 30, 2015 , we recognized a $4.0 million expense related to the net change in the fair value of our derivative instruments related to our convertible senior notes at June 30, 2015, as compared to September 30, 2015. A third-party valuation firm with expertise in valuing financial instruments was engaged to determine the fair value of our bond hedge derivative asset and conversion option derivative liability at each reporting period. There was no comparable change in the fair value of derivatives during the current period.

Other (Expense) Income, net

Other expense, net in the three month period ended September 30, 2016 was $0.4 million, as compared to other income, net of $0.1 million in the three month period ended September 30, 2015 . The expense in the current year period included losses on the disposal of fixed assets, for which there was no comparable loss in the prior year period.

Income Taxes

Our effective tax rate for the three months ended September 30, 2016 and 2015 was 37% and 42% , respectively. During the three month period ended September 30, 2016 and 2015 , we recognized an aggregate consolidated tax benefit of $104.5 million and an aggregate consolidated tax provision of $25.6 million , respectively, for U.S. domestic and foreign income taxes. The decrease in the effective tax rate from the prior year period is largely reflective of the timing of the enactment of the permanent extension of the Federal research and development credit in the fourth quarter of 2015, in addition to a change in the timing and mix of U.S. and foreign income.

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Overview

The following table sets forth our summarized, consolidated results of operations for the nine month periods ended September 30, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Total revenues	$ 626,007	$ 578,377	$ 47,630	8 %
Gross profit	10,148	237,634	(227,486)	(96)%
(Loss) income from operations	(230,276)	38,764	(269,040)	*
(Loss) income before income taxes	(305,312)	46,079	(351,391)	*
(Benefit from) provision for income taxes	(112,866)	18,509	(131,375)	*
Net (loss) income	$ (192,446)	$ 27,570	$ (220,016)	*

** Percentage exceeds 100%*

Consolidated total revenues for the nine month period ended September 30, 2016 increased by 8%, or $47.6 million, to $626.0 million, compared to $578.4 million in the prior year period. The increase was primarily due to new product launches (including acquisitions) as existing product volume increases were offset by price declines. Existing product volumes and new product launches (including acquisitions) increased total revenues by 12.8% and 7.8%, respectively, while product selling price decreased total revenues by 12.4%, in each case compared to the prior year period.

Revenues from our Impax Generics division decreased by $17.0 million during the nine month period ended September 30, 2016 , as compared to the prior year period, driven primarily by lower pricing across most of the product portfolio, partially offset by increased volumes, including those resulting from product acquisitions. We have experienced a significant decline in the pricing for our diclofenac sodium gel and metaxalone products as compared to the prior year period. In addition, during the current year period, we recorded shelf-stock adjustments totaling $15.0 million on diclofenac sodium gel and metaxalone as a result of a decline in price during the current year period. Revenues from Impax Specialty Pharma division increased $64.6 million during the nine month period ended September 30, 2016 as compared to the prior year period, as a result of sales from Rytary® as well as increased sales from products acquired in the Tower Acquisition, including sales from our anthelmintic products franchise.

Net loss for the nine month period ended September 30, 2016 was $192.4 million, a decrease of $220.0 million as compared to net income of $27.6 million for the nine month period ended September 30, 2015 . The net loss for the nine month period was driven by a $287.7 million charge related to the impairment of certain intangible assets, as well as the $48.0 million reserve recorded as a result of the uncertainty of collection of the receivable from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities. Of the $287.7 million in impairment charges for the nine month period ended September 30, 2016, approximately $251.0 million of such charges relates to certain of the intangible assets acquired in the Teva Transaction. Upon closing the Teva Transaction on August 3, 2016, we initiated the process of transferring and securing Teva's and Allergan's customers for the acquired products to our account. We assumed certain price concessions would occur following the closing, however, we elected to take additional price reductions on certain of the acquired products in order to retain key customers. These reductions produced significantly lower than expected operating cash flows from the acquired product lines and triggered an impairment analysis. Our impairment analysis resulted in the recognition of a total $251.0 million non-cash impairment charge to earnings, comprised of a $248.0 million charge recorded in cost of revenues impairment charges and a $3.0 million charge to in-process research and development impairment charges each in our consolidated statement of operations for the nine month period ended September 30, 2016. Certain other non-cash impairment charges on intangible assets unrelated to the Teva Transaction were also recorded in the nine month period ended September 30, 2016. Included in the prior year period results was a $45.6 million gain related to the sale of Daraprim to Turing, for which there was no comparable gain in the current year period. Refer to "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk" for information related to the Turing reserve.

Impax Generics

The following table sets forth results of operations for Impax Generics for the nine month periods ended September 30, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Revenues:				
Impax Generics sales, net	$ 455,730	$ 475,688	$ (19,958)	(4)%
Rx Partner	11,176	6,775	4,401	65 %
Other Revenues	188	1,623	(1,435)	(88)%
Total revenues	467,094	484,086	(16,992)	(4)%
Cost of revenues	307,936	299,596	8,340	3 %
Cost of revenues impairment charges	258,007	—	258,007	*
Gross (loss) profit	(98,849)	184,490	(283,339)	*
Operating expenses:				
Selling, general and administrative	12,442	16,673	(4,231)	(25)%
Research and development	46,113	38,100	8,013	21 %
In-process research and development impairment charges	16,489	—	16,489	*
Patent litigation expense	416	2,507	(2,091)	(83)%
Total operating expenses	75,460	57,280	18,180	32 %
(Loss) income from operations	$ (174,309)	$ 127,210	$ (301,519)	*

Revenues

Total revenues for Impax Generics for the nine month period ended September 30, 2016 were $467.1 million, a decrease of 4% over the same period in 2015 , principally driven by increased competition for metaxalone as well as competition for fenofibrate and lower market share of generic Adderall XR®, partially offset by the increased sales of Epinephrine Auto-Injector acquired in the Tower Acquisition in March 2015. In addition, during the second quarter of 2016, we recorded shelf-stock adjustments totaling $15.0 million on diclofenac sodium gel and metaxalone as a result of a decline in price during the current year period.

Cost of Revenues

Cost of revenues was $307.9 million for the nine month period ended September 30, 2016 , an increase of $8.3 million compared to the prior year period, principally resulting from the increased costs related to product mix, increased product amortization incurred in connection with our acquisitions and increased restructuring activities related to our Middlesex, New Jersey manufacturing and packaging facility. These costs were partially offset by reduced costs related to the absence of Hayward remediation costs in the current year period.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges was $258.0 million for the nine month period ended September 30, 2016 . There were no comparable charges in the prior year period. As described above, we assumed certain price concessions would occur following the closing of the Teva Transaction, however, we elected to take additional price reductions on certain of the acquired products in order to retain key customers. These reductions produced significantly lower than expected operating cash flows from the acquired product lines and triggered an impairment analysis. Our impairment analysis resulted in the recognition of a total $251.0 million non-cash impairment charge to earnings, of which $248.0 million was recorded in cost of revenues impairment charges in our consolidated statement of operations for the nine month period ended September 30, 2016. Certain other non-cash impairment charges on our intangible assets unrelated to the Teva Transaction were also recorded in the nine month period ended September 30, 2016.

Gross (Loss) Profit

Gross loss for the nine month period ended September 30, 2016 was $98.8 million, or 21% of total revenues, as compared to gross profit of $184.5 million, or 38% of total revenues, in the prior year period. The decrease in gross profit and margin compared to the prior year period was primarily driven by the intangible asset impairment charges, increased amortization, and restructuring costs noted above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine month period ended September 30, 2016 were $12.4 million, as compared to $16.7 million for the nine month period ended September 30, 2015 . The decrease of $4.3 million compared to the prior year period was primarily due to a decrease in failure to supply claims during the current year period.

Research and Development Expenses

Research and development expenses for the nine month period ended September 30, 2016 were $46.1 million, an increase of 21%, as compared to $38.1 million in the prior year period, primarily due to an increase in external development costs from increased research and development activities and a full year of research and development expenses from the Tower acquired companies.

In-process Research and Development Impairment Charges

In-process research and development impairment charges for the nine month period ended September 30, 2016 were $16.5 million. There were no comparable charges in the prior year period. Of this total, $13.5 million of the impairment charges were 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. In addition, $3.0 million of the impairment charges taken on the products acquired under the Teva Transaction were recorded in in-process research and development impairment charges in our consolidated statement of operations for the nine month period ended September 30, 2016.

Patent Litigation Expenses

Patent litigation expenses for the nine month period ended September 30, 2016 were $0.4 million, as compared to $2.5 million for the nine month period ended September 30, 2015 . The decrease in patent litigation expenses of $2.1 million compared to the prior year period was the result of reduced legal activity.

Impax Specialty Pharma

The following table sets forth results of operations for Impax Specialty Pharma for the nine month periods ended September 30, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2016	**2015**	**Dollars**	**Percentage**
Revenues:				
Impax Specialty Pharma sales, net	$ 158,913	$ 93,609	$ 65,304	70%
Other Revenues	—	682	(682)	*
Total revenues	158,913	94,291	64,622	69%
Cost of revenues	49,916	41,147	8,769	21%
Gross profit	108,997	53,144	55,853	*
Operating expenses:				
Selling, general and administrative	46,309	39,186	7,123	18%
Research and development	13,824	12,488	1,336	*
In-process research and development impairment charges	13,227	—	13,227	*
Patent litigation expense	6,111	999	5,112	*
Total operating expenses	79,471	52,673	26,798	51%
Income from operations	$ 29,526	$ 471	$ 29,055	*

** Percentage exceeds 100%*

Revenues

Total revenues for Impax Specialty Pharma were $158.9 million for the nine month period ended September 30, 2016 , an increase of $64.6 million over the same period in the prior year, primarily due to increased sales from Rytary®,which we launched in April 2015, and increased revenues resulting from the Tower Acquisition, including sales from our anthelmintic products franchise.

Cost of Revenues

Cost of revenues was $49.9 million for the nine month period ended September 30, 2016 , an increase of $8.8 million over the prior year period, primarily due to increased costs related to increased product sales. Cost of revenues for the prior year period included a $5.4 million step-up to fair value of inventory charge in connection with the Tower Acquisition for which there were no comparable charges in the current period.

Gross Profit

Gross profit for the nine month period ended September 30, 2016 was $109.0 million, or 69% of total revenues, as compared to $53.1 million, or 56% of total revenues, in the prior year period. The increase in gross profit was primarily due to the increased product sales as noted above and the $5.4 million step-up to fair value of inventory charge in connection with the Tower Acquisition included in the prior year, for which there was no comparable change in the current year period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $46.3 million for the nine month period ended September 30, 2016 , an increase of $7.1 million as compared to $39.2 million in the prior year period. The increase in expenses during the current period was primarily driven by our sales force expansion to support sales and marketing activities for Rytary® and increased advertising and promotion expenses to support the new indication of Zomig® nasal spray for pediatric patients approved by the FDA in June 2015. The increase in expenses during the current year period was partially offset by training expenses incurred during the nine month period ending September 30, 2015 to support the launch of Rytary®, for which there was no comparable expense during the current year period.

Research and Development Expenses

Research and development expenses for the nine month period ended September 30, 2016 were $13.8 million, an increase of $1.3 million as compared to $12.5 million in the prior year period. The increase during the current year period was primarily driven by an increase in research and development expenses related to our branded initiatives.

In-process Research and Development Impairment Charges

In-process research and development impairment charges for the nine month period ended September 30, 2016 were $13.2 million. There were no comparable charges in the prior year period. The impairment charges 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, 2016 were $6.1 million, as compared to $1.0 million for the nine month period ended September 30, 2015 . The increase in patent litigation expense compared to the prior year period was the result of increased legal activity related to patent matters in the current year period.

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, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
General and administrative expenses	$ 85,493	$ 88,917	$ (3,424)	(4)%
Unallocated corporate expenses	(85,493)	(88,917)	3,424	(4)%
Interest expense	(27,874)	(19,110)	(8,764)	46 %
Interest income	895	825	70	8 %
Reserve for Turing receivable	(48,043)	—	(48,043)	*
Loss on debt extinguishment	—	(16,903)	16,903	*
Gain on sale of asset	—	45,574	(45,574)	*
Net change in fair value of derivatives	—	(4,000)	4,000	*
Other (expense) income, net	(14)	929	(943)	*
Loss before income taxes	(160,529)	(81,602)	(78,927)	97 %
(Benefit from) provision for income taxes	$ (112,866)	$ 18,509	$ (131,375)	*

** Percentage exceeds 100%*

General and Administrative Expenses

General and administrative expenses for the nine month period ended September 30, 2016 were $85.5 million, a $3.4 million decrease over the same period in 2015 . The decrease was principally driven by lower business development transaction and integration costs incurred in the current year related to the Teva Transaction compared to costs incurred for the Tower acquisition in the prior year. The reductions in business development expenses compared to the prior year period were partially offset by higher legal expenses, information technology expenses as well as other inflationary costs.

Interest Expense

The current year period interest expense is reflective of the interest on our $600 million senior convertible notes issued in 2015 as well as interest expense on our Term Loan Facility were entered into during the third quarter of 2016 to fund a portion of the Teva Transaction. Interest expense in the prior year period was primarily related to debt issued in connection with the Tower Acquisition.

Interest Income

Interest income in the nine month period ended September 30, 2016 was $0.9 million and was relatively consistent with the same period in 2015 .

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 . Refer to “Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk” for additional information related to the Turing receivable.

Loss on debt extinguishment

During the nine month period ended September 30, 2015 , we recognized a $16.9 million loss on the extinguishment related to the repayment of our term loan with Barclays. There was no comparable loss in the current year period.

Gain on sale of asset

During the nine month period ended September 30, 2015 , we recognized a gain of $45.6 million on the sale of our rights to Daraprim®. There was no comparable gain in the current year period.

Net change in fair value of derivatives

During the nine month period ended September 30, 2015 , we recognized a $4.0 million expense related to the net change in the fair value of our derivative instruments related to our convertible senior notes at June 30, 2015, compared to September 30,

2015. A third-party valuation firm with expertise in valuing financial instruments was engaged to determine the fair value of our bond hedge derivative asset and conversion option derivative liability at each reporting period. There was no comparable change in the fair value of derivatives during the current year period.

Other (Expense) Income, net

Other expense, net during the nine month period ended September 30, 2016 was minimal, as compared to other income, net of $0.9 million in the nine month period ended September 30, 2015 . The prior year income was attributable to the gain on sale of an ANDA for $1.0 million for which there was no comparable amount in the current year period.

Income Taxes

Our effective tax rate for the nine months ended September 30, 2016 and 2015 was 37% and 40% , respectively. During the nine month periods ended September 30, 2016 and 2015 , we recognized an aggregate consolidated tax benefit of $112.9 million and tax provision of $18.5 million, respectively, for U.S. domestic and foreign income taxes. The decrease in the effective tax rate from the prior year period is largely reflective of the timing of the enactment of the permanent extension of the federal research and development credit in the fourth quarter of 2015. The decrease in tax provision during the nine month period ended September 30, 2016 was also a result of a change in the timing and mix of U.S. and foreign income; the exclusion of a zero-rate jurisdiction from the interim effective tax rate calculation; and an increase in the deferred tax asset related to a state R&D tax credit carryforward in a state with indefinite carryforwards. We are closely monitoring the events and circumstances that determine the need for a valuation allowance related to state research and development tax credit carryforwards and have determined that, based upon the evaluation of the provisions of ASC 740, no valuation allowance will be recorded at this time.

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 cash 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, 2016 , we had $232.1 million in cash and cash equivalents, a decrease of $108.3 million as compared to December 31, 2015 . As more fully discussed below, the decrease in cash and cash equivalents during the nine month period ended September 30, 2016 was primarily driven by $604.8 million of net cash used in investing activities, partially offset by $97.8 million of net cash provided by operating activities and $397.8 million of net cash provided by financing activities.

Cash Flows - Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net cash provided by operating activities for the nine month period ended September 30, 2016 was $97.8 million, an increase of $62.7 million compared to $35.1 million provided by operating activities for the same period of the prior year. The period over period increase in net cash provided by operating activities principally resulted from higher non-cash items offsetting the Company’s lower net income. Significant changes in non-cash items included higher depreciation and amortization, non-cash interest expense, intangible asset impairment charges, and the reserve and gain related to the sale of Daraprim® to Turing. The change in working capital items was largely neutral as increased cash flow from accounts receivable collections and increases in accounts payable and accrued expenses were offset by increased royalty payments, increased inventory and changes in prepaid tax balances. The increased cash collections and increased royalty payments 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 facility as well as to support new product launches.

Net cash used in investing activities for the nine month period ended September 30, 2016 was $604.8 million, an increase of $152.8 million compared to $452.0 million for the same period of the prior year. The 2016 year-to-date cash used in investing activities was primarily due to $585.8 million of cash used to fund the Teva Transaction in August 2016. Increased capital expenditures in the current year period were offset by proceeds from the repayment of the outstanding balance on the Tolmar Loan Agreement. The prior year cash used in investing activities was primarily attributable to the $691.3 million of cash used to complete the Tower Acquisition, offset in part by the liquidation of $200.1 million in short-term investments used to help fund the Tower Acquisition. The prior year period outflow also includes $59.5 million in proceeds received primarily from the sale of the Daraprim® intangible asset.

Net cash provided by financing activities for the nine month period ended September 30, 2016 was $397.8 million, a decrease of $122.7 million compared to $520.5 million for the same period of the prior year. The current year cash provided by financing activities is reflective of the $400 million Term Loan Facility we entered into during the third quarter of 2016 to fund a portion the Teva Transaction. The prior period net cash provided by financing activities was primarily attributable to the June 2015 issuance of $600.0 million of 2% Convertible Senior Notes due June 2022 and proceeds of $88.3 million from the sale of warrants, offset by net cash payments of $147.0 million for the purchase of the bond hedge derivative asset and the payment of $36.9 million in deferred financing fees, during the nine month period ended September 30, 2015. Please refer to “Outstanding Debt Obligations” below for further details on our debt obligations.

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, 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.

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 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. The Amended and Restated Credit Agreement also includes 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.

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 the proceeds from the Term Loan Facility of $400.0 million, along with $196.4 million of cash on our consolidated balance sheet, were used to finance the Teva Transaction, including transaction fees, on its closing date of August 3, 2016. The full amount of the $200.0 million Revolving Credit Facility remains available to us for working capital and other general corporate purposes.

For the period of August 3, 2016 through September 30, 2016 , we 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 debt discounts recorded. As of September 30, 2016 , the Term Loan Facility had a carrying value of $389.3 million , of which $17.7 million is classified as current debt and $371.6 million is classified as long-term debt on our consolidated balance sheet.

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 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. Debt" and "Note 14. Stockholders' Equity" for additional information.

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 $440.8 million and $424.6 million as of September 30,

2016 and December 31, 2015 , respectively. Accrued interest payable on the Notes of $3.5 million as of September 30, 2016 and $0.5 million as of December 31, 2015 is included in accrued expenses on our consolidated balance sheets.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2016 .

Commitments and Contractual Obligations

As of September 30, 2016 , 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, 2015 .

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 equivalents included a portfolio of high credit quality securities, including U.S. government securities, treasury bills, short-term commercial paper, and highly-rated money market funds. We had no short-term investments as of September 30, 2016 or December 31, 2015 .

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. As discussed above under "Item 1. Financial Information - Notes to Interim Consolidated Financial Statements - Note 4. Summary of Significant Accounting Policies - Concentration of Credit Risk” we recorded a reserve in the amount of $48.0 million on our consolidated statement of operations for the period ended March 31, 2016, representing the full amount of the estimated receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities as of March 31, 2016. There was no change to the reserve as of September 30, 2016 .

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 22. 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 that information required to be disclosed by us in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including its 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, 2016 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2016 , 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 21. Legal and Regulatory Matters" and is incorporated by reference herein.

Item 1A. Risk Factors

During the quarter ended September 30, 2016 , there were no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016. 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 fiscal year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, 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 fiscal year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 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.

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, 2016 .

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, 2016 to July 31, 2016	52,329	$29.01	—	—
August 1, 2016 to August 31, 2016	—	—	—	—
September 1, 2016 to September 30, 2016	42	$35.63	—	—

(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
3.1.1	Restated Certificate of Incorporation dated as of August 30, 2004 (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Registrant's Registration Statement on Form 10 (File No. 000-27354) filed with the SEC on December 23, 2008).
3.1.2	Certificate of Amendment of the Restated Certificate of Incorporation of the Company dated as of December 9, 2015 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-34263) filed with the SEC on December 9, 2015).
3.2.1	Amended and Restated Bylaws of the Company, effective as May 14, 2014. *
3.2.2	Amendment No. 1 to the Amended and Restated Bylaws of the Company, effective as of March 24, 2015. *
3.2.3	Amendment No. 2 to the Amended and Restated Bylaws of the Company, effective as of July 7, 2015. *
3.2.4	Amendment No. 3 to the Amended and Restated Bylaws of the Company, effective as of October 7, 2015. *
3.2.5	Amendment No. 4 to the Amended and Restated Bylaws of the Company, effective as of May 17, 2016. *
3.2.6	Amendment No. 5 to the Amended and Restated Bylaws of the Company, effective as August 19, 2016. *
11.1	Statement re computation of per share earnings (incorporated by reference to Note 15 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, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015, (ii) Consolidated Statements of Operations for each of the three and nine months ended September 30, 2016 and 2015, (iii) Consolidated Statements of Comprehensive (Loss) Income for each of the three and nine months ended September 30, 2016 and 2015, (iv) Consolidated Statements of Cash Flows for each of the nine months ended September 30, 2016 and 2015 and (v) Notes to Interim Consolidated Financial Statements.*

* Filed herewith.

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, 2016

Impax Laboratories, Inc.
(Registrant)

By: /s/ Fred Wilkinson

Fred Wilkinson
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 INDEX

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* Filed herewith.

BYLAWS
OF
IMPAX LABORATORIES, INC.
(a Delaware corporation)

(Amended and Restated as of May 14, 2014)

ARTICLE I

OFFICES

SECTION 1. OFFICES. The Corporation shall maintain its registered office in the State of Delaware at 32 Loockerman Square, Suite L-100, in the County of Kent, and its resident agent at such address is the Prentice-Hall Corporation System, Inc. The Corporation may also have and maintain offices in such other places in the United States or elsewhere as the Board of Directors of the Corporation (the " Board ") may, from time to time, determine or as the business of the Corporation may require. (Del Code Ann., tit. 8, §131).

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2. ANNUAL MEETINGS. Annual meetings of stockholders for the election of directors and for such other business as may properly come before such meeting in accordance with all applicable requirements of these Bylaws and the General Corporation Law of the State of Delaware, as amended from time to time (the " DGCL "), shall be held at such place, either within or without the State of Delaware, and at such time and date as shall from time to time be determined by the Board. Any previously scheduled annual meeting of the stockholders may be postponed by action of the Board taken prior to the time previously scheduled for such annual meeting of stockholders. The Board may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the DGCL. (Del Code Ann., tit. 8, §211(a), (b)).

SECTION 3. SPECIAL MEETINGS. Special meetings of stockholders, unless otherwise prescribed by the DGCL or the Restated Certificate of Incorporation of the Corporation (the " Certificate "), may be called by the Chairman of the Board, the Chief Executive Officer or by resolution adopted by a majority of the total number of authorized directors (whether or not there exists any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Only such business as is specified in the Corporation's notice of any such special meeting of stockholders shall come before, and be conducted at, such meeting. A special meeting shall be held at such place, on such date and at such time as shall be fixed by the Board. (Del Code Ann., tit. 8, §211(d)).

SECTION 4. NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given not less than ten (10) days nor more than sixty (60) days before the date of any such meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given. (Del Code Ann., tit. 8, §§229, 232).

SECTION 5. QUORUM. At all meetings of stockholders, except where otherwise provided by statute, by the Certificate, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the issued and outstanding shares of stock entitled to vote thereat shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. (Del Code Ann., tit. 8, §216).

SECTION 6. VOTING. Unless otherwise provided in the Certificate, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. The Board, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at a meeting of stockholders shall be cast by written ballot. Except as otherwise provided by statute, by applicable stock exchange, rules, by the Certificate or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class, classes or series is required, except where otherwise provided by the statute, the Certificate or these Bylaws, a majority of the outstanding shares of such class, classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute, the Certificate or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class, classes or series. (Del Code Ann., tit. 8, §§212, 216).

SECTION 7. INSPECTORS. The Board may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, the chairman of the meeting may, or if inspectors shall not have been appointed, the chairman of the meeting shall, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each, (ii) ascertain the number of shares represented at the meeting, (iii) ascertain the existence of a quorum, (iv) ascertain the validity and effect of proxies, (v) count and tabulate all votes, ballots or consents, (vi) determine and retain for a reasonable period a record of the disposition of all challenges made to any determination made by the inspectors, (vii) certify the determination of the number of shares represented at the meeting and their count of all votes and ballots, and (viii) do such other acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. In determining the validity and counting of all proxies and ballots, the inspectors shall act in accordance with applicable law. (Del. Code Ann., tit. 8, § 231).

SECTION 8. CONDUCT OF MEETINGS. The Chairman of the Board shall preside at all stockholders' meetings. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside or, in his or her absence, any officer designated by the Board shall preside. The Secretary, or, in the Secretary's absence, an Assistant Secretary, or in the absence of both the Secretary and Assistant Secretaries, a person appointed by the chairman of the meeting shall serve as secretary of the meeting. In the event that the Secretary presides at a meeting of the stockholders, an Assistant Secretary shall record the minutes of the meeting. To the maximum extent permitted by law, the Board of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are deemed necessary, appropriate or convenient for the proper conduct of the meeting. Such rules, regulations and procedures, whether

adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) establishing an agenda for the meeting and the order for the consideration of the items of business on such agenda; (ii) restricting admission to the time set for the commencement of the meeting; (iii) limiting attendance at the meeting to stockholders of record of the Corporation entitled to vote at the meeting, their duly authorized proxies or other such persons as the chairman of the meeting may determine; (iv) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such persons as the chairman of the meeting may determine to recognize and, as a condition to recognizing any such participant, requiring such participant to provide the chairman of the meeting with evidence of his or her name and affiliation, whether he or she is a stockholder or a proxy for a stockholder, and the class and series and number of shares of each class and series of capital stock of the Corporation which are owned beneficially and/or of record by such stockholder; (v) limiting the time allotted to questions or comments by participants; (vi) determining when the polls should be opened and closed for voting; (vii) taking such actions as are necessary or appropriate to maintain order, decorum, safety and security at the meeting; (viii) removing any stockholder who refuses to comply with meeting procedures, rules or guidelines as established by the chairman of the meeting; (ix) adjourning the meeting to a later date, time and place announced at the meeting by the chairman; and (x) complying with any state and local laws and regulations concerning safety and security. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 9. LISTS OF STOCKHOLDERS. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of each stockholder and the number and class of shares registered in the name of each stockholder. Nothing contained in this Section 9 shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a physical location, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communications, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this Section 9 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders. (Del Code Ann., tit. 8, §219).

SECTION 10. ACTION WITHOUT A MEETING. Unless otherwise provided by the Certificate, any action required by applicable law to be taken at any annual or special meeting of stockholders, or any action which may be taken at such meetings, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. (Del. Code Ann., tit. 8, § 228).

SECTION 11. ADJOURNMENT. At any meeting of the stockholders of the Corporation, whether annual or special, the chairman of the meeting or the holders of a majority of the votes entitled to be cast by the stockholders who are present in person or represented by proxy may adjourn the meeting from time to time, without notice other than announcement at the meeting, whether or not a quorum is present. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. (Del Code Ann., tit. 8, §222(c)).

SECTION 12. NOTICE OF STOCKHOLDER PROPOSALS.

(a) At any annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before such meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the meeting by or at the direction of the Board, or (iii) otherwise properly and timely brought before the meeting by any stockholder of the Corporation in compliance with the notice procedures and other provisions of this Section 12.

(b) For business to be properly brought before an annual meeting by a stockholder, such business must be a proper subject for stockholder action under the DGCL and other applicable law, as determined by the Chairman of the Board or such other person as is presiding over the meeting, and such stockholder (i) must be a stockholder of record on the date of the giving of the notice provided for in this Section 12 and on the record date for the determination of stockholders entitled to vote at such annual meeting, (ii) must be entitled to vote at such annual meeting, and (iii) must comply with the notice procedures set forth in this Section 12. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary.

(c) To be timely, a stockholder's notice must be delivered to, or mailed and received by, the Secretary of the Corporation (the " Secretary ") at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) calendar day, and not later than the close of business on the ninetieth (90th) calendar day, prior to the first anniversary of the immediately preceding year's annual meeting of stockholders; provided , however , that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than thirty (30) calendar days earlier or more than sixty (60) calendar days later than such anniversary date, notice by the stockholder in order to be timely must be so delivered or received not earlier than the close of business on the one hundred twentieth (120 th) calendar day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90 th) calendar day prior to the date of such annual meeting or, if the first pubic disclosure of the date of such annual meeting is less than one hundred (100) calendar days prior to the date of such annual meeting, the tenth (10th) calendar day following the day on which public disclosure of the date of such annual meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting or the public disclosure thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(d) To be in proper written form, a stockholder's notice to the Secretary shall set forth in writing, as to each matter the stockholder proposes to bring before the meeting, the following: (i) a description of the business desired to be brought before the meeting, including the text of the proposal or business and the text of any resolutions proposed for consideration; (ii) the name and record address, as they appear on the Corporation's stock ledger, of such stockholder and the name and address of any Stockholder Associated Person; (iii) (A) the class and series and number of shares of each class and series of capital stock of the Corporation which are, directly or indirectly, owned beneficially and/or of record by such stockholder or any Stockholder Associated Person, documentary evidence of such record or beneficial ownership, and the date or dates such shares were acquired and the investment intent at the time such shares were acquired, (B) any Derivative Instrument directly or indirectly owned beneficially by such stockholder or any Stockholder Associated Person and any other direct or indirect right held by such stockholder or any Stockholder Associated Person to profit from, or share in any profit derived from, any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any securities of the Corporation, (D) any Short Interest indirectly or directly held by such stockholder or any Stockholder Associated Person in any security issued by the Corporation, (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or any Stockholder Associated Person that are separated or separable from the underlying securities of the Corporation, (F) any proportionate interest in securities of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (G) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of securities of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or any Stockholder Associated Person's immediate family sharing

the same household (which information, in each case, shall be supplemented by such stockholder and any Stockholder Associated Person not later than ten (10) calendar days after the record date for the meeting to disclose such ownership as of the record date); (iv) a description of all arrangements or understandings between such stockholder and/or any Stockholder Associated Person and any other person or persons (naming such person or persons) in connection with the proposal of such business by such stockholder; (v) any material interest of such stockholder or any Stockholder Associated Person in such business, individually or in the aggregate, including any anticipated benefit to such stockholder or any Stockholder Associated Person therefrom; (vi) a representation from such stockholder as to whether the stockholder or any Stockholder Associated Person intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal and/or (2) otherwise to solicit proxies from stockholders in support of such proposal; (vii) a representation that such stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting, that such stockholder intends to vote such stock at such meeting, and that such stockholder intends to appear at the meeting in person or by proxy to bring such business before such meeting; (viii) whether and the extent to which any agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power of such stockholder or any Stockholder Associated Person with respect to any securities of the Corporation, without regard to whether such transaction is required to be reported on a Schedule 13D or other form in accordance with Section 13(d) of the Exchange Act or any successor provisions thereto and the rules and regulations promulgated thereunder; (ix) in the event that such business includes a proposal to amend these Bylaws, the complete text of the proposed amendment; and (x) such other information regarding each matter of business to be proposed by such stockholder, regarding the stockholder in his or her capacity as a proponent of a stockholder proposal, or regarding any Stockholder Associated Person, that would be required to be disclosed in a proxy statement or other filings required to be made with the SEC in connection with the solicitations of proxies for such business pursuant to Section 14 of the Exchange Act (or pursuant to any law or statute replacing such section) and the rules and regulations promulgated thereunder.

(e) If the information submitted pursuant to this Section 12 by any stockholder proposing business for consideration at an annual meeting shall be inaccurate to any material extent, such information may be deemed not to have been provided in accordance with this Section 12. Upon written request by the Secretary, the Board or any committee thereof, any stockholder proposing business for consideration at an annual meeting shall provide, within seven (7) business days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the Board, any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 12. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 12.

(f) For purposes of these Bylaws, " public disclosure " shall be deemed to include a disclosure made in a (A) press release reported by the Dow Jones News Service, Reuters Information Service, Associated Press or any comparable or successor national news wire service, or (B) in a document filed by the Corporation with the SEC pursuant to Section 13, 14 or 15(d) of the Exchange Act or any successor provisions thereto.

(g) No business (other than nominations of persons for election to the Board which shall be made in accordance with the procedures set forth in Section 17 of these Bylaws) shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 12.

(h) Except as otherwise required by the DGCL and other applicable law, the Certificate or these Bylaws, the Chairman of the Board or other person presiding at an annual meeting shall have the power and duty (i) to determine whether any business proposed to be brought before the annual meeting was properly brought before the meeting in accordance with the procedures set forth in this Section 12, including whether the stockholder or any Stockholder Associated Person on whose behalf the proposal is made, solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's proposal in compliance with such stockholder's representation as required by this Section 12, and (ii) if any proposed business was not brought in compliance with this Section 12, to declare that such proposal is defective and shall be disregarded.

(i) In addition to the provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the DGCL, other applicable law and the Exchange Act, and the rules and regulations thereunder,

with respect to the matters set forth herein, provided , however , that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to stockholder proposals to be considered pursuant to Section 12(a)(iii) of these Bylaws.

(j) Nothing in this Section 12 shall be deemed to affect any rights (i) of stockholders to request the inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act, or (ii) of the holders of any series of preferred stock to elect directors pursuant to any applicable provision of the Certificate.

(k) Notwithstanding anything in this Section 12 to the contrary, a stockholder intending to nominate one or more persons for election as a director at any meeting of stockholders must comply with Section 17 of these Bylaws for any such nomination to be properly brought before such meeting.

ARTICLE III

BOARD OF DIRECTORS

SECTION 13. POWERS. The property, business and affairs of the Corporation shall be managed by, or under the direction of, the Board. The Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute, regulation, the Certificate or these Bylaws directed or required to be exercised or done by the stockholders. (Del Code Ann., tit. 8, § 141(a)).

SECTION 14. NUMBER. The authorized number of directors shall be no less than one nor more than nine. Within the foregoing limits, the number of directors shall be fixed from time to time by resolution adopted by the Board. (Del Code Ann., tit. 8, §§ 141(b)).

SECTION 15. TERM. The Board shall be elected by the stockholders at their annual meeting, and each director shall be elected to serve for the term of one year and until his successor shall be elected and qualify or until his earlier death, resignation or removal. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director. (Del Code Ann., tit. 8, §§ 211(b), (c)).

SECTION 16. QUALIFICATIONS.

(a) Each director shall be at least 21 years of age. Directors need not be stockholders of the Corporation. (Del Code Ann., tit. 8, § 141(b)).

(b) Each director and nominee for election as a director of the Corporation must deliver to the Secretary at the principal office of the Corporation a written questionnaire with respect to the background and qualifications of such person (which questionnaire shall be provided by the Secretary upon written request and approved from time to time by the Board or its Nominating and Corporate Governance Committee) and a written representation and agreement (in the form provided by the Secretary upon written request) (the " Prospective Director Agreement "). The Prospective Director Agreement (i) shall provide that such person (A) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if such person is at the time a director or is subsequently elected as a director of the Corporation, will act or vote on any issue or question (a " Voting Commitment ") that has not been disclosed to the Corporation, or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if such person is at the time a director or is subsequently elected as a director of the Corporation, with such person's duties as a director under applicable law, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (C) would be in compliance, if elected as a director of the Corporation, and will, if such person is at the time a director or is subsequently elected as a director of the Corporation, comply with all applicable corporate governance, conflicts of interest, confidentiality, corporate opportunities, securities ownership and stock trading policies, and other policies and guidelines of the Corporation (copies of which shall be provided by the Secretary upon written request), and (ii) shall include, if such person is at the time a director or is subsequently elected as a director of the Corporation, such person's irrevocable resignation as a director if such person is found by

a court of competent jurisdiction to have breached the Prospective Director Agreement in any material respect. (Del Code Ann., tit. 8, § 141(b)).

SECTION 17. NOTICE OF NOMINATIONS FOR DIRECTORS.

(a) Annual Meetings of Stockholders .

(1) Nominations of persons for election to the Board at an annual meeting of stockholders may be made (A) by or at the direction of the Board or a committee appointed by the Board, or (B) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 17(a), on the record date for the determination of the stockholders entitled to vote at such annual meeting of stockholders and at the time of such annual meeting of stockholders, (ii) who is entitled to vote at the annual meeting of stockholders, and (iii) who complies with the notice procedures set forth in this Section 17(a) as to such nominations, including, but not limited to, the procedures regarding such notice's timeliness and required form.

(2) For a stockholder's notice of nomination of persons for election to the Board at an annual meeting of stockholders to be brought before an annual meeting by a stockholder pursuant to Section 17(a)(1)(B) of these Bylaws, the stockholder must have given timely notice thereof, in proper written form, to the Secretary. To be considered timely, a stockholder's notice of nomination must be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) calendar day, and not later than the close of business on the ninetieth (90th) calendar day, prior to the first anniversary of the immediately preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than thirty (30) calendar days earlier or more than sixty (60) calendar days later than such anniversary date, notice by the stockholder in order to be timely must be so delivered or received not earlier than the close of business on the one hundred twentieth (120 th) calendar day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90 th) calendar day prior to the date of such annual meeting or, if the first public disclosure of the date of such annual meeting is less than one hundred (100) calendar days prior to the date of such annual meeting, the tenth (10th) calendar day following the day on which public disclosure of the date of such annual meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting or the public disclosure thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice of nomination to the Secretary (whether given pursuant to this Section 17(a) or Section 17(b) of these Bylaws) shall set forth in writing the following: (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director (i) the name, age, business address and residence address of such person; (ii) the principal occupation and employment of such person; (iii) the class and series and number of shares of each class and series of capital stock of the Corporation which are owned beneficially or of record by such person (which information shall be supplemented not later than ten (10) calendar days after the record date for the meeting to disclose such ownership as of the record date); (iv) such person's executed written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (v) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made with the SEC in connection with the solicitation of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act (or pursuant to any law or statute replacing such section), and the rules and regulations promulgated thereunder; (vi) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such person being nominated, on the one hand, and the stockholder and any Stockholder Associated Person, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K of the Exchange Act if the stockholder making the nomination and any Stockholder Associated Person were the "registrant" for purposes of such rule and the person being nominated were a director or executive officer of such registrant; and (vii) the information and agreement required under Section 16 of these Bylaws; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, as they appear on the Corporation's stock ledger, and the name and address of any Stockholder Associated Person; (ii) (A) the class and series and number of shares of each class and series of capital stock of the Corporation which are, directly or indirectly, owned beneficially and/or of record by such stockholder or any Stockholder Associated Person,

documentary evidence of such record or beneficial ownership, and the date or dates such shares were acquired and the investment intent at the time such shares were acquired, (B) any Derivative Instrument directly or indirectly owned beneficially by such stockholder or any Stockholder Associated Person and any other direct or indirect right held by such stockholder or any Stockholder Associated Person to profit from, or share in any profit derived from, any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any shares of any security of the Corporation, (D) any Short Interest indirectly or directly held by such stockholder or any Stockholder Associated Person in any security issued by the Corporation, (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder or any Stockholder Associated Person that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (G) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or any Stockholder Associated Person's immediate family sharing the same household (which information shall, in each case, be supplemented by such stockholder and any Stockholder Associated Person not later than ten (10) calendar days after the record date for the meeting to disclose such ownership as of the record date); (iii) a description of all arrangements or understandings between such stockholder or any Stockholder Associated Person and each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination(s) are to be made by such stockholder; (iv) any material interest of such stockholder or any Stockholder Associated Person in the election of such proposed nominee, individually or in the aggregate, including any anticipated benefit to the stockholder or any Stockholder Associated Person therefrom; (v) a representation that such stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and that such stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons named in its notice; (vi) a representation from the stockholder as to whether the stockholder or any Stockholder Associated Person intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the person proposed as a nominee and/or (B) otherwise to solicit proxies from stockholders in support of the election of such person; (vii) whether and the extent to which any agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power of such stockholder or such Stockholder Associated Person with respect to any shares of the capital stock of the Corporation, without regard to whether such transaction is required to be reported on a Schedule 13D or other form in accordance with Section 13(d) of the Exchange Act or any successor provisions thereto and the rules and regulations promulgated thereunder; and (viii) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made with the SEC in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act (or pursuant to any law or statute replacing such section) and the rules and regulations promulgated thereunder. In addition to the information required above, the Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(3) Notwithstanding anything in this Section 17 to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting of the stockholders is increased and there is no public disclosure by the Corporation, naming all of the nominees for directors or specifying the size of the increased Board, at least ninety (90) calendar days prior to the first anniversary of the date of the immediately preceding year's annual meeting, a stockholder's notice required by this Section 17 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10 th) calendar day following the day on which such public disclosure is first made by the Corporation.

(b) Special Meetings of Stockholders . Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board, or (iii) provided that the Board has determined that directors shall be

elected at such meeting, by any stockholder of the Corporation who (A) is a stockholder of record at the time of giving of notice provided for in this Section 17(b), (B) is a stockholder of record on the record date for the determination of the stockholders entitled to vote at such meeting, (C) is a stockholder of record at the time of such meeting, (D) is entitled to vote at such meeting, and (E) complies with the notice procedures set forth in this Section 17(b) as to such nomination. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the proper form of stockholder's notice required by Section 17(a)(2) of these Bylaws with respect to any nomination shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120 th) calendar day prior to the date of such special meeting and not later than the close of business on the later of the ninetieth (90 th) calendar day prior to the date of such special meeting or, if the first pubic disclosure made by the Corporation of the date of such special meeting is less than one hundred (100) days prior to the date of such special meeting, not later than the tenth (10 th) calendar day following the day on which public disclosure is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall any adjournment or postponement of a special meeting or the public disclosure thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General .

(1) If the information submitted pursuant to this Section 17 by any stockholder proposing a nominee for election as a director at a meeting of stockholders shall be inaccurate to any material extent, such information may be deemed not to have been provided in accordance with this Section 17. Upon written request by the Secretary, the Board or any committee thereof, any stockholder proposing a nominee for election as a director at a meeting shall provide, within seven (7) business days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory in the discretion of the Board, any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 17. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 17.

(2) Notwithstanding anything in these Bylaws to the contrary, no person shall be eligible for election as a director of the Corporation at any meeting of stockholders unless nominated in accordance with the procedures set forth in this Section 17.

(3) Notwithstanding anything in these Bylaws to the contrary, if a stockholder who has submitted a written notice of intention to propose a nominee for election as a director at a meeting of stockholders (or a designated representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present the nomination, such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation.

(4) Except as otherwise required by the DGCL and other applicable law, the Certificate or these Bylaws, the Chairman of the Board or other person presiding at the meeting shall have the power and duty (a) to determine whether any nomination proposed to be brought before the meeting was properly made in accordance with the procedures set forth in this Section 17, including whether the stockholder or any Stockholder Associated Person on whose behalf the nomination is made, solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of the election of such stockholder's nominee(s) in compliance with such stockholder's representation as required by this Section 17, and (b) if any proposed nomination was not made in compliance with this Section 17, to declare that such nomination is defective and shall be disregarded.

(5) In addition to the provisions of this Section 17, a stockholder shall also comply with all applicable requirements of the DGCL, other applicable law and the Exchange Act, and the rules and regulations thereunder, with respect to the matters set forth herein, provided , however , that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the applicable requirements for nominations by stockholders to be considered pursuant to Section 17(a) or Section 17(b) of these Bylaws.

(6) Nothing in this Section 17 shall be deemed to affect any rights of the holders of any series of Preferred Stock, if and to the extent provided for, under applicable law, the Certificate or these Bylaws.

SECTION 18. RESIGNATIONS. Any director may resign at any time by giving written notice thereof to the Board, the Chairman of the Board, the Chief Executive Officer or the Secretary. Such resignation shall take effect at the time specified therein or, if the time is not specified therein, upon receipt thereof; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. (Del Code Ann., tit. 8, § 141(b)).

SECTION 19. REMOVAL. Any director or the entire Board may be removed, either for or without cause, at any time, by the affirmative vote of the holders of a majority of the shares entitled to vote at an election of directors at any annual or special meeting of the stockholders called for that purpose. For purposes of this Section 19, "c ause " shall mean (a) a final conviction of a felony involving moral turpitude, or (b) willful misconduct that is materially and demonstrably injurious economically to the Corporation. For purposes of this definition of "cause," no act, or failure to act, by a director shall be considered "willful" unless committed in bad faith and without a reasonable belief that the act or failure to act was in the best interest of the Corporation or any affiliate of the Corporation. "Cause" shall not exist unless and until the Corporation has delivered to the director a written notice of the director's failure to act that constitutes "cause" and, if cure is possible, such director shall not have cured such act or omission within ninety (90) days after the delivery of such notice. (Del Code Ann., tit. 8, § 141(k)).

SECTION 20. VACANCIES AND NEWLY CREATED DIRECTORSHIPS. Vacancies in the Board, whether resulting from death, resignation, disqualification, removal or other causes, and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board determines by resolution that any such vacancy or newly created directorships shall be filled by the stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum, or by a sole remaining director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified, except in the event of his or her earlier death, resignation, disqualification or removal. (Del Code Ann., tit. 8, § 223).

SECTION 21. MEETINGS.

(a) Organizational Meetings . The newly elected directors shall hold their first meeting to organize the Corporation, elect officers and transact any other business which may properly come before the meeting. An annual organizational meeting of the Board shall be held immediately after each annual meeting of the stockholders, or at such time and place as may be noticed for the meeting.

(b) Regular Meetings . Regular meetings of the Board may be held without notice at such places and times as shall be determined from time to time by resolution of the directors. (Del Code Ann., tit. 8, § 141(g)).

(c) Special Meetings . Special meetings of the Board shall be called by the Chief Executive Officer or by the Secretary on the written request of any director with at least two days' notice to each director and shall be held at such place as may be determined by the directors or as shall be stated in the notice of the meeting. (Del Code Ann., tit. 8, § 141(g)).

SECTION 22. QUORUM, VOTING AND ADJOURNMENT. A majority of the total number of directors or any committee thereof, but not less than one (1), shall constitute a quorum for the transaction of business. The affirmative vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board, unless a different vote is required by applicable law, the Certificate or these Bylaws. In the absence of a quorum, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of such adjourned meeting need not be given if the time and place of such adjourned meeting are announced at the meeting so adjourned. (Del Code Ann., tit. 8, § 141(b)).

SECTION 23. COMMITTEES. The Board may, by resolution passed by a majority of the Board, designate one or more committees, including but not limited to an Executive Committee and an Audit Committee, each such committee to consist of one or more of the directors of the Corporation. The Board may designate one or more

directors as alternate members of any committee to replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority to amend the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's properties and assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution or to amend these Bylaws. Unless a resolution of the Board expressly provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock of the Corporation. All committees of the Board shall report their proceedings to the Board when required. (Del Code Ann., tit. 8, § 141(c)).

SECTION 24. ACTION WITHOUT A MEETING. Unless otherwise restricted by the Certificate or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting if all members of the Board or any committee thereof consent thereto in writing, or by electronic transmission, and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form (Del Code Ann., tit. 8, § 141(f)).

SECTION 25. COMPENSATION. Directors shall be entitled to such compensation for their services as may be approved by the Board, including, if so approved, by resolution of the Board, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board and at any meeting of a committee of the Board. Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor. (Del Code Ann., tit. 8, § 141(h)).

SECTION 26. MEETING BY ELECTRONIC COMMUNICATIONS EQUIPMENT. Any member of the Board, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. (Del. Code Ann., tit. 8, § 141(i)).

ARTICLE IV

OFFICERS

SECTION 27. OFFICERS. The officers of the Corporation shall be a Chairman of the Board, a Chief Executive Officer, a President, a Chief Operating Officer, a Chief Financial Officer, one or more Vice-Presidents, a Secretary, a Treasurer and such other officers and assistant officers as the Board may from time to time deem advisable. Except for the Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer and Secretary, the Board may refrain from filling any of the said offices at any time and from time to time. Any number of offices may be held by the same person. The following officers shall be elected by the Board at the time, in the manner and for such terms as the Board from time to time shall determine: Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer and Secretary. The Chief Executive Officer may appoint such other officers and assistant officers as he may deem advisable provided such officers or assistant officers have a title no higher than Vice-President, who shall hold office for such periods as the Chief Executive Officer shall determine. (Del. Code Ann., tit. 8, §§ 122(5), 142(a), (b)).

SECTION 28. CHAIRMAN OF THE BOARD. The Chairman of the Board shall be a member of the Board and shall preside at all meetings of the Board and of the stockholders. In addition, the Chairman of the Board shall have such powers and perform such other duties as from time to time may be assigned to him by the Board. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 29. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall have general supervision of all of the departments and business of the Corporation; he or she shall prescribe the duties of the other officers and employees and see to the proper performance thereof. The Chief Executive Officer shall be responsible for

having all orders and resolutions of the Board carried into effect. The Chief Executive Officer shall execute on behalf of the Corporation and may affix or cause to be affixed a seal to all authorized documents and instruments requiring such execution, except to the extent that signing and execution thereof shall have been delegated to some other officer or agent of the Corporation by the Board or by the Chief Executive Officer. The Chief Executive Officer shall be a member of the Board. In the absence or disability of the Chairman of the Board or his or her refusal to act, the Chief Executive Officer shall preside at meetings of the Board. In general, the Chief Executive Officer shall perform all the duties and exercise all the powers and authorities incident to his or her office or as prescribed by the Board. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 30. PRESIDENT. The President shall perform such duties as customarily pertain to the office of President or are prescribed by the Board or Chief Executive Officer. In the absence, disability or refusal of the Chief Executive Officer to act, or the vacancy of such office, the President shall perform the duties and have the powers and authorities of the Chief Executive Officer. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 31. CHIEF OPERATING OFFICER. The Chief Operating Officer shall perform such duties as customarily pertain to the office of Chief Operating Officer or are prescribed by the Board, Chief Executive Officer or President. In the absence, disability or refusal of the President to act, or the vacancy of such office, the Chief Operating Officer shall perform the duties and have the powers and authorities of the President. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 32. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall be the principal financial and accounting officer of the Corporation and shall have such other duties as may be prescribed by the Board, Chief Executive Officer or President. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 33. VICE PRESIDENTS. Each Vice President, if any are elected, of whom one or more may be designated an Executive and/or Senior Vice President, shall have such powers, shall perform such duties and shall be subject to such supervision as may be prescribed by the Board, the Chief Executive Officer, the President or the Chief Operating Officer. In the event of the absence or disability of the Chief Executive Officer or the President or their refusal to act, the Vice-Presidents, in the order of their rank, and within the same rank in the order of their seniority, shall perform the duties and have the powers and authorities of the Chief Executive Officer and President, except to the extent inconsistent with applicable law. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 34. TREASURER. The Treasurer, if one is elected, shall have custody of the corporate funds, securities, evidences of indebtedness and other valuables of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. He shall deposit all moneys and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Corporation, taking proper vouchers therefor. He shall render to the Chief Executive Officer and the Board, upon their request, a report of the financial condition of the Corporation. If required by the Board, he shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board shall prescribe. The Treasurer shall have such further powers and perform such other duties incident to the office of Treasurer as from time to time are assigned to him by the Board. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 35. SECRETARY. The Secretary shall be the Chief Administrative Officer of the Corporation and shall: (a) cause minutes of all meetings of the stockholders and directors to be recorded and kept; (b) cause all notices required by these Bylaws or otherwise to be given properly; (c) see that the minute books, stock books, and other nonfinancial books, records and papers of the Corporation are kept properly; and (d) cause all reports, statements, returns, certificates and other documents to be prepared and filed when and as required. The Secretary shall keep a seal of the Corporation, and, when authorized by the Board, Chief Executive Officer or the President, cause the seal to be affixed to any documents and instruments requiring it. The Secretary shall act under the supervision of the Chief Executive Officer and President or such other officer as the Chief Executive Officer or President may designate. The Secretary shall have such further powers and perform such other duties as prescribed from time to time by the Board, Chief Executive Officer, President or such other supervising officer as the Chief Executive Officer or President may designate. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 36. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. Each Assistant Treasurer and each Assistant Secretary, if any are elected, shall be vested with all the powers and shall perform all the duties of the Treasurer and Secretary, respectively, in the absence or disability of such officer, unless or until the Board shall otherwise determine. In addition, Assistant Treasurers and Assistant Secretaries shall have such powers and shall perform such duties as shall be assigned to them by the Board. (Del. Code Ann., tit. 8, § 142(a)).

SECTION 37. DELEGATION OF DUTIES. In the absence, disability or refusal of any officer to exercise and perform his duties, the Board may delegate to another officer such powers or duties.

SECTION 38. RESIGNATION. Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the Corporation under any contract with the resigning officer. (Del. Code Ann., tit. 8, § 142(b)).

SECTION 39. REMOVAL. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or, with respect to any officer other than the Chairman of the Board (if the Chairman of the Board is designated as an officer of the corporation by the Board), by the Chief Executive Officer or by other superior officers upon whom such power of removal may have been conferred by the Board.

SECTION 40. VACANCIES. The Board shall have power to fill vacancies occurring in any office.

ARTICLE V

STOCK

SECTION 41. CERTIFICATES OF STOCK. The shares of the Corporation shall be represented by certificates or shall be uncertificated. Every holder of stock of the Corporation represented by certificates shall be entitled to have a certificate, in such form as may be prescribed by applicable law and by the Board, representing the number of shares held by such holder registered in certificate form, and signed by, or in the name of the Corporation by, the Chairman of the Board, the Chief Executive Officer or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, certifying the number and class of shares of stock in the Corporation owned by him. Any or all of the signatures on the certificate may be a facsimile. The Board shall have the power to appoint one or more transfer agents and/or registrars for the transfer or registration of certificates of stock of any class, and may require stock certificates to be countersigned or registered by one or more of such transfer agents and/or registrars. (Del. Code Ann., tit. 8, § 158).

SECTION 42. TRANSFER OF SHARES.

(a) Shares of stock of the Corporation shall be transferable upon its books by the holders thereof, in person or by their duly authorized attorneys or legal representatives, upon surrender to the Corporation by delivery thereof to the person in charge of the stock and transfer books and ledgers. Such certificates shall be cancelled and new certificates shall thereupon be issued. A record shall be made of each transfer. Whenever any transfer of shares shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer if, when the certificates are presented, both the transferor and transferee request the Corporation to do so. (Del. Code Ann., tit. 8, § 201).

(b) The Board shall have power and authority to make such rules and regulations as it may deem necessary or proper concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. (Del. Code Ann., tit. 8, § 202).

SECTION 43. LOST CERTIFICATES. A new certificate of stock may be issued in the place of any certificate previously issued by the Corporation, alleged to have to have been lost, stolen, destroyed or mutilated, and the Board may, in their discretion, require the owner of such lost, stolen, destroyed or mutilated certificate, or his legal representative, to give the Corporation a bond, in such sum as the Board may direct, not exceeding double the value of the stock, in order to indemnify the Corporation against any claims that may be made against it in connection therewith. (Del. Code Ann., tit. 8, § 167).

SECTION 44. STOCKHOLDERS OF RECORD. The Corporation shall be entitled to treat the holder of record of any share or shares of its capital stock as the holder thereof, in fact, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the DGCL or other applicable law. (Del. Code Ann., tit. 8, § 219 (c)).

SECTION 45. RECORD DATE.

(a) Record Date for Meetings of Stockholders . For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, the directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided , however , that the Board may fix a new record date for the adjourned meeting. (Del. Code Ann., tit. 8, § 213(a)).

(b) Record Date for Payments of Dividends and Distributions . In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. (Del. Code Ann., tit. 8, § 213(c)).

(c) Record Date for Corporate Actions by Written Consent .

(i) Notwithstanding Section 45(a) and Section 45(b) of these Bylaws, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be as fixed by the Board or as otherwise established under this Section 45(c). Any person seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice addressed to the Secretary and delivered to the Corporation, request that a record date be fixed for such purpose. The Board may fix a record date for such purpose which shall be no more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board and shall not precede the date on which such resolution is adopted. If the Board fails within ten (10) days after the Corporation receives such notice to fix a record date for such purpose, the record date shall be the day on which the first written consent is delivered to the Corporation in the manner described in Section 45(c)(ii) below unless prior action by the Board is required under the DGCL, in which event the record date shall be at the close of business on the day on which the Board adopts the resolution taking such prior action. (Del. Code Ann., tit. 8, § 213 (b)).

(ii) (A) Every written consent purporting to take or authorizing the taking of corporate action and/or related revocations (each such written consent and related revocation is referred to in this Section 45(c)(ii) of these Bylaws as a " Consent ") shall bear the date of signature of each stockholder who signs the Consent, and no Consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated Consent delivered in the manner required by this Section 45(c)(ii), Consents signed by a sufficient number of stockholders to take such action are so delivered to the Corporation. (Del. Code Ann., tit. 8, § 228).

(B) A Consent shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. (Del. Code Ann., tit. 8, § 228).

(C) In the event of the delivery to the Corporation of a Consent, the Secretary shall provide for the safe-keeping of such Consent and shall promptly conduct such ministerial review of the sufficiency of the Consents and of the validity of the action to be taken by stockholder consent as he deems necessary or appropriate, including, without limitation, whether the holders of a number of shares having the requisite voting power to authorize or take the action specified in the Consent have given consent; provided, however, that if the corporate action to which the Consent relates is the removal or replacement of one or more members of the Board, the Secretary shall promptly designate two persons, who shall not be members of the Board, to serve as inspectors with respect to such Consent and such inspectors shall discharge the functions of the Secretary under this Section 45(c)(ii). If after such investigation the Secretary or the inspectors (as the case may be) shall determine that the Consent is valid and that the action therein specified has been validly authorized, that fact shall forthwith be certified on the records of the Corporation kept for the purpose of recording the proceedings of meetings of stockholders, and the Consent shall be filed in such records, at which time the Consent shall become effective as stockholder action. In conducting the investigation required by this Section 45(c)(ii), the Secretary or the inspectors (as the case may be) may, at the expense of the Corporation, retain special legal counsel and any other necessary or appropriate professional advisors, and such other personnel as they may deem necessary or appropriate to assist them, and shall be fully protected in relying in good faith upon the opinion of such counsel or advisors. (Del. Code Ann., tit. 8, § 228).

SECTION 46. DIVIDENDS. Subject to the provisions of the Certificate, the Board may at any regular or social meeting, out of funds legally available therefor, declare dividends upon the stock of the Corporation. Before the declaration of any dividend, the Board may set apart, out of any funds of the Corporation available for dividends, such sum or sums as from time to time in their discretion may be deemed proper for working capital or as a reserve fund to meet contingencies or for such other purposes as shall be deemed conducive to the interests of the Corporation. (Del. Code Ann., tit. 8, §§ 170(a), 173).

SECTION 47. FRACTIONAL SHARES. The Company shall have the complete discretion to issue fractional shares. (Del. Code Ann., tit. 8, § 155).

ARTICLE VI

NOTICE AND WAIVER OF NOTICE

SECTION 48. NOTICE. Whenever any written notice is required to be given by law, the Certificate or these Bylaws, such notice, if mailed, shall be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the person entitled to such notice at his address as it appears in the books and records of the Corporation. Such notice may also be sent by electronic transmission.

SECTION 49. WAIVER OF NOTICE. Whenever notice is required to be given under any provision of the DGCL, the Certificate or these Bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the Certificate or these Bylaws. (Del. Code Ann., tit. 8, § 229).

ARTICLE VII

AMENDMENT OF BYLAWS

SECTION 50. AMENDMENT OR REPEAL BY THE BOARD. Except as otherwise provided by the DGCL or the Certificate, these Bylaws may be amended or repealed, in whole or in part, by the affirmative vote of not less than a majority of the Board at any regular or special meeting of the Board provided that notice of such proposed amendment or repeal to be made is included in the notice of the meeting at which such action takes place, which shall also include, without limitation, the text of any such proposed amendment and/or any resolution calling for any such amendment or repeal. (Del. Code Ann., tit. 8, § 109(a)).

SECTION 51. AMENDMENT OR REPEAL BY STOCKHOLDERS. Except as otherwise provided by the DGCL or the Certificate and except for the proviso hereto, any amendment to, repeal of, or adoption of any provisions inconsistent with these Bylaws, which has not previously received the approval of the Board, shall require for adoption the affirmative vote of the holders of a majority of the issued and outstanding shares present in person or represented by proxy at a meeting of stockholders and entitled to vote thereat, provided , however , that, notwithstanding anything to the contrary contained herein, any amendment to, repeal of, or adoption of any provisions inconsistent with, Sections 2, 3, 6, 12, 14, 15, 16, 17, 19, 20 and 45 of these Bylaws, this Section 51 and Article IX hereof, which has not previously received the approval of the Board shall require for adoption the affirmative vote of the holders of not less than two-thirds of the issued and outstanding shares entitled to vote at a duly called and convened annual or special meeting of stockholders, and provided , further, that, in addition to any other notice required by these Bylaws and other applicable requirements contained herein, notice of such proposed amendment or repeal is included in the notice of the meeting at which such action takes place, which shall also include, without limitation, the text of any such proposed amendment and/or any resolution calling for any such amendment or repeal. (Del. Code Ann., tit. 8, § 109(a)).

SECTION 52. NO CONFLICT WITH THE CERTIFICATE OF INCORPORATION. No Bylaw shall be adopted, amended or repealed so as to cause such Bylaw or these Bylaws to be inconsistent or in conflict with or violate any provision of the Certificate. (Del. Code Ann., tit. 8, § 109(b)).

ARTICLE VIII

MISCELLANEOUS

SECTION 53. SEAL. The seal of the Corporation shall be circular in form and shall have the name of the Corporation on the circumference and the jurisdiction and year of incorporation in the center. (Del. Code Ann., tit. 8, § 122(3)).

SECTION 54. FISCAL YEAR. The fiscal year of the Corporation shall end on December 31 of each year, or such other twelve consecutive months as the Board may designate.

SECTION 55. CORPORATE FUNDS AND CHECKS. The funds of the Corporation shall be kept in such depositories as shall from time to time be prescribed by the Board. All checks or other orders for the payment of money shall be signed by the Chief Executive Officer, President or Chief Financial Officer or such other person or agent as may from time to time be authorized and with such countersignature, if any, as may be required by the Board.

SECTION 56. CONTRACTS AND OTHER DOCUMENTS. The Chief Executive Officer or President, or such other officer or officers as may from time to time be authorized by the Board, shall have power to sign and execute on behalf of the Corporation deeds, conveyances and contracts, and any and all other documents requiring execution by the Corporation. (Del. Code Ann., tit. 8, §§ 103(a), 142(a), 158).

SECTION 57. OWNERSHIP OF STOCK OF ANOTHER CORPORATION. The Chief Executive Officer or President, or such other officer or agent as shall be authorized by the Board, shall have the power and authority, on behalf of the Corporation, to attend and to vote at any meeting of stockholders of any corporation in which the Corporation holds stock and may exercise, on behalf of the Corporation, any and all of the rights and powers

incident to the ownership of such stock at any such meeting, including the authority to execute and deliver proxies and consents on behalf of the Corporation. (Del. Code Ann., tit. 8, § 123).

SECTION 58. SEVERABILITY. If any provision of these Bylaws is illegal or unenforceable as such, such illegality or unenforceability shall not affect any other provision of these Bylaws and such other provisions shall continue in full force and effect.

SECTION 59. SUBJECT TO LAW AND THE CERTIFICATE OF INCORPORATION. All rights, powers, duties and responsibilities provided for in these Bylaws, whether or not explicitly so qualified, are qualified by the provisions of the Certificate, the DGCL and any other applicable law. (Del. Code Ann., tit. 8, § 109(b)).

SECTION 60. EMERGENCY BYLAWS. The provisions of this Section 60 shall be operative only during a national emergency declared by the President of the United States or the person performing the President's functions, or in the event of a nuclear, atomic or other attack on the United States or a disaster or catastrophe making it impossible or impracticable for the Corporation to conduct its business without recourse to the provisions of this Section 60. Said provisions in such event shall override all other Bylaws or the Corporation in conflict with any provisions of this Section 60, and shall remain operative so long as it remains impossible or impracticable to continue the business of the Corporation otherwise, but thereafter shall be inoperative; provided , however , that all actions taken in good faith pursuant to such provisions shall thereafter remain in full force and effect unless and until revoked by action taken pursuant to the provisions of the Bylaws other than those contained in this Section 60 (Del. Code Ann., tit. 8, § 110).

(a) A meeting of the Board or of any committee thereof may be called by any officer or director upon one hour's notice to all persons entitled to notice whom, in the sole judgment of the notifier, it is feasible to notify;

(b) The director or directors in attendance at the meeting of the Board or of any committee thereof shall constitute a quorum; and

(c) These Bylaws may be amended or repealed, in whole or in part, by a majority vote of the directors attending any meeting of the Board, provided such amendment or repeal shall only be effective for the duration of such emergency.

ARTICLE IX

INDEMNIFICATION

SECTION 61. RIGHT TO INDEMNIFICATION. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a " proceeding ") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person; provided , however , that the Corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the Corporation or its directors, officers, employees or other agents unless (i) such indemnification is expressly required to be made by applicable law, (ii) the proceeding was authorized by the Board, (iii) such indemnification is provided by the Corporation, in its sole discretion, or (iv) such indemnification is required to be made under Section 63, pursuant to the powers vested in the Corporation under the DGCL or any other applicable law. (Del. Code Ann., tit. 8, § 145).

SECTION 62. ADVANCEMENT OF EXPENSES.

(a) The Corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the Corporation, or is or was

serving at the request of the Corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding, provided , however , that if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, an " undertaking "), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 62 or otherwise. (Del. Code Ann., tit. 8, § 145(e)).

(b) Notwithstanding the foregoing, unless otherwise determined pursuant to Section 63, no advance shall be made by the Corporation to an executive officer of the Corporation (except by reason of the fact that such executive officer is or was a director of the Corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation. (Del. Code Ann., tit. 8, § 145(e)).

SECTION 63. ENFORCEMENT. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Article IX shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the Corporation and the director or executive officer. Any right to indemnification or advances granted by this Article IX to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within sixty (60) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the Corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the Corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the Corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the Corporation) for advances, the Corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the Corporation (including its Board, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the Corporation (including its Board, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this Article IX or otherwise shall be on the Corporation. (Del. Code Ann., tit. 8, § 145(k)).

SECTION 64. GOOD FAITH.

(a) For purposes of any determination under this Article IX, a director or executive officer shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe that his conduct was unlawful, if his action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

(i) one or more officers or employees of the Corporation whom the director or executive officer believed to be reliable and competent in the matters presented;

(ii) counsel, independent accountants or other persons as to matters which the director or executive officer believed to be within such person's professional competence; and

(iii) with respect to a Director, a committee of the Board upon which such director does not serve, as to matters within such Committee's designated authority, which committee the director believes to merit confidence; so long as, in each case, the director or executive officer acts without knowledge that would cause such reliance to be unwarranted.

(b) The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(c) The provisions of this Article IX shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the DGCL.

SECTION 65. NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the Certificate, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL, or by any other applicable law. (Del. Code Ann., tit. 8, § 145(f)).

SECTION 66. OTHER INDEMNIFICATION. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

SECTION 67. INSURANCE. The Board may authorize, by a vote of a majority of a quorum of the Board, the Corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article IX or of the DGCL; and the Corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or other similar arrangements) to the full extent authorized or permitted by the DGCL and other applicable law to ensure the payment of such amounts as may become necessary to effect the indemnification as provided in this Article IX or elsewhere. (Del. Code Ann., tit. 8, § 145(g)).

SECTION 68. DEFINITIONS. For the purposes of this Article IX, the following definition shall apply:

(a) The term " Corporation " shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article IX with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. (Del. Code Ann., tit. 8, § 145(h)).

(b) The term " other enterprises " shall include employee benefit plans (Del. Code Ann., tit. 8, § 145(i));

(c) The term " fines " shall include any excise taxes assessed on a person with respect to any employee benefit plan (Del. Code Ann., tit. 8, § 145(i));

(d) References to " serving at the request of the Corporation " shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries (Del. Code Ann., tit. 8, § 145(i)); and

(e) A person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner " not opposed to the best interests of the Corporation " as referred to in this Article IX. (Del. Code Ann., tit. 8, § 145(i)).

SECTION 69. LIABILITY OF DIRECTORS. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided , however , that this, limitation of liability shall not eliminate or limit the liabilities of the directors for any breach of the director's duty of loyalty to the Corporation or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, under Section 174 of the DGCL, or for any transaction from which the director derived an improper personal benefit; provided , further , that this limitation of liability shall not eliminate or limit the liability of a director for any act or omission occurring prior to the adoption of these Bylaws.

SECTION 70. SURVIVAL OF RIGHTS. The rights conferred on any person by this Article IX shall continue as to a person who has ceased to be a director, executive officer, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person. (Del. Code Ann., tit. 8, § 145(j)).

SECTION 71. SAVINGS CLAUSE. If this Article IX or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Article IX that shall not have been invalidated, or by any other applicable law. If this Article IX shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the Corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

SECTION 72. AMENDMENT OR REPEAL. Any repeal or modification of the provisions of this Article IX shall only be prospective and shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification.

AMENDMENT NO. 1 TO

AMENDED AND RESTATED BYLAWS OF IMPAX LABORATORIES, INC.

The Amended and Restated Bylaws of Impax Laboratories, Inc. (the "Bylaws") are hereby amended as follows:

1. Section 5 of Article II shall be amended and restated in its entirety to read as follows:

"SECTION 5. QUORUM. At all meetings of stockholders, except where otherwise provided by statute, by the Certificate, or by these Bylaws, the presence, in person, by remote communication, if applicable, or represented by proxy duly authorized, of the holders of a majority of the issued and outstanding shares of stock entitled to vote thereat shall constitute a quorum for the transaction of business. Where a separate vote by a class, classes or series is required, except where otherwise provided by the statute, the Certificate or these Bylaws, a majority of the outstanding shares of such class, classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum."

2. Section 6 of Article II shall be amended and restated in its entirety to read as follows:

"SECTION 6. VOTING. Unless otherwise provided in the Certificate, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. The Board, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at a meeting of stockholders shall be cast by written ballot. Except as otherwise provided by statute, by the Certificate or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or represented by proxy at the

meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by the Certificate, each director shall be elected by the affirmative vote of the majority of the votes cast with respect to such director (meaning the number of shares voted "for" a nominee must exceed the number of shares voted "against" such nominee) at any meeting for the election of directors at which a quorum is present; provided that each director shall be elected by a plurality of the votes cast (instead of by votes cast for or against a nominee) at any meeting at which a quorum in present for which the Board determines that the number of nominees exceeds the number of directors to be elected at such election and such determination has not been rescinded by the Board on or prior to the tenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders (a "Contested Election"). In an election other than a Contested Election, stockholders will be given the choice to cast votes "for" or "against" the election of directors or to "abstain" from such vote (with abstentions and broker non-votes not counted as a vote cast "for" or "against" the election of such candidate), and stockholders shall not have the ability to cast any other vote with respect to such election of directors. In a Contested Election, stockholders will be given the choice to cast "for" or "withhold" votes for the election of directors and shall not have the ability to cast any other vote with respect to such election of directors."

3. Except as expressly modified hereby, the Bylaws and all the provisions contained therein shall remain in full force and effect.

This Amendment No. 1 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective March 24, 2015.

/s/ Mark A. Schlossberg
Name: Mark A. Schlossberg
Title: Senior VP, General Counsel and Corporate Secretary

AMENDMENT NO. 2 TO

AMENDED AND RESTATED BYLAWS OF

IMPAX LABORATORIES, INC., AS AMENDED

The Amended and Restated Bylaws of Impax Laboratories, Inc., as amended (the "Bylaws") are hereby amended as follows:

1. Section 14 of Article III shall be amended and restated in its entirety to read as follows:

"SECTION 14. NUMBER. The authorized number of directors shall be no less than one nor more than eight. Within the foregoing limits, the number of directors shall be fixed from time to time by resolution adopted by the Board. (Del Code Ann., tit. 8, §§ 141(b))."

2. Except as expressly modified hereby, the Bylaws and all the provisions contained therein shall remain in full force and effect.

This Amendment No. 2 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective July 7, 2015.

/s/ Mark A. Schlossberg
Name: Mark A. Schlossberg
Title: Senior VP, General Counsel and Corporate Secretary

AMENDMENT NO. 3 TO

AMENDED AND RESTATED BYLAWS OF

IMPAX LABORATORIES, INC., AS AMENDED

The Amended and Restated Bylaws of Impax Laboratories, Inc., as amended (the "Bylaws") are hereby amended as follows:

1. Section 14 of Article III shall be amended and restated in its entirety to read as follows:

"SECTION 14. NUMBER. The authorized number of directors shall be no less than one nor more than nine. Within the foregoing limits, the number of directors shall be fixed from time to time by resolution adopted by the Board. (Del Code Ann., tit. 8, §§ 141(b))."

2. Except as expressly modified hereby, the Bylaws and all the provisions contained therein shall remain in full force and effect.

This Amendment No. 3 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective October 7, 2015

/s/ Mark A. Schlossberg
Name: Mark A. Schlossberg
Title: Senior VP, General Counsel and Corporate Secretary

AMENDMENT NO. 4 TO

AMENDED AND RESTATED BYLAWS OF

IMPAX LABORATORIES, INC., AS AMENDED

The Amended and Restated Bylaws of Impax Laboratories, Inc., as amended (the "Bylaws") are hereby amended as follows:

1. Section 14 of Article III shall be amended and restated in its entirety to read as follows:

"SECTION 14. NUMBER. The authorized number of directors shall be no less than one nor more than seven. Within the foregoing limits, the number of directors shall be fixed from time to time by resolution adopted by the Board. (Del Code Ann., tit. 8, §§ 141(b))."

2. Except as expressly modified hereby, the Bylaws and all the provisions contained therein shall remain in full force and effect.

This Amendment No. 4 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective May 17, 2016.

/s/ Mark A. Schlossberg
Name: Mark A. Schlossberg
Title: Senior VP, General Counsel and Corporate Secretary

AMENDMENT NO. 5 TO

AMENDED AND RESTATED BYLAWS OF

IMPAX LABORATORIES, INC., AS AMENDED

The Amended and Restated Bylaws of Impax Laboratories, Inc., as amended (the "Bylaws") are hereby amended as follows:

1. Section 14 of Article III shall be amended and restated in its entirety to read as follows:

"SECTION 14. NUMBER. The authorized number of directors shall be no less than one nor more than eight. Within the foregoing limits, the number of directors shall be fixed from time to time by resolution adopted by the Board. (Del Code Ann., tit. 8, §§ 141(b))."

2. Except as expressly modified hereby, the Bylaws and all the provisions contained therein shall remain in full force and effect.

This Amendment No. 5 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective August 19, 2016.

/s/ Mark A. Schlossberg
Name: Mark A. Schlossberg
Title: Senior VP, General Counsel and Corporate Secretary

EXHIBIT 31.1

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

I, Fred Wilkinson, certify:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016 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, 2016

By: /s/ Fred Wilkinson

Fred Wilkinson

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, 2016 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, 2016

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, 2016 (the "Report"), Fred Wilkinson, 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, 2016

By: /s/ Fred Wilkinson
Fred Wilkinson
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, 2016 (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, 2016

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.