

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2017**

OR

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

Commission file number: 001-34263

Impax Laboratories, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

65-0403311

(I.R.S. Employer Identification No.)

30831 Huntwood Avenue, Hayward, CA

(Address of principal executive offices)

94544

(Zip Code)

Registrant's telephone number, including area code:
(510) 476-2000

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

Title of each class

Common Stock, par value \$0.01 per share

Name of each exchange on which registered:

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation of S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

(Do not check if a smaller reporting company)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the registrant's outstanding shares of common stock, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the price at which the registrant's common stock was last sold on The NASDAQ Stock Market LLC as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2017), was approximately \$ 1,043,981,075 .

As of February 26, 2018 , there were 73,936,490 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive proxy statement to be filed pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, in connection with the 2018 Annual Meeting of Stockholders of the registrant (the "Annual Meeting Proxy Statement") have been incorporated by reference into Part III of this Annual Report on Form 10-K. In the event the registrant does not file the Annual Meeting Proxy Statement, the information will be provided instead by an amendment to this report not later than 120 days after the end of the registrant's fiscal year.

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Forward-Looking Statements

Statements included in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. Such risks and uncertainties include, but are not limited to, fluctuations in our operating results and financial condition, the volatility of the market price of our common stock, our ability to successfully develop and commercialize pharmaceutical products in a timely manner, the impact of competition, the effect of any manufacturing or quality control problems, our ability to manage our growth, risks related to acquisitions of or investments in technologies, products or businesses, risks relating to goodwill and intangibles, the reduction or loss of business with any significant customer, the substantial portion of our total revenues derived from sales of a limited number of products, the impact of continuing consolidation of our customer base, our ability to sustain profitability and positive cash flows, the impact of any valuation allowance on our deferred tax assets, the restrictions imposed by our credit facility and indenture, our level of indebtedness and liabilities and the potential impact on cash flow available for operations, the availability of additional funds in the future, any delays or unanticipated expenses in connection with the operation of our manufacturing facilities or at our third party suppliers, the effect of foreign economic, political, legal and other risks on our operations abroad, the uncertainty of patent litigation and other legal proceedings, the increased government scrutiny on our agreements to settle patent litigations, product development risks and the difficulty of predicting FDA filings and approvals, consumer acceptance and demand for new pharmaceutical products, the impact of market perceptions of us and the safety and quality of our products, our determinations to discontinue the manufacture and distribution of certain products, our ability to achieve returns on our investments in research and development activities, changes to FDA approval requirements, our ability to successfully conduct clinical trials, our reliance on third parties to conduct clinical trials and testing, our lack of a license partner for commercialization of Numient[®] (IPX066) outside of the United States and Taiwan, 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 global 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 cyberattacks or other third party breaches or other events, our reliance on alliance and collaboration agreements, our reliance on licenses to proprietary technologies, our dependence on certain employees, our ability to comply with legal and regulatory requirements governing the healthcare industry, the regulatory environment, the effect of certain provisions in our government contracts, our ability to protect our intellectual property, exposure to product liability claims, changes in tax regulations, uncertainties involved in the preparation of our financial statements, our ability to maintain an effective system of internal control over financial reporting, the effect of terrorist attacks on our business, the location of our manufacturing and research and development facilities near earthquake fault lines, expansion of social media platforms, risks related to our proposed business combination with Amneal Pharmaceuticals, Inc. (“Amneal”), including whether the transactions (the “Combination”) contemplated by the Business Combination Agreement dated as of October 17, 2017 by and among us, Amneal, Atlas Holdings, Inc., and K2 Merger Sub Corporation as amended by Amendment No. 1, dated November 21, 2017 and Amendment No. 2 dated December 16, 2017 (the “Business Combination Agreement”) will be completed on the terms or timeline contemplated, if at all, the risk that governmental entities could take actions under antitrust laws to enjoin the completion of the Combination, business uncertainties and contractual restrictions while the Combination is pending, challenges related to our integration with Amneal after the closing, the fact that ownership interests will not be adjusted if there is a change in value of our company or Amneal, provisions in the Business Combination Agreement that may discourage other companies from acquiring us, transaction related costs related to the Combination and integration, the lower ownership and voting interests that our stockholders will have in New Amneal after the closing, the pending litigation related to the Combination and other risks described below in “Item 1A. Risk Factors.” 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.

PART I.

Item 1. Business

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.” The Impax Generics division includes our legacy Global Pharmaceuticals business as well as the generic businesses from our acquisition of Tower Holdings, Inc. (“Tower”) and its subsidiaries on March 9, 2015 (the “Tower Acquisition”). The Impax Specialty Pharma division includes our legacy Impax Pharmaceuticals business as well as the acquired business of Amedra Pharmaceuticals, LLC (“Amedra”) from the Tower Acquisition. 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 central nervous system (“CNS”) disorders and other select specialty segments. See “Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements— Note 20. Segment Information,” for financial information about our segments for the years ended December 31, 2017, 2016 and 2015.

Business Combination with Amneal Pharmaceuticals LLC

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

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

Immediately following the Closing, (i) the Existing Amneal Members will hold approximately 75% of the voting power and economic interests in New Amneal, and (ii) our stockholders immediately prior to the Closing will hold approximately 25% of the voting power and economic interests in New Amneal. Following the Closing and the PIPE Investment (as described below), it is expected that the Existing Amneal Members will hold approximately 60% of the voting power of the outstanding shares of New Amneal common stock (the “New Amneal Shares”) and TPG Improv Holdings, L.P. (“TPG”) and other institutional investors will hold approximately 15% of the voting power of the outstanding New Amneal Shares.

In connection with the Combination and the investment (the “PIPE Investment”) by certain institutional investors including TPG and funds affiliated with Fidelity Management & Research Company (“Fidelity”), the Existing Amneal Members (together with their affiliates, successors and permitted assigns, the “Amneal Group”) entered into a definitive purchase agreement (the “PIPE Purchase Agreement”) with select institutional investors, including TPG and funds affiliated with Fidelity (the “PIPE Investors”). Pursuant to the PIPE Purchase Agreement, upon the Closing, members of the Amneal Group will exercise their right to cause Amneal to redeem certain of the Amneal common units (the “Redeemed Units”) held by such members pursuant to the Third Amended and Restated Limited Liability Company Agreement of Amneal (the “LLC Agreement”). In connection with such redemption, such members of the Amneal Group will receive shares of Class A Common Stock or shares of Class B-1 Common Stock in exchange for such Redeemed Units, in each case pursuant to the LLC Agreement (such redemption and issuance of Class A Common Stock and Class B-1 Common Stock to the members of the Amneal Group, the “Redemption”). Following the Redemption, the members of the Amneal Group will sell such shares of Class A Common Stock and Class B-1 Common Stock to the PIPE Investors at a per share purchase price of \$18.25 for gross proceeds of approximately \$855.0 million. Following the PIPE Investment, the PIPE Investors will own collectively approximately 15% of the New Amneal Shares on a fully diluted and as converted basis. The PIPE Investors other than TPG will receive shares of Class A Common Stock only, with approximately 30.4 million shares of Class A Common Stock issued to such investors in connection with the PIPE Investment. TPG will receive up to approximately 16.4 million shares of Class A Common Stock or Class B-1 Common Stock in connection with the PIPE Investment, with the exact split between Class A Common Stock and Class B-1 Common Stock to be determined prior to the Closing upon written notice by TPG to the Amneal Group in accordance with the PIPE Purchase Agreement. Following the PIPE Investment, TPG will own all outstanding shares of Class B-1 Common Stock, to the extent they elect to receive shares of Class B-1 Common Stock. The Class B-1 Common Stock held by TPG following the PIPE Investment will not be entitled to any voting rights, will have economic rights that are identical to those of the Class A Common Stock, and will be convertible into shares of Class A Common Stock. The Class A Common Stock and Class B-1 Common Stock held by the PIPE Investors following the PIPE Investment will represent approximately 15% of the voting shares and 37.5% of the economic interest of New Amneal (assuming the conversion of all such shares of Class B-1 Common Stock into shares of Class A Common Stock).

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

The Business Combination Agreement may be terminated by each of us and Amneal under certain circumstances, including if the Closing does not occur on or before July 17, 2018 (the “Outside Date”). Amneal also has certain additional termination rights, including in connection with a change of our Board’s recommendation that our stockholders adopt and approve the Business Combination Agreement. We are required to pay Amneal a termination fee of \$45.0 million (the “Termination Fee”) in connection with such a termination by Amneal, as well as under certain other circumstances, including if the Business Combination Agreement is terminated by us in connection with a Superior Proposal (as defined in the Business Combination Agreement). Additionally, Amneal will be entitled to reimbursement for up to \$15.0 million of its reasonable out-of-pocket expenses incurred in connection with the Business Combination Agreement and the Transactions if the Business Combination Agreement is terminated due to the failure to obtain the Requisite Stockholder Approval.

On October 17, 2017, Holdco and the Amneal Members also entered into a Stockholders Agreement, which was subsequently amended and restated on December 16, 2017 (the “Stockholders Agreement”). The Stockholders Agreement provides, among other things, that:

- *Board Representation* . Following the Closing, the board of directors of New Amneal (the “New Amneal Board”) will consist of no more than 13 directors, subject to increase for a Qualifying Investor (as defined below). If an Executive Event (as defined below) has occurred, the New Amneal Board will consist of 11 members, subject to increase for a Qualifying Investor. Immediately following the Closing, the New Amneal Board will consist of (i) seven directors (the “Amneal Directors”) designated by Amneal Holdings, LLC (the “Amneal Group Representative”), including the co-chairmen of the New Amneal Board, Chirag Patel and Chintu Patel, unless an Executive Event has occurred, in which case the number of Amneal Directors will be six and (ii) five directors (the “Non-Amneal Directors”) designated by us, including Paul M. Bisaro, our current President and Chief Executive Officer, four directors from our board that meet the NYSE independence requirements (including Robert L. Burr, our current Chairman of our board who will serve as Lead Independent Director) and unless an Executive Event has occurred, Robert A. Stewart, Amneal’s current President and Chief Executive Officer, who will also serve as President and Chief Executive Officer of New Amneal after the Closing. “Executive Event” means the failure of Robert A. Stewart to be serving as the President of Amneal as of immediately prior to the Closing, including by reason of his death, resignation, retirement, disqualification, removal from office or other cause.

In the event that the Amneal Group transfers more than 4% of the outstanding New Amneal Shares to an investor (a “Qualifying Investor”) and, following such transfer, the Amneal Group Members continue to beneficially own more than 50% of the outstanding New Amneal Shares, then the Amneal Group will have a one-time right to increase the size of the New Amneal Board by two directors and to fill the resulting vacancies with one new director designated by the Amneal Group Representative and one new director designated by the Qualifying Investor. Such Qualifying Investor may designate a board observer if it has not appointed a director. Immediately following the Closing and the PIPE Investment, TPG, as a Qualifying Investor, will have the right to designate a director for appointment to the New Amneal Board and the New Amneal Board may be expanded from 13 directors to 15 directors (or, if an Executive Event has occurred, from 11 directors to 13 directors) to accommodate TPG’s exercise of such right and the appointment of such designated director. In the event that the Amneal Group Members transfer more than 5% of the outstanding New Amneal Shares to a Qualifying Investor and, immediately prior to or following such transfer, the Amneal Group Members beneficially own less than 50% of the outstanding New Amneal Shares, then the Amneal Group Representative will have a one-time right to replace any existing Amneal Director with a director designated by such a Qualifying Investor.

For so long as the Amneal Group Members beneficially own more than 50% of the New Amneal Shares, (i) the Amneal Directors will have the right to designate the Co-Chairmen of the New Amneal Board, and the Non-Amneal Directors will have the right to designate the Lead Independent Director of the New Amneal Board and (ii) the Amneal Group Representative will have the right to designate a number of directors for nomination by the New Amneal Board for election to the New Amneal Board a number of designees that constitutes a majority of the total number of directors comprising the New Amneal Board. If the Amneal Group Members own less than 50% but more than 10% of the outstanding New Amneal Shares, the Amneal Group Representative will have the right to designate a number of directors proportionate to the beneficial ownership of outstanding New Amneal Shares by the Amneal Group Members (rounded up to the nearest whole number).

Nominating Committee and Compensation Committee. The Amneal Group Representative will have the right to nominate two of the four directors serving on each of the Nominating Committee and Compensation Committee for so long as the Amneal Group Members beneficially own more than 50% of the outstanding New Amneal Shares. The remaining directors on the Nominating Committee and Compensation Committee will be designated by a majority of the independent directors of the New Amneal Board.

- *Conflicts Committee.* Until the Amneal Group Members beneficially own less than 10% of the New Amneal Shares, the New Amneal Board will have a Conflicts Committee comprised solely of independent directors to provide leadership and guidance to the New Amneal Board and New Amneal regarding potential conflicts of interest between New Amneal and any Amneal Group Member, including with respect to related party transactions.
- *Integration Committee.* For at least two years following the Closing, the New Amneal Board will have an Integration Committee comprised of Chirag Patel, Chintu Patel, the current Co-Chief Executive Officers and Co-Chairmen of Amneal, and Paul M. Bisaro, our current President and Chief Executive Officer, which will serve as an advisory committee to management to provide input in connection with the integration of our company and Amneal.

- *Chief Executive Officer* . Robert A. Stewart will be the Chief Executive Officer of New Amneal, unless an Executive Event has occurred. If an Executive Event has occurred, Paul M. Bisaro will be the Chief Executive Officer of New Amneal following the Closing.
- *Executive Chairman* . Paul M. Bisaro, our current President and Chief Executive Officer, will be the Executive Chairman of New Amneal following the Closing. For 18 months following the Closing, the removal of Mr. Bisaro as the Executive Chairman (or as CEO if an Executive Event has occurred) will require the approval of (i) a majority of the New Amneal Board and a majority of the Non-Amneal Directors (other than Mr. Bisaro).
- *Standstill Provisions* . The Amneal Group Members will be subject to customary standstill provisions, subject to certain exceptions, until the earlier of (i) the third anniversary of the Closing Date and (ii) such time when the Amneal Group Members beneficially own less than 20% of the outstanding shares of the New Amneal Shares.
- *Amneal Buyout Transactions* . Any proposal by an Amneal Group Member to acquire all outstanding New Amneal Shares held by all other stockholders (other than other Amneal Group Members) must be approved by the Conflicts Committee and, as long as the Amneal Group Members beneficially own 37.5% of the outstanding shares of Holdco Common Stock, be subject to a non-waivable condition that a majority of the voting power of the outstanding shares of Holdco Common Stock held by such other stockholders approve the transaction.
- *Transfer Restrictions* . At any time, an Amneal Group Member may transfer shares of New Amneal Shares to an affiliate. For the period of 180 days following the closing (the “Lock-Up Period”), no Amneal Group Member may transfer any shares of New Amneal Shares, unless with the prior written consent of the Conflicts Committee, subject to certain exceptions. Following the expiration of the Lock-Up Period, Amneal Group Members may transfer New Amneal Shares pursuant to an effective registration statement, or in transactions exempt from or not subject to registration requirements, subject to certain customary restrictions; provided, without the approval of the Conflicts Committee, Amneal Group Members will be prohibited from making transfers of New Amneal Shares (i) if after such transfer, such transferee or group of transferees would own more than 15% of the voting power of the outstanding New Amneal Shares, or (ii) to any person or group who, prior to such transfer, beneficially owned 15% or more of the outstanding New Amneal Shares.

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

The Closing is currently expected to occur during the first half of 2018, however, we cannot assure that the Closing will be completed on the terms or timeline currently contemplated, or at all. See “Item IA. Risk Factors - Risks Related to Our Proposed Business Combination with Amneal Pharmaceuticals LLC” below for additional information regarding the risks related to the Transactions.

Teva Transaction

On August 3, 2016, we completed our previously announced acquisition of (A) certain assets related to (i) 15 then currently marketed generic pharmaceutical products, (ii) one then approved generic product and two then tentatively approved strengths of a then currently marketed product, which at the time of the closing had not yet launched, (iii) one pipeline generic product and one pipeline strength of a then currently marketed product, which at the time of the closing were pending approval by the FDA and (iv) one generic product then under development, and (B) the return to us of our full commercial rights to our then pending ANDA for the generic equivalent to Concerta® (methylphenidate hydrochloride), a product we had previously partnered with Teva Pharmaceuticals USA, Inc. (“Teva USA”) (collectively, the products and pipeline products and the assets related thereto in (A) and (B), the “Acquired Product Lines” and the transactions related thereto the “Teva Transaction”), pursuant to (x) an Asset Purchase Agreement, dated as of June 20, 2016, as amended on June 30, 2016, with Teva Pharmaceutical Industries Ltd. (“Teva”), acting directly or through its affiliates (the “Teva APA”), (y) an Asset Purchase Agreement, dated as of June 20, 2016, as amended on June 30, 2016, with affiliates of Allergan plc (“Allergan”), (the “Allergan APA” and collectively with the Teva APA, the “APAs”), and (z) a Termination Agreement, dated as of June 20, 2016, between our 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 our 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. We are 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.

Our Strategy

We plan to continue to expand our Impax Generics division by targeting complex solid oral and alternative dosage form Abbreviated New Drug Applications (“ANDAs”) with high revenue potential, including products with the potential to be first-to-file or first-to-market. Our products and product candidates are generally difficult to formulate and manufacture, providing certain competitive advantages. In addition to our product pipeline of 17 pending applications at the FDA as of December 31, 2017, we are continuing to evaluate and pursue external growth initiatives including acquisitions and partnerships.

The following information summarizes our generic pharmaceutical product development activities since inception through December 31, 2017 :

- 107 ANDAs approved by the U.S. Food and Drug Administration (“FDA”), including two tentatively approved (i.e., satisfying substantive FDA requirements but remaining subject to statutory restrictions). In addition, we have rights to market and/or share in profits to 18 approved ANDAs held by our third party alliance partners. The approved ANDAs (including those held by our partners) include generic versions of brand name pharmaceuticals such as Adderall XR®, Lofibra®, Opana ER® (NDA 021610), Pulmicort Respules® and Solaraze®.
- 17 applications pending at the FDA that represent approximately \$14 billion in 2017 U.S. product sales.
- A number of products in various stages of development for which applications have not yet been filed.

A core component of our strategy includes an ongoing focus in our Impax Specialty Pharma division on proprietary brand-name pharmaceutical products to treat CNS disorders and other specialty segments. We believe that we have the research, development and formulation expertise to develop branded products that will deliver significant improvements over existing therapies. We plan to continue investing in our development pipeline, both internally and through acquisitions and partnerships primarily focused on late-stage and next generation product opportunities.

Impax Generics Division

In the generic pharmaceutical market, we focus our efforts on developing, manufacturing, selling and distributing complex solid dose and alternative dosage form products covering a broad range of therapeutic areas and having technically challenging drug-delivery mechanisms or unique product development 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. Generic products contain the same active ingredient and are of the same route of administration, dosage form, strength and indication(s) as brand-name products already approved for use in the United States by the FDA. 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 experience to develop bioequivalent versions of such brand-name products. We also develop, manufacture, sell and distribute specialty generic pharmaceuticals that we believe present certain competitive advantages, such as difficulty in raw materials sourcing, complex formulation or development characteristics or special handling requirements. We have generally obtained rights to our alternative dosage form products through third party alliance and collaboration agreements, such as through our partnership agreement with Tolmar, Inc. (“Tolmar”).

We sell and distribute generic pharmaceutical products primarily through four 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 sales channel” for generic pharmaceutical over-the-counter (“OTC”) 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 OTC products sold through unrelated third-party pharmaceutical entities under their own label pursuant to alliance agreements.

As of December 31, 2017, we marketed 225 generic pharmaceutical products representing dosage variations of 77 different pharmaceutical compounds through our Impax Generics division, and five other generic pharmaceutical products, representing dosage variations of two different pharmaceutical compounds, through our alliance and collaboration agreement partners. As of December 31, 2017, our significant marketed generic products were Epinephrine Auto-Injector (generic Adrenaclick®), oxycodone hydrochloride extended release tablets (AB rated to original OPANA® ER), Budesonide Inhalation Suspension (gPulmicort Respules®), Mixed Amphetamine Salts ER Capsules (generic Adderall XR®), and fenofibrate (generic Lofibra®).

As of December 31, 2017, we had 17 applications pending at the FDA. The following table lists our publicly identified product applications pending at the FDA as of December 31, 2017:

Product	Generic of
Apixaban Tablets 2.5, 5 mg	Eliquis®
Carvedilol Phosphate ER Capsules 10, 20, 40, 80 mg	Coreg CR®
Colesevelam Tablets 625 mg	Welchol®
Dimethyl Fumarate DR Capsules 120, 240mg	Tecfidera®
Fentanyl Buccal Tablet 100, 200, 400, 600, 800 mcg	Fentora®
Mixed Amphetamine Salts ER Capsules 5, 10, 15, 20, 25, 30 mg	Adderall XR®
Oxycodone ER Tablets (new formulation) 10, 15, 20, 30, 40, 60, 80 mg	Oxycontin®
Risedronate Sodium DR Tablets 35 mg	Atelvia®
Teriflunomide Tablets 14 mg	Aubagio®

Impax Specialty Pharma

Impax Specialty Pharma is engaged in the development, sale and distribution of proprietary branded pharmaceutical products that we believe represent improvements to already-approved pharmaceutical products addressing CNS disorders and other select specialty segments. We estimate there are approximately 16,000 neurologists in the United States. Historically, a concentrated number of these neurologists are responsible for writing the majority of neurology prescriptions. CNS is the largest therapeutic category in the United States with 2017 sales of about \$66.7 billion, or 14.2% of the \$470 billion U.S. prescription drug market. CNS product sales contracted (5.2%) in 2017, compared to 1.5% growth for the overall pharmaceutical market, while total CNS prescriptions declined 1.1%, compared to a 0.2% reduction in the overall pharmaceutical industry prescriptions. (Source: IQVIA).

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 AstraZeneca UK Limited ("AstraZeneca") the exclusive U.S. commercial rights to Zomig® (zolmitriptan) tablet, orally disintegrating tablet and nasal spray formulations pursuant to the terms of a Distribution, License, Development and Supply Agreement with AstraZeneca, which was subsequently amended (the "AZ Agreement") 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 a couple of product candidates that are in varying stages of development and we currently intend to expand our portfolio of branded pharmaceutical products primarily through internal development and through licensing and acquisitions, with a focus on late-stage product opportunities.

Alliance and Collaboration Agreements

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 typically 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. Our alliance and collaboration agreements often include milestones and provide for payments upon achievement of these milestones. For more information about the types of milestone events in our agreements and how we categorize them, see “Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements — Note 17. Alliance and Collaboration Agreements.”

Impax Generics Division – Alliance and Collaboration Agreements

License and Distribution Agreement with Shire

In January 2006, we entered into a License and Distribution Agreement with an affiliate of Shire Laboratories, Inc., which was subsequently amended (“Prior Shire Agreement”), under which we 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. We commenced sales of the AG Product in October 2009. On February 7, 2013, we 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. Pursuant to the terms of the Amended and Restated Shire Agreement, we are required to pay to Shire a specified profit share based on sales of the AG Product and a specified profit share based on sales of our generic Adderall XR® product. We began selling our generic Adderall XR® product during the second quarter of 2016. We accrued a profit share payable to Shire of \$2.2 million during the year ended December 31, 2017, based on sales of our generic Adderall XR® product and reflecting adjustments for returns and government rebates from our previous sales of the AG Product and of \$7.5 million and \$19.5 million during the years ended December 31, 2016 and 2015, respectively, based on sales of the AG Product and our generic Adderall XR® product, in each case with a corresponding charge included in the cost of revenues line in the consolidated statements of operations.

Development, Supply and Distribution Agreement with Tolmar, Inc.

In June 2012, we entered into the Tolmar Agreement with Tolmar. Under the terms of the Tolmar Agreement, Tolmar granted us an exclusive license to commercialize up to 11 generic topical prescription drug products, including 10 currently approved products in the United States and its territories; the parties agreed in 2015 to terminate development efforts of one product under the Tolmar Agreement that had been pending approval at the FDA. Under the terms of the Tolmar Agreement, Tolmar is responsible for developing and manufacturing the products, and we are responsible for marketing and sale of the products. As of December 31, 2017, we were currently marketing and selling four approved products. We are required to pay a profit share to Tolmar on sales of each product commercialized pursuant to the terms of the Tolmar Agreement.

We paid Tolmar a \$21.0 million upfront payment upon signing of the agreement and, pursuant to the terms of the agreement, are also required to make payments to Tolmar up to an aggregate amount of \$25.0 million upon the achievement of certain specified milestone events. As of December 31, 2017, we had paid a total of \$20.0 million to Tolmar upon the achievement of certain specified milestone events, including \$12.0 million upon the achievement of a regulatory milestone event and \$5.0 million upon the achievement of a commercialization event, and do not currently expect to make any additional milestone payments to Tolmar under the agreement. We are also required to pay a profit share to Tolmar on sales of the topical products, of which we accrued a profit share payable to Tolmar of \$10.0 million, \$36.4 million and \$77.7 million during the years ended December 31, 2017, 2016 and 2015, respectively, with a corresponding charge included in the cost of revenues line in our consolidated statements of operations.

Mebendazole Product Acquisition Agreement with Teva Pharmaceuticals USA, Inc.

In August 2013, we, through our Amedra Pharmaceuticals subsidiary, entered into a product acquisition agreement (the “Mebendazole Product Acquisition Agreement”) with Teva pursuant to which we acquired the assets (including the ANDA and other regulatory materials) and related liabilities related to Teva’s mebendazole tablet product in all dosage forms. Pursuant to the Mebendazole Product Acquisition Agreement, we were required to pay certain milestone payments up to an aggregate amount of \$3.5 million upon the approval and launch of the mebendazole tablet product; we paid the \$3.5 million to Teva during the quarter ended March 31, 2016 upon the FDA’s approval and our subsequent launch of Emverm® (mebendazole) 100 mg chewable tablets. We are 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 Mebendazole Product Acquisition Agreement.

Rx Partner and OTC Partner Alliance Agreements

We have entered into alliance agreements with unrelated third-party pharmaceutical companies pursuant to which our partner distributes a specified product or products which we developed and, in some cases manufacture. Pursuant to these alliance agreements we typically receive payment on delivery of the product, and share in the resulting profits, or receive a royalty or other payments from our partners. Our alliance agreements are separated into two sales channels, the “Rx Partner” sales channel, for generic prescription products sold through our partners under their own label, and the “OTC Partner” sales channel, for sales of generic pharmaceutical OTC products sold through our partner under their own label. The revenue recognized and the percentage of gross revenue for each of the periods noted, for the Rx Partner and the OTC Partner alliance agreements, was as follows:

	Year Ended December 31,					
	2017		2016		2015	
(in thousands)						
Gross Revenue and % Gross Revenue						
Rx Partner	\$	22,674	1%	\$	14,339	1%
OTC Partner	\$	196	*	\$	225	*

* Not material

Strategic Alliance Agreement with Teva

We are a party to a Strategic Alliance Agreement dated as of June 27, 2001 with Teva Pharmaceutical USA, Inc. (“Teva USA”), an affiliate of Teva, which was subsequently amended (“Teva Agreement”). The Teva Agreement commits us 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. As of December 31, 2017, we were 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 us, are being manufactured by Teva at its election, were voluntarily withdrawn from the market or our obligations to supply such product had expired or were terminated in accordance with the Teva Agreement.

Impax Specialty Pharma – Alliance and Collaboration Agreements

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

In January 2012, we entered into the AZ Agreement with AstraZeneca and the parties subsequently entered into a First Amendment to the AZ Agreement dated May 31, 2016. Under the terms of the AZ Agreement, AstraZeneca granted us 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 our behalf and AstraZeneca paid us the gross profit on such Zomig® product sales. 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, we agreed to conduct, at our own expense, the juvenile toxicity study and pediatric study required by the FDA under the Pediatric Research Equity Act (“PREA”) for approval of the nasal formulation of Zomig® for the acute treatment of migraine in pediatric patients ages six through eleven years old, as further described in the study protocol mutually agreed to by the parties (the “PREA Study”). In consideration for us conducting the PREA Study at our own expense, the AZ Amendment provides for the total royalty payments payable by us 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 us to AstraZeneca pursuant to the AZ Agreement in any given quarter, AstraZeneca will be required to pay us an amount equal to the difference between the royalty reduction amount and the royalty payment payable by us to AstraZeneca. Our commitment to perform the PREA Study may be terminated, without penalty, under certain circumstances as set forth in the AZ Amendment.

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. As discussed above, pursuant to the AZ Amendment, the total royalty payments payable by us to AstraZeneca on net sales of Zomig® products under the AZ Agreement is reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of \$30.0 million. We accrued a royalty payable to AstraZeneca of \$17.8 million, \$17.2 million and \$16.8 million for the years ended December 31, 2017, 2016 and 2015, respectively, with a corresponding charge included in the cost of revenues line on our consolidated statements of operations.

Our Controlled-Release Technology

We have developed a number of different controlled-release delivery technologies which may be utilized with a variety of oral dosage forms and drugs. Controlled-release drug delivery technologies are designed to release drug dosages at specific times and in specific locations in the body and generally provide more consistent and appropriate drug levels in the bloodstream than immediate-release dosage forms. Controlled-release pharmaceuticals may improve drug efficacy, ensure greater patient compliance with the treatment regimen, reduce side effects or increase drug stability and be more patient friendly by reducing the number of times a drug must be taken.

We believe our controlled-release drug delivery technologies are flexible and can be applied to develop a variety of pharmaceutical products, both generic and branded. Our technologies utilize a variety of polymers and other materials to encapsulate or entrap the active pharmaceutical ingredients and to release them at varying rates or at predetermined locations in the gastrointestinal tract.

Competition

The pharmaceutical industry is highly competitive and is affected by new technologies, new developments, government regulations, health care legislation, availability of financing, and other factors. Many of our competitors have longer operating histories and substantially greater financial, research and development, marketing, and other resources than we have. We compete with numerous other companies that currently operate, or intend to operate, in the pharmaceutical industry, including companies that are engaged in the development of controlled-release drug delivery technologies and products, and other manufacturers that may decide to undertake development of such products.

Due to our focus on relatively hard to replicate controlled-release products, competition in the generic pharmaceutical market is sometimes limited to those competitors who possess the appropriate drug delivery technology. The principal competitive factors in the generic pharmaceutical market are:

- the ability to introduce generic versions of products promptly after a patent expires;
- price;
- product quality;
- customer service (including maintenance of inventories for timely delivery); and
- the ability to identify and market niche products.

In the brand-name pharmaceutical market, our principal competitors are pharmaceutical companies that are focused on Parkinson's disease and other CNS disorders. In addition, with respect to products that we are developing internally and/or any additional products we may in-license from third parties, we expect that we will face increased competition from large pharmaceutical companies, drug delivery companies and other specialty pharmaceutical companies that have focused on the same disorders as our branded products. Our principal competitors in the generic pharmaceutical products market are Teva Pharmaceutical Industries Ltd., Mylan N.V., Cipla Inc., Lannett Company, Inc., and Sandoz.

A description of the competition we face from brand-name and generic pharmaceutical companies is included in "Item 1A. Risk Factors."

Sales and Marketing

We market and sell our generic pharmaceutical prescription drug products within the continental United States and the Commonwealth of Puerto Rico. We have not made sales in any other jurisdictions over the last three fiscal years. We derive a substantial portion of our revenue from sales to a limited number of customers. The customer base for our products consists primarily of drug wholesalers, warehousing chain drug stores, mass merchandisers, and mail-order pharmacies. We market our products both directly, through our Impax Generics and Impax Specialty Pharma divisions, and indirectly through our Rx Partner and OTC Partner alliance and collaboration agreements. Together, our three major customers, Cardinal Health, McKesson Corporation, and Amerisource-Bergen accounted for 88% of our gross revenue for the year ended December 31, 2017. These three customers individually accounted for 33%, 30%, and 25%, respectively, of our total gross revenue for the year ended December 31, 2017. We do not have long-term contracts in effect with our three major customers. A reduction in or loss of business with any one of these customers, or any failure of a customer to pay us on a timely basis, would adversely affect our business.

Manufacturing and Distribution

We source our finished dosage form products from our own facility in Hayward, California. We also use several contract manufacturers for this purpose. During 2015, we restructured our packaging and distribution operations. As a result, we closed our Philadelphia packaging site and all of our company-wide distribution operations were outsourced to United Parcel Services (UPS). During 2017, we closed our Middlesex, New Jersey manufacturing facility and in early 2018, we sold CorePharma, LLC, our wholly owned subsidiary that held the leases to the site. We additionally announced during 2017 that we entered into a stock and asset purchase agreement with Bora Pharmaceuticals Co., Ltd., pursuant to which we agreed to sell Impax Laboratories (Taiwan), Inc. ("Impax Taiwan"), our wholly owned subsidiary which owns our manufacturing facility in Taiwan, R.O.C. The sale of Impax Taiwan subsequently closed in February 2018.

We maintain an inventory of our products in connection with our obligations under our alliance and collaboration agreements. In addition, for products pending approval, we may produce batches for inventory in anticipation of the launch of the products. In the event that FDA approval is denied or delayed, we could be exposed to the risk of this inventory becoming obsolete.

Raw Materials

The raw materials we use in the production of our products consist of pharmaceutical chemicals in various forms that are generally available from several sources in the United States and throughout the world. In some cases, however, the raw materials, such as the active pharmaceutical ingredients ("API") used to manufacture our products, are available only from a single supplier. Further, even if more than one supplier exists, we may choose, and have done so in the case of our API suppliers for a majority of our products, to list only one supplier in our product applications submitted to the FDA. The FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials were unavailable from a specified supplier or the supplier was not in compliance with FDA or other applicable requirements, the FDA approval of a new supplier could delay the manufacture of the drug involved. As a result, there is no guarantee we will always have timely and sufficient access to a required raw material or other product. Generally, we would need as long as 18 months to find and qualify a new sole-source supplier. If we receive less than one year's termination notice from a sole-source supplier that it intends to cease supplying raw materials, it could result in disruption of our ability to produce the drug involved. We currently do not have long-term supply agreements with the majority of our API suppliers and although to date we have only experienced occasional interruptions in supplies, no assurance can be given that we will continue to receive uninterrupted or adequate supplies of such raw materials. Any inability to obtain raw materials on a timely basis, or any significant price increases not passed on to customers, could have a material adverse effect on us.

Quality Control

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

Research and Development

We conduct most of our research and development activities at our facility in Hayward, California with a staff of 153 employees as of December 31, 2017. In addition, we have outsourced a number of research and development projects to third-party laboratories.

We spent \$80.8 million, \$80.5 million and \$70.6 million on research and development activities during the years ended December 31, 2017, 2016 and 2015, respectively, as more fully set out in the tables below (in millions).

Year Ended December 31, 2017	Impax Generics	Impax Specialty Pharma	Total Impax
Clinical study expenses	\$ 9.0	\$ 1.7	\$ 10.7
Personnel expenses	24.8	8.0	32.8
Experimental materials	4.7	0.1	4.8
Outside services	7.6	4.2	11.8
Facility expenses	3.6	0.5	4.1
Legal expenses	0.5	0.2	0.7
Other	13.1	2.8	15.9
Total	<u>\$ 63.3</u>	<u>\$ 17.5</u>	<u>\$ 80.8</u>

Year Ended December 31, 2016	Impax Generics	Impax Specialty Pharma	Total Impax
Clinical study expenses	\$ 11.1	\$ 2.4	\$ 13.5
Personnel expenses	25.0	10.8	35.8
Experimental materials	6.1	—	6.1
Outside services	7.1	3.3	10.4
Facility expenses	3.7	0.5	4.2
Legal expenses	0.1	0.2	0.3
Other	9.1	1.1	10.2
Total	<u>\$ 62.2</u>	<u>\$ 18.3</u>	<u>\$ 80.5</u>

Year Ended December 31, 2015	Impax Generics	Impax Specialty Pharma	Total Impax
Clinical study expenses	\$ 4.6	\$ 0.8	\$ 5.4
Personnel expenses	28.6	10.0	38.6
Experimental materials	4.3	—	4.3
Outside services	5.8	4.5	10.3
Facility expenses	4.2	0.4	4.6
Legal expenses	0.4	0.2	0.6
Other	4.6	2.2	6.8
Total	<u>\$ 52.5</u>	<u>\$ 18.1</u>	<u>\$ 70.6</u>

We do not generally track research and development expense by individual product in either the Impax Generics division or the Impax Specialty Pharma division.

In the Impax Generics division, we focus our research and development efforts based on drug-delivery technology and on products that we believe may have certain competitive advantages, rather than on any particular therapeutic area. As of December 31, 2017, the Impax Generics division had 17 product applications pending with the FDA and another 20 products in development. Accordingly, we believe that our generic pipeline products will, in the aggregate, generate a significant amount of revenue for us in the future. However, while a generic product is still in development, we are unable to predict the level of commercial success that the product may ultimately achieve given the uncertainties relating to the successful and timely completion of bioequivalence studies, ANDA filing, receipt of marketing approval and resolution of any related patent litigation, as well as the amount of competition in the market at the time of product launch and thereafter and other factors detailed in "Item 1A. Risk Factors." Additionally, we do not believe that any individual generic pipeline product is currently significant in terms of accrued or anticipated research and development expense given the large volume of products under development in the Impax Generics division, as detailed above. Further, on a per product basis, development costs for generic products tend to be significantly lower than for branded products, as the process for establishing bioequivalence is significantly less extensive than the standard clinical trial process. The regulatory approval process is significantly less onerous as well compared to the process for branded products.

In the Impax Specialty Pharma division, we currently market one internally developed branded pharmaceutical product, Rytary® (IPX066) 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 we launched in the United States in April 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 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 infection. We also have a number of product candidates that are in varying stages of development. While we believe the pipeline products in this division are potentially viable, profitable product candidates for us, given the uncertainties relating to the successful completion of clinical trials, the FDA approval process for branded products, reimbursement levels, the amount of competition at the time of product launch and thereafter and other factors detailed in "Item 1A. Risk Factors," such pipeline products are too early in the development process to be considered significant at this point in time.

Regulation

The manufacturing and distribution of pharmaceutical products are subject to extensive regulation by the federal government, primarily through the FDA and the Drug Enforcement Administration ("DEA"), and to a lesser extent by state and local governments. The Food, Drug, and Cosmetic Act, Controlled Substances Act and other federal statutes and regulations govern or influence the manufacture, labeling, testing, storage, record keeping, approval, advertising and promotion of our products. As described above under "Quality Control", facilities used in the manufacture, packaging, labeling and repackaging of pharmaceutical products must be registered with the FDA and are subject to FDA inspection to ensure that drug products are manufactured in accordance with current Good Manufacturing Practices. Noncompliance with applicable requirements can result in product recalls, seizure of products, injunctions, suspension of production and/or distribution, refusal of the government or third parties to enter into contracts with us, withdrawal or suspension of the applicable regulator's review of our drug applications, civil penalties and criminal fines, and disgorgement of profits.

FDA approval is required before any “new drug” may be marketed, including new formulations, strengths, dosage forms and generic versions of previously approved drugs. Generally, the following two types of applications are used to obtain FDA approval of a “new drug.”

New Drug Application (“NDA”). For a drug product containing an active ingredient not previously approved by the FDA, a prospective manufacturer must submit a complete application containing the results of clinical studies supporting the drug product’s safety and efficacy. A NDA is also required for a drug with a previously approved active ingredient if the drug will be used to treat an indication for which the drug was not previously approved or if the dosage form, strength or method of delivery is changed. The process required by the FDA before a pharmaceutical product may be approved for marketing in the U.S. generally involves the steps listed below, which could take from approximately three to more than ten years to complete.

- Laboratory and clinical tests;
- Submission of an Investigational New Drug (“IND”) application, which must become effective before clinical studies may begin;
- Adequate and well-controlled human clinical studies to establish the safety and efficacy of the proposed product for its intended use;
- Submission of a NDA containing the results of the preclinical tests and clinical studies establishing the safety and efficacy of the proposed product for its intended use, as well as extensive data addressing such matters such as manufacturing and quality assurance;
- Scale-up to commercial manufacturing; and
- FDA approval of a NDA.

As noted above, the submission of a NDA is not a guarantee that the FDA will find it complete and accept it for filing. The FDA reviews all NDAs submitted before it accepts them for filing. It may refuse to file the application and instead request additional information, in which case, the application must be resubmitted with the supplemental information. After the application is deemed filed by the FDA, FDA staff will review a NDA to determine, among other things, whether a product is safe and efficacious for its intended use.

If, after reviewing the NDA, the FDA determines that the application cannot be approved in its current form, the FDA sends the NDA applicant a Complete Response Letter identifying all outstanding deficiencies that preclude final approval. The FDA then halts its review until the applicant resubmits the NDA with new information designed to address the deficiencies. An applicant receiving a Complete Response Letter may resubmit the application with data and information addressing the FDA’s concerns or requirements, withdraw the application without prejudice to a subsequent submission of a related application or request a hearing on whether there are grounds for denying approval of the application. If a product receives regulatory approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. In addition, the FDA may require an applicant to conduct Phase 4 testing which involves clinical trials designed to further assess a drug’s safety and effectiveness after NDA approval, and may require surveillance programs to monitor the safety of approved products which have been commercialized. Once issued, the FDA may withdraw product approval if ongoing regulatory requirements are not met or if safety or efficacy questions are raised after the product reaches the market. The agency may also impose requirements that the NDA holder conduct new studies, make labeling changes, implement Risk Evaluation and Mitigation Strategies, and take other corrective measures.

Abbreviated New Drug Application (“ANDA”). For a generic version of an approved drug — a drug product that contains the same active ingredient as a drug previously approved by the FDA and is in the same dosage form and strength, utilizes the same method of delivery and will be used to treat the same indications as the approved product — the FDA requires only an abbreviated new drug application that ordinarily need not include clinical studies demonstrating safety and efficacy. An ANDA typically requires only data demonstrating that the generic formulation is bioequivalent to the previously approved “reference listed drug,” indicating that the rate of absorption and levels of concentration of the generic drug in the body do not show a significant difference from those of the reference listed drug. In July 2012, the Generic Drug Fee User Amendments of 2012 (“GDUFA”) was enacted into law. The GDUFA legislation implemented fees for new ANDA applications, Drug Master Files, product and establishment fees and a one-time fee for back-logged ANDA applications pending approval as of October 1, 2012. In return, the program was intended to provide faster and more predictable ANDA reviews by the FDA and increased inspections of drug facilities. Under GDUFA, generic product companies face significant penalties for failure to pay the new user fees, including rendering an ANDA application not “substantially complete” until the fee is paid. Prior to the implementation of GDUFA, the FDA took an average of approximately 30 months to approve an ANDA. Following the implementation of GDUFA, the FDA’s stated internal goal for ANDAs submitted in fiscal year 2016 was to have a “first-action” goal date within 15 months of submission on 75% of submitted ANDAs. The “first-action” goal date is referred to by the FDA as the date in which the FDA takes a first action on an application by either granting approval or tentative approval or in the event of deficiencies, identifying those deficiencies in a complete response letter or in a refusal to receive the application.

Under the Drug Price Competition and Patent Term Restoration Act of 1984, commonly known as the “Hatch-Waxman Act,” which established the procedures for obtaining approval of generic drugs, an ANDA filer must make certain patent certifications that can result in significant delays in obtaining FDA approval. If the applicant intends to challenge the validity or enforceability of an existing patent covering the reference listed drug or asserts that its drug does not infringe such patent, the applicant files a so called “Paragraph IV” certification and notifies the patent holder that it has done so, explaining the basis for its belief that the patent is not infringed or is invalid or unenforceable. If the patent holder initiates a patent infringement suit within 45 days after receipt of the Paragraph IV Certification, the FDA is automatically prevented from approving an ANDA until the earlier of 30 months after the date the Paragraph IV Certification is given to the patent holder, expiration of the patents involved in the certification, or when the infringement case is decided in the ANDA applicant’s favor. In addition, the first company to file an ANDA for a given drug containing a Paragraph IV certification can be awarded 180 days of market exclusivity following approval of its ANDA, during which the FDA may not approve any other ANDAs for that drug product.

During any period in which the FDA is required to withhold its approval of an ANDA due to a statutorily imposed non-approval period, the FDA may grant tentative approval to an applicant’s ANDA. A tentative approval reflects the FDA’s preliminary determination that a generic product satisfies the substantive requirements for approval, subject to the expiration of all statutorily imposed non-approval periods. A tentative approval does not allow the applicant to market the generic drug product.

The Hatch-Waxman Act contains additional provisions that can delay the launch of generic products. A five year marketing exclusivity period is provided for new chemical compounds, and a three year marketing exclusivity period is provided for approved applications containing new clinical investigations essential to an approval, such as a new indication for use, or new delivery technologies, or new dosage forms. The three year marketing exclusivity period applies to, among other things, the development of a novel drug delivery system, as well as a new use. In addition, companies can obtain six additional months of exclusivity if they perform pediatric studies of a reference listed drug product. The marketing exclusivity provisions apply to both patented and non-patented drug products. The Act also provides for patent term extensions to compensate for patent protection lost due to time taken in conducting FDA required clinical studies and during FDA review of NDAs.

The Generic Drug Enforcement Act of 1992 establishes penalties for wrongdoing in connection with the development or submission of an ANDA. In general, the FDA is authorized to temporarily bar companies, or temporarily or permanently bar individuals, from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market generic drugs under certain circumstances. In addition to debarment, the FDA has numerous discretionary disciplinary powers, including the authority to withdraw approval of an ANDA or to approve an ANDA under certain circumstances and to suspend the distribution of all drugs approved or developed in connection with certain wrongful conduct. The FDA may also withdraw product approval or take other correct measures if ongoing regulatory requirements are not met or if safety or efficacy questions are raised after the product reaches the market.

Other Regulatory Requirements

We are subject to the Maximum Allowable Cost Regulations, which limit reimbursements for certain generic prescription drugs under Medicare, Medicaid, and other programs to the lowest price at which these drugs are generally available. In many instances, only generic prescription drugs fall within the regulations' limits. Generally, the pricing and promotion of, method of reimbursement and fixing of reimbursement levels for, and the reporting to federal and state agencies relating to drug products is under active review by federal, state and local governmental entities, as well as by private third-party reimbursers and individuals under whistleblower statutes. At present, the Justice Department and U.S. Attorneys Offices and State Attorneys General have initiated investigations, reviews, and litigation into industry-wide pharmaceutical pricing and promotional practices, and whistleblowers have filed qui tam suits. We cannot predict the results of those reviews, investigations, and litigation, or their impact on our business.

Virtually every state, as well as the District of Columbia, has enacted legislation permitting the substitution of equivalent generic prescription drugs for brand-name drugs where authorized or not prohibited by the prescribing physician, and some states mandate generic substitution in Medicaid programs.

In addition, numerous state and federal requirements exist for a variety of controlled substances, such as narcotics, that may be part of our product formulations. The DEA, which has authority similar to the FDA's and may also pursue monetary penalties, and other federal and state regulatory agencies have far reaching authority.

The State of California requires that any manufacturer, wholesaler, retailer or other entity in California that sells, transfers, or otherwise furnishes certain so called precursor substances must have a permit issued by the California Department of Justice, Bureau of Narcotic Enforcement. The substances covered by this requirement include ephedrine, pseudoephedrine, norpseudoephedrine, and phenylpropanolamine, among others. The Bureau has authority to issue, suspend and revoke precursor permits, and a permit may be denied, revoked or suspended for various reasons, including (i) failure to maintain effective controls against diversion of precursors to unauthorized persons or entities; (ii) failure to comply with the Health and Safety Code provisions relating to precursor substances, or any regulations adopted thereunder; (iii) commission of any act which would demonstrate actual or potential unfitness to hold a permit in light of the public safety and welfare, which act is substantially related to the qualifications, functions or duties of the permit holder; or (iv) if any individual owner, manager, agent, representative or employee of the permit applicant/permit holder willfully violates any federal, state or local criminal statute, rule, or ordinance relating to the manufacture, maintenance, disposal, sale, transfer or furnishing of any precursor substances.

Patents, Trademarks and Licenses

We own or license a number of patents in the U.S. and other countries covering certain products and product candidates and have also developed brand names and trademarks for other products and product candidates. Generally, the brand pharmaceutical business relies upon patent protection to ensure market exclusivity for the life of the patent. We consider the overall protection of our patents, trademarks and license rights to be of material value and act to protect these rights from infringement. However, our business is not dependent upon any single patent, trademark or license.

In the branded pharmaceutical industry, the majority of an innovative product's commercial value is usually realized during the period in which the product has market exclusivity. In the U.S. and some other countries, when market exclusivity expires and generic versions of a product are approved and marketed, there can often be very substantial and rapid declines in the branded product's sales. The rate of this decline varies by country and by therapeutic category; however, following patent expiration, branded products often continue to have market viability based upon the goodwill of the product name, which typically benefits from trademark protection.

An innovator product's market exclusivity is generally determined by two forms of intellectual property: patent rights held by the innovator company and any regulatory forms of exclusivity to which the innovator is entitled.

Patents are a key determinant of market exclusivity for most branded pharmaceuticals. Patents provide the innovator with the right to exclude others from practicing an invention related to the medicine. Patents may cover, among other things, the active ingredient(s), various uses of a drug product, pharmaceutical formulations, drug delivery mechanisms and processes for (or intermediates useful in) the manufacture of products. Protection for individual products extends for varying periods in accordance with the expiration dates of patents in the various countries. The protection afforded, which may also vary from country to country, depends upon the type of patent, its scope of coverage and the availability of meaningful legal remedies in the country.

Market exclusivity is also sometimes influenced by regulatory exclusivity rights. Many developed countries provide certain non-patent incentives for the development of medicines. For example, the U.S., the EU and Japan each provide for a minimum period of time after the approval of a new drug during which the regulatory agency may not rely upon the innovator's data to approve a competitor's generic copy. Regulatory exclusivity rights are also available in certain markets as incentives for research on new indications, on orphan drugs and on medicines useful in treating pediatric patients. Regulatory exclusivity rights are independent of any patent rights and can be particularly important when a drug lacks broad patent protection. However, most regulatory forms of exclusivity do not prevent a competitor from gaining regulatory approval prior to the expiration of regulatory data exclusivity on the basis of the competitor's own safety and efficacy data on its drug, even when that drug is identical to that marketed by the innovator.

We estimate the likely market exclusivity period for each of our branded products on a case-by-case basis. It is not possible to predict the length of market exclusivity for any of our branded products with certainty because of the complex interaction between patent and regulatory forms of exclusivity, and inherent uncertainties concerning patent litigation. There can be no assurance that a particular product will enjoy market exclusivity for the full period of time that we currently estimate or that the exclusivity will be limited to the estimate.

In addition to patents and regulatory forms of exclusivity, we also market products with trademarks. Trademarks have no effect on market exclusivity for a product, but are considered to have marketing value. Trademark protection continues in some countries as long as used; in other countries, as long as registered. Registration is for fixed terms and may be renewed indefinitely.

Environmental Laws

We are subject to comprehensive federal, state and local environmental laws and regulations that govern, among other things, air polluting emissions, waste water discharges, solid and hazardous waste disposal and the remediation of contamination associated with current or past generation handling and disposal activities. We are subject periodically to environmental compliance reviews by various environmental regulatory agencies. While it is impossible to predict accurately the future costs associated with environmental compliance and potential remediation activities, compliance with environmental laws is not expected to require significant capital expenditures and has not had, and is not expected to have, a material adverse effect on our business, operations or financial condition.

Available Information

We maintain an Internet website at the following address: www.impaxlabs.com. We make available on or through our Internet website certain reports and amendments to those reports, as applicable, that we file with or furnish to the Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. Our website also includes our Code of Conduct and the charters of our Audit Committee, Nominating Committee, Compensation Committee and Compliance Committee of our Board of Directors. We make this information available on our website free of charge, as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The contents of our website are not incorporated by reference in this Annual Report on Form 10-K and shall not be deemed "filed" under the Exchange Act.

Corporate and Other Information

We were incorporated in the State of Delaware in 1995. Our corporate headquarters are located at 30831 Huntwood Avenue, Hayward, California, 94544. We were formerly known as Global Pharmaceutical Corporation until December 14, 1999, when Impax Pharmaceuticals, Inc., a privately held drug delivery company, merged into Global Pharmaceutical Corporation and the name of the resulting entity was changed to Impax Laboratories, Inc.

Unless otherwise indicated, all product sales data and U.S. market size data in this Annual Report on Form 10-K are based on information obtained from IQVA, formerly known as IMS Health, unrelated third-party providers of prescription market data. We did not independently engage IQVA to provide this information.

Employees

As of December 31, 2017, we had 1,257 full-time employees, of which 409 were in operations, 153 in research and development, 320 in the quality area, 210 in legal and administration, and 165 in sales and marketing. None of our employees are subject to collective bargaining agreements with labor unions, and we believe our employee relations are good.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. In deciding whether to invest in our common stock, you should consider carefully the following risk factors, as well as the other information included in this Annual Report on Form 10-K. The materialization of any of these risks could have a material adverse effect on our business, results of operations and financial condition. This Annual Report on Form 10-K contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from the results discussed in the forward looking statements. Factors that could cause or contribute to these differences include those discussed in this “Risk Factors” section. See “Forward-Looking Statements” on page 1 of this Annual Report on Form 10-K.

Risks Related to Our Business

Our operating results and financial condition could fluctuate significantly.

Our operating results and financial condition may vary significantly from year to year and quarter to quarter as well as in comparison to the corresponding year or quarter of the preceding year, as the case may be, for a number of reasons, including all the risks described in this section. We also cannot predict with any certainty the timing or level of sales of our products in the future. Our operating results and profitability are also dependent upon the costs for us to purchase products from third parties and our ability to manufacture our products in a cost effective manner. If we are unable to reduce our operating expenses to offset a decline in revenue of our products for a particular fiscal period due to existing or new competition, product supply or any other reasons, we could experience a material and adverse effect on our business, results of operations and financial condition in such periods.

Due to the fluctuations in our operating results and financial condition, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of our future performance and any full-year financial forecast should not be relied upon as a guarantee of future performance for that year or for any given quarter within that year. If our operating results fall below the expectations of investors or securities analysts, the value of our securities could decline substantially and our business, results of operations and financial condition could be materially and adversely affected, as further described below under the risk factor, “*The market price of our common stock has been volatile and may continue to be volatile in the future, and the value of any investment in our common stock could decline significantly.*”

The market price of our common stock has been volatile and may continue to be volatile in the future, and the value of any investment in our common stock could decline significantly.

The market price for our shares of common stock listed on the Nasdaq Stock Market has fluctuated significantly from time to time, for example, varying between a high of \$25.70 on September 21, 2017 to a low of \$7.75 on March 7, 2017 during the year ended December 31, 2017. The market price of our common stock is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market, industry and other factors, including the risks described in this section. Further, the stock market for pharmaceutical companies has recently experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. In particular, recent negative publicity regarding pricing and price increases by pharmaceutical companies has negatively impacted, and may continue to negatively impact, the market for pharmaceutical companies. These broad market and industry factors have negatively impacted, and in the future may seriously negatively impact, the market price of our common stock, regardless of our operating performance.

Our stock market price may also be dependent upon the valuations and recommendations of the analysts who cover our business. If our results do not meet these analysts’ forecasts, the expectations of our investors or the financial guidance we provide to investors in any period, the market price of our common stock could decline. In the past, following periods of volatility in the market or significant price decline, securities class-action litigation has often been instituted against companies and we have in the past been subject to such suits. Such suits could result in substantial costs and diversion of management’s attention and resources, which could materially and adversely affect our business, results of operations and financial condition.

Our continued growth is dependent on our ability to continue to successfully develop and commercialize new products in a timely manner.

Our financial results depend upon our ability to introduce and commercialize additional generic and branded products in a timely manner. As of December 31, 2017, we had 17 product applications pending at the FDA and 20 product candidates under development for generic versions of brand-name pharmaceuticals. In our branded products division, we have a few product candidates in various stages of development, including IPX203, a new extended-release oral capsule formulation of carbidopa and levodopa, as a potential treatment for symptoms of Parkinson's disease.

The future profitability of our Impax Generics Division depends, to a significant extent, upon our ability to introduce, on a timely basis, new generic products that are either the first-to-market (or among the first-to-market) or that otherwise can gain significant share during the 180-day marketing period as permitted by the Hatch-Waxman Act. The Hatch-Waxman amendments to the Federal Food, Drug, and Cosmetic Act provide for a period of 180 days of marketing exclusivity for a generic version of a previously approved drug for any applicant that is first-to-file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to the corresponding brand-name drug (commonly referred to as a "Paragraph IV certification"). ANDAs that contain Paragraph IV certifications challenging patents, however, generally become the subject of patent litigation that can be both lengthy and costly. We cannot assure that we will prevail in any such patent litigation, that we will be the first-to-file and be granted the 180-day marketing exclusivity period, or, if we are granted the 180-day marketing exclusivity period, that we will not forfeit such period. Even in the event where our ANDA is awarded marketing exclusivity, we may be required to share our exclusivity period with other ANDA applicants who submit Paragraph IV certifications. Further, branded pharmaceutical companies often authorize a generic version of the corresponding brand name drug to be sold during any period of marketing exclusivity that is awarded. Furthermore, timely commencement of the litigation by the patent owner imposes an automatic stay of ANDA approval by the FDA for 30 months, unless the case is decided in the ANDA applicant's favor during that period. Finally, if the court decision is adverse to the ANDA applicant, the ANDA approval will be delayed until the challenged patent expires, and the applicant will not be granted the 180-day marketing exclusivity. Our ability to timely bring our products to market is thus dependent upon, among other things, the timing of regulatory approval of our products, which to a large extent is outside of our control, as well as the timing of competing products. Our revenues and future profitability are also dependent, in large part, upon our ability or the ability of our development partners to file, timely and effectively, ANDAs with the FDA or to enter into collaboration agreements or other contractual relationships with third parties that have obtained marketing exclusivity.

The development and commercialization process for our branded products in the Impax Specialty Pharma Division is time-consuming, costly and involves processes and expertise that are different from those used in the development of our generic products, thus creating a higher degree of risk of failure. For example, the time from discovery to commercial launch of a branded specialty product can be 15 years or even longer, and involves multiple stages from intensive preclinical and clinical testing to a highly complex, lengthy and expensive approval process with the FDA. The longer it takes to develop a product, the less time there will be for us to recover our development costs and generate profits. The FDA and the regulatory authorities may not approve our products submitted to them or our other products under development. Additionally, we may not successfully complete our development efforts. Even if the FDA approves our products, we may not be able to market them successfully or profitably or our future results of operations will depend significantly upon our ability to timely develop, receive FDA approval for, and market new pharmaceutical products or otherwise acquire new products.

No assurances can be given that we will be able to develop and introduce commercially successful products in the future within the time constraints necessary to be successful. If we or our development partners are unable to continue to timely and effectively file ANDAs with the FDA or to partner with other parties that have obtained marketing exclusivity or if we are unable to timely develop and receive approval of our branded pipeline products, our revenues and operating results may decline significantly and our business, results of operations and financial condition could be materially and adversely affected.

We face intense competition from both brand-name and generic pharmaceutical companies.

The pharmaceutical industry is highly competitive and many of our competitors have longer operating histories and substantially greater financial, research and development, marketing, and other resources than we have. Further, the pharmaceutical industry has in recent years seen increased consolidation, resulting in larger competitors and placing further pressure on prices, development activities and customer retention. In addition, pharmaceutical manufacturers' customer base consists of an increasingly limited number of large pharmaceutical wholesalers, chain drug stores that warehouse products, mass merchandisers and mail order pharmacies. Our competitors may be able to develop products competitive with or more effective or less expensive than our own for many reasons, including that they may have:

- proprietary processes or delivery systems;
- greater resources in the area of research and development and marketing;

- larger or more efficient production capabilities;
- more expertise in a particular therapeutic area;
- more expertise in preclinical testing and human clinical trials;
- more experience in obtaining required regulatory approvals, including FDA approval;
- more breadth of products; or
- more experience in developing new drugs and financial resources, particularly with regard to brand manufacturers.

In the generic products market, we face competition from other generic pharmaceutical companies, which may impact our selling price and revenues from such products. The FDA approval process often results in the FDA granting final approval to a number of ANDAs for a given product at the time a patent for a corresponding brand product or other market exclusivity expires. This often forces us to face immediate competition when we introduce a generic product into the market. As competition from other generic pharmaceutical companies intensifies, selling prices and gross profit margins often decline, which has been our experience with our existing products. Moreover, with respect to products for which we file a Paragraph IV certification, if we are not the first ANDA filer challenging a listed patent for a product, we are at a significant disadvantage to the competitor that first filed an ANDA for that product containing such a challenge, which is awarded 180 days of market exclusivity for the product. Conversely, in some cases when we are the first ANDA filer to challenge a listed patent, we may forfeit our 180 days of market exclusivity under certain circumstances. In that case, a competitor may obtain ANDA approval earlier than we obtain ANDA approval, in which case we will be at a disadvantage to such competitor. Accordingly, the level of market share, revenue and gross profit attributable to a particular generic product that we develop is generally related to the number of competitors in that product's market and the timing of that product's regulatory approval and launch, in relation to competing approvals and launches. Although we cannot assure, we strive to develop and introduce new products in a timely and cost effective manner to be competitive in our industry (see "Item 1. Business — Regulation"). Additionally, ANDA approvals often continue to be granted for a given product subsequent to the initial launch of the generic product. These circumstances generally result in significantly lower prices and reduced margins for generic products compared to brand products. New generic market entrants generally cause continued price and margin erosion over the generic product life cycle.

In addition to the competition we face from other generic pharmaceutical companies related to our generic products, we also face competition from brand-name pharmaceutical companies that may try to prevent, discourage or delay the use of generic versions through various measures, including introduction of new branded products, legislative initiatives, changing dosage forms or dosing regimens, regulatory processes, filing new patents or patent extensions, lawsuits, citizens' petitions, and negative publicity prior to introduction of a generic product. In addition, brand-name competitors may lower their prices to compete with generic products, increase advertising, or launch, either through an affiliate or licensing arrangements with another company, an authorized generic at or near the time the first generic product is launched, reducing the generic product market exclusivity provided by the Hatch-Waxman Act.

Our principal competitors in the generic pharmaceutical products market are Teva Pharmaceutical Industries Ltd., Mylan N.V., Cipla, Inc, Lannett Company, Inc., Lupin Pharmaceuticals, Inc., and Sandoz.

In the brand-name pharmaceutical market, our principal competitors are pharmaceutical companies that are focused on Parkinson's disease and other CNS disorders, many of whom have substantially greater resources and longer operating histories and experience with the development, marketing and/or acquisition of branded products. Such companies have greater resources to devote to the marketing of new products and as such, we face increased pressure to demonstrate to our physicians, patients and third party payors the benefits of our branded products compared to competing or comparable products, whose benefits may be more familiar or better established. Further, our branded products also face competition from generic companies who may develop and receive approval on generic versions of our products, resulting in decreased selling price and reduced revenue from the sale of such products. For instance, we have filed suits against Actavis Laboratories, Inc., Sandoz Inc. and Zydus Pharmaceuticals USA relating to their respective ANDAs for carbidopa and levodopa extended release capsules, generic to Rytary® (see "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 19. Legal and Regulatory Matters" for a description of the suits). If such litigation is resolved unfavorably for us such that we are unable to rely on our patent protection for Rytary® as a barrier to entry of potential generic versions of the product, we may experience significant decreased revenue from sales of Rytary® which could materially and adversely affect our business, results of operations and financial condition.

Manufacturing or quality control problems may damage our reputation for quality production, demand costly remedial activities and negatively impact our business, results of operations and financial condition.

As a pharmaceutical company, we are subject to substantial regulation by various governmental authorities. For instance, we must comply with requirements of the U.S. Food and Drug Administration (“FDA”) and other healthcare regulators with respect to the manufacture, labeling, sale, distribution, marketing, advertising, promotion and development of pharmaceutical products. We must register our facilities, whether located in the United States or elsewhere, with the FDA as well as regulators outside the United States, and our products must be made in a manner consistent with current good manufacturing practices (“cGMP”), or similar standards in each territory in which we manufacture. 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.

In addition, the FDA and other agencies periodically inspect our manufacturing facilities. Following an inspection, an agency may issue a notice listing conditions that are believed to violate cGMP or other regulations, or a warning letter for violations of “regulatory significance” that may result in enforcement action if not promptly and adequately corrected. We have in the past received a warning letter from the FDA regarding certain operations within our manufacturing network at our Hayward manufacturing facility, which we subsequently resolved in 2015. We remain committed to continuing to improve our quality control and manufacturing practices; however, we cannot be assured that the FDA will continue to be satisfied with our corrective actions and with our quality control and manufacturing systems and standards. Failure to comply strictly with these regulations and requirements may damage our reputation and lead to financial penalties, compliance expenditures, the recall or seizure of products, total or partial suspension of production and/or distribution, withdrawal or suspension of the applicable regulator’s review of our submissions, enforcement actions, injunctions and criminal prosecution. Further, other federal agencies, our customers and partners in our alliance, development, collaboration and other partnership agreements with respect to our products and services may take any such FDA observations or warning letters into account when considering the award of contracts or the continuation or extension of such partnership agreements. Because regulatory approval to manufacture a drug is site-specific, the delay and cost of remedial actions, or obtaining approval to manufacture at a different facility, could negatively impact our business. Any failure by us to comply with applicable laws and regulations and/or any actions by the FDA and other agencies as described above could have a material adverse effect on our business, financial position and results of operations.

If we are unable to manage our growth, our business will suffer.

We have experienced rapid growth in the past several years, including through acquisitions such as the Teva Transaction in 2016, and we anticipate continued rapid expansion in the future, including through our proposed business combination with Amneal as described above under “Item 1. Business - Business Combination with Amneal Pharmaceuticals LLC”. This growth has required us to expand, upgrade, and improve our administrative, operational, and management systems, internal controls and resources. Although we cannot assure you that we will, in fact, grow as we expect, if we fail to manage growth effectively or to develop a successful marketing approach, our business and financial results will be materially harmed. We may also seek to expand our business through complementary or strategic acquisitions of other businesses, products or assets, or through joint ventures, strategic agreements or other arrangements. Any such acquisitions, joint ventures or other business combinations may involve significant integration challenges, operational complexities and time consumption and require substantial resources and effort. It may also disrupt our ongoing businesses, which may adversely affect our relationships with customers, employees, regulators and others with whom we have business or other dealings. Further, if we are unable to realize synergies or other benefits expected to result from any acquisitions, joint ventures or other business combinations, or to generate additional revenue to offset any unanticipated inability to realize these expected synergies or benefits, our growth and ability to compete may be impaired, which would require us to focus additional resources on the integration of operations rather than other profitable areas of our business, and may otherwise cause a material adverse effect on our business, results of operations and financial condition.

We may make acquisitions of, or investments in, complementary technologies, businesses or products, which may be on terms that are not commercially advantageous, may require additional debt or equity financing, and may involve numerous risks, including the risks that we may be unable to integrate the acquired business successfully and that we may assume liabilities that adversely affect us.

We regularly review the potential acquisition of technologies, products, product rights and complementary businesses. We may choose to enter into such transactions at any time. Nonetheless, we cannot provide assurance that we will be able to identify suitable acquisition or investment candidates. To the extent that we do identify candidates that we believe to be suitable, we cannot provide assurance that we will be able to make such acquisitions or investments on commercially advantageous terms or at all. Further, there are a number of risks and uncertainties relating to closing such transactions. If such transactions are not completed for any reason, we will be subject to several risks, including the following: (i) the market price of shares of our common stock may reflect a market assumption that such transactions will occur, and a failure to complete such transactions could result in a negative perception by the market of us generally and a decline in the market price of our common stock; and (ii) many costs relating to the such transactions may be payable by us whether or not such transactions are completed.

If we make any acquisitions or investments, we may finance such acquisitions or investments through our cash reserves, debt financing, or by issuing additional equity securities, which could dilute the holdings of our then-existing stockholders. If we require financing, we cannot provide assurance that we will be able to obtain required financing when needed on acceptable terms or at all. Any such acquisitions or investments could also result in an increase in goodwill, intangible assets and amortization expenses that could ultimately negatively impact our profitability. As further described below under the risk factor “Our significant balances of intangible assets, including product rights and goodwill acquired, are subject to impairment testing,” if the fair value of our goodwill or intangible assets is determined at some future date to be less than its recorded value, a charge to earnings may be required. Further, our consolidated financial statements may also be impacted in future periods based on the accuracy of our valuations of any businesses or assets we acquire. Such a charge to earnings or impact on our consolidated financial statements could be in amounts that are material to our business, results of operations and financial condition.

Additionally, acquisitions involve numerous risks, including difficulties in assimilating the personnel, operations and products of the acquired companies, the diversion of management’s attention from other business concerns, risks of entering markets in which we have limited or no prior experience, and the potential loss of key employees of the acquired company. There may be overlap between our products or customers and those of an acquired entity that may create conflicts in relationships or other commitments detrimental to the integrated businesses. If we are unable to successfully or timely integrate the operations of acquired companies with our business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies and other anticipated benefits resulting from the acquisition, and our business, results of operations and financial condition could be materially and adversely affected.

As a result of acquiring businesses, we may incur significant transaction costs, including substantial fees for investment bankers, attorneys, accountants and financial printing. Any acquisition could result in our assumption of unknown and/or unexpected, perhaps material liabilities. Additionally, in any acquisition agreement, the negotiated representations, warranties and agreements of the selling parties may not entirely protect us, and liabilities resulting from any breaches could exceed negotiated indemnity limitations.

Our significant balances of intangible assets, including product rights and goodwill acquired, are subject to impairment testing and may result in impairment charges. Impairment charges, and the factors contributing to the incurrence of such impairment charges, could have a material and adverse effect on our business, financial position and results of operations.

A significant amount of our total assets is related to acquired intangible assets and goodwill. At December 31, 2017, the carrying value of our goodwill, which includes goodwill generated as a result of the Tower Acquisition, in addition to goodwill generated as a result of the December 1999 merger of Global Pharmaceuticals Corporation and Impax Pharmaceuticals, Inc., was \$207.3 million, or approximately 15% of our total assets. At December 31, 2017, the carrying value of our acquired intangible assets, composed of currently marketed product rights, in-process research and development product rights, and future royalties was \$262.5 million, or approximately 19% of our total assets.

We have in recent years seen significant balances of intangible assets on our consolidated balance sheet. For instance, the carrying value of our intangible assets was \$262.5 million and \$620.5 million during the years ended December 31, 2017 and December 31, 2016, respectively. We regularly evaluate and will continue to regularly evaluate whether events or circumstances have occurred to indicate all, or a portion, of the carrying amount of intangible assets or goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary. As part of our regular evaluation, we test indefinite-lived intangible assets and goodwill for impairment at least annually during the fourth quarter of our fiscal year, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, Intangibles - Goodwill and Other.

We may never fully realize the value of our intangibles assets and goodwill on our consolidated balance sheet, and we have in recent years incurred a significant amount of intangible asset impairment charges as a result of our recent acquisitions, such as the Teva Transaction. For instance, during the year ended December 31, 2017, we recognized a total of \$289.7 million of intangible asset impairment charges, with a significant portion of such charges attributable to products acquired in the Teva Transaction as a result of manufacturing issues, product launch delays, increased competition or significant price or volume erosion without an offsetting increase in customer demand.

There was no impairment charge related to goodwill as a result of our annual testing in 2017.

Any future acquisitions or investments in businesses could also result in an increase in goodwill, intangible assets and amortization expenses that could have a negative impact on our profitability. If the fair value of our goodwill or intangible assets is determined at some future date to be less than its recorded value, a charge to earnings may be required. Any such charge or future determination requiring the write-off of a significant portion of the carrying value of our goodwill or intangible assets, and the factors leading to the incurrence of such charges or write-off, could have a material adverse effect on our business, results of operations and financial condition.

A substantial portion of our total revenues is derived from sales to a limited number of customers.

We derive a substantial portion of our revenue from sales to a limited number of customers. In 2017, our three major customers, Cardinal Health, McKesson Corporation, and Amerisource-Bergen, accounted for 33%, 30%, and 25%, respectively, or an aggregate of 88%, of our gross revenue.

Our net sales and quarterly growth comparisons may also be affected by fluctuations in the buying patterns of our customers, whether resulting from pricing, wholesaler buying decisions or other factors. Since such a significant portion of our revenues is derived from relatively few customers, any financial difficulties experienced by a single customer, any delay in receiving payments from a single customer, or any reduction or loss of business with one of these customers, could have a material adverse effect on our business, results of operations and financial condition.

A substantial portion of our total revenues is derived from sales of a limited number of products.

We derive a substantial portion of our revenue from sales of a limited number of products. In 2017, our significant products accounted for 15%, 12%, 9%, 7% and 7%, or an aggregate of 50%, of our product sales, net. The sale of our products can be significantly influenced by market conditions, as well as regulatory actions. We may experience decreases in the sale of our products in the future as a result of actions taken by our competitors, such as price reductions, or as a result of regulatory actions related to our products or to competing products, which could have a material impact on our results of operations. Actions which could be taken by our competitors, which may materially and adversely affect our business, results of operations and financial condition, may include, without limitation, pricing changes and entering or exiting the market for specific products.

Sales volume and prices of our products may be adversely affected by the continuing trend of consolidation of certain customer groups, which could have a material and adverse effect on our business, results of operations and financial condition.

A significant proportion of our sales is made to relatively few retail drug chains, wholesalers, and managed care organizations. These customers are continuing to undergo significant consolidation. Such consolidation has provided and may continue to provide them with additional purchasing leverage, and consequently may increase the pricing pressures that we face. Additionally, the emergence of large buying groups representing independent retail pharmacies, and the prevalence and influence of managed care organizations and similar institutions, enable those groups to extract price discounts on our products. For example, there has been a recent trend of large wholesalers and retailer customers forming partnerships, such as the alliance between Walgreens and AmerisourceBergen Corporation, the alliance between Rite Aid and McKesson Drug Company, and the alliance between CVS Caremark and Cardinal Health. Increased pricing pressure and other adverse effects from the continued consolidation of our customers and the creation of partnerships between wholesalers and retailer customers could have a material and adverse effect on our business, results of operations and financial condition.

We have experienced operating losses and negative cash flow from operations in the past, and our future profitability is uncertain.

We experienced net losses during the years ended December 31, 2017 and 2016 and cannot assure that our business will return to profitability or generate positive cash flow in the future. To remain operational and profitable, we must, among other things:

- obtain FDA approval of our products;
- successfully launch and market new products;
- prevail in patent infringement litigation in which we are involved;
- continue to generate or obtain sufficient capital on acceptable terms to fund our operations; and
- comply with the many complex governmental regulations that deal with virtually every aspect of our business activities.

We have recorded a valuation allowance against our deferred tax assets, which could reduce our earnings and have a material adverse effect on our business, results of operations and financial condition.

Our inability to realize deferred tax assets may have a material and adverse effect on our business, results of operations and financial condition. Deferred tax assets are recorded for net operating losses and temporary differences between the book and tax basis of assets and liabilities expected to produce tax deductions in future periods. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets would be deductible. We assess the realizability of the deferred tax assets each period by considering whether it is more likely than not that all or a portion of our deferred tax assets will not be realized. If we conclude that it is more likely than not that the deferred tax assets will not be realized, we record a valuation allowance against the net deferred tax asset. For instance, when we experienced an operating loss for the year ended December 31, 2016, we recorded a valuation allowance against a significant portion of our net deferred tax assets we subsequently recorded a valuation allowance against all of our net deferred tax assets for the year ended December 31, 2017 for the reasons outlined below. We incurred operating losses for the years ended December 31, 2016 and December 31, 2017 largely due in part to impairment charges we incurred during each of the years. As part of our evaluations for the years ended December 31, 2016 and December 31, 2017, we weighed both the positive and negative evidence available, such as scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences and carryforwards to outweigh objective negative evidence of financial reporting losses. In addition, due to the elimination of the net operating loss carryback pursuant to the Tax Cuts and Jobs Act (the "2017 Tax Reform Act"), we excluded 2016 taxable income as a source of taxable income to realize the deferred tax asset. Based on an evaluation of both the positive and negative evidence available we determined that it was necessary to continue to record a valuation allowance against all of our net deferred tax assets that we recorded during the year ended December 31, 2016 and for the year ended December 31, 2017 as well. The valuation allowance reduces earnings and our shareholders' equity and increases the balance sheet leverage as measured by debt-to-total capitalization. The valuation allowance will remain until such time, if ever, that we can determine that the net deferred tax assets are more likely than not to be realized.

The terms of our revolving credit facility, term loan facility, and the indenture governing our 2.00% Convertible Senior Notes Due June 2022 impose financial and operating restrictions on us.

We have a \$200.0 million senior secured revolving credit facility (the "Revolving Credit Facility") and a \$400.0 million term loan (the "Term Loan Facility", and together with the Revolving Credit Facility, the "RBC Credit Facilities") pursuant to an amended credit agreement, dated as of August 3, 2016, by and among us, the lenders party thereto from time to time and Royal Bank of Canada, as administrative agent and collateral agent. We are also party to an indenture dated June 30, 2015 between us and Wilmington Trust, National Association (the "Indenture") governing our 2.00% Convertible Senior Notes due 2022 (the "Notes"). Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 10. Debt" for a detailed description of our outstanding indebtedness.

Our RBC Credit Facilities and Indenture contain a number of negative covenants that limit our ability to engage in activities. These covenants limit or restrict, among other things, our ability to:

- incur additional debt, guarantee other obligations or grant liens on our assets;
- make certain loans or investments;
- undertake certain acquisitions, mergers or consolidations, or dispose of assets;
- make optional payments or modify certain debt instruments;
- pay dividends or other payments on our capital stock, enter into arrangements that restrict our and our restricted subsidiaries' ability to pay dividends or grant liens; or
- engage in certain transactions with our affiliates.

The terms of our RBC Credit Facilities also include a financial covenant which requires us to maintain a certain total net leverage ratio. These limitations and restrictions may adversely affect our ability to finance our future operations or capital needs or engage in other business activities that may be in our best interests. If we breach any of the covenants in our RBC Credit Facilities or Indenture, we may be in default and our borrowings under the facilities and the Notes could be declared due and payable, including accrued interest and other fees, which could have a material adverse effect on our business, results of operations and financial condition.

Our level of indebtedness and liabilities could limit cash flow available for our operations, expose us to risks that could adversely affect our business, results of operations and financial condition and impair our ability to satisfy our obligations under our convertible notes and other debt instruments.

At December 31, 2017, our total consolidated liabilities were \$1.2 billion, including \$600.0 million of outstanding convertible notes and a \$325.0 million term loan. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 10. Debt" for a detailed description of our outstanding indebtedness. We may also incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business;
- dilution experienced by our existing stockholders as a result of the conversion of the convertible notes into shares of common stock; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We cannot assure you that we will be able to continue to maintain sufficient cash reserves or continue to generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, or that our cash needs will not increase. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of our indebtedness then outstanding, we would be in default, which would permit the holders of the affected indebtedness to accelerate the maturity of such indebtedness and could cause defaults under our other indebtedness. Any default under any indebtedness could have a material adverse effect on our business, results of operations and financial condition.

We may need to raise additional funds in the future which may not be available on acceptable terms or at all.

We may consider issuing additional debt or equity securities in the future to fund potential acquisitions or investments, to refinance existing debt, or for general corporate purposes. If we issue equity, convertible preferred equity or convertible debt securities to raise additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing shareholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses and potentially lowering our credit ratings. We may not be able to market such issuances on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated customer requirements.

Any delays or unanticipated expenses in connection with the operation of our facility or at one of our third party suppliers could have a material adverse effect on our business.

During the year ended December 31, 2017, we closed our Middlesex, New Jersey manufacturing facility and announced that we have entered into a stock and purchase agreement with a third party pursuant to which we subsequently sold Impax Laboratories (Taiwan) Inc. ("Impax Taiwan"), our wholly owned subsidiary which owns our manufacturing facility in Taiwan, R.O.C.; the sale subsequently closed in February 2018. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 15. Restructurings." As such, we are increasingly dependent on our manufacturing facility located in Hayward, California and on our third party suppliers to manufacture our products. A significant disruption at our Hayward facility or at any of our third party suppliers, even on a short-term basis, whether due to an adverse quality or compliance observation, including a total or partial suspension of production and/or distribution by regulatory authorities, an act of God, terrorism, civil or political unrest, or other events could impair our ability to produce and ship products to the market on a timely basis and could, among other consequences, subject us to exposure to claims from customers. Any of these events could have a material adverse effect on our business, results of operations and financial condition.

Our business is subject to the economic, political, legal and other risks of maintaining facilities and conducting clinical trials in foreign countries.

We conduct certain operations in foreign countries, primarily related to clinical trials for our product candidates at various sites in Europe. These foreign operations are subject to risks inherent in maintaining operations and doing business abroad, such as economic and political destabilization, international conflicts, restrictive actions by foreign governments, expropriation or nationalization of property, changes in laws and regulations, changes in regulatory requirements, the difficulty of effectively managing diverse global operations, adverse foreign tax or tariff laws, more limited intellectual property protection in certain foreign jurisdictions, and the threat posed by potential international disease pandemics in countries that do not have the resources necessary to deal with such outbreaks. Further, as our global operations require compliance with a complex set of foreign and U.S. laws and regulations, including data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act of 1977, as amended, and local laws which also prohibit payments to governmental officials or certain payments or remunerations to customers, there is a risk that some provisions may be inadvertently breached. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. These foreign economic, political, legal and other risks could impact our operations and have an adverse effect on our business, results of operations and financial condition.

We are involved in various legal proceedings, including patent litigation that can delay or prevent our commercialization of generic products or accelerate generic competition for our branded products, all of which are uncertain, force us to incur substantial expense to defend and/or expose us to substantial liability.

Patent infringement litigation involves many complex technical and legal issues and its outcome is often difficult to predict, and the risk involved in doing so can be substantial. For generic product manufacturers, the potential consequences to such generic companies in the event of an unfavorable outcome include delaying generic launch until patent expiration and potential damages measured by the profits lost by the branded product manufacturer rather than the profits earned by the generic pharmaceutical company. For brand drug manufacturers, an unfavorable outcome may significantly accelerate generic competition ahead of patent expiration. Such litigation usually involves significant expense and can delay or prevent introduction or sale of our products. Our generic products division is routinely subject to patent infringement litigation brought by branded pharmaceutical manufacturers seeking to delay FDA approval to manufacture and market generic forms of their branded products. Likewise, our branded products division is currently involved in patent infringement litigation against generic drug manufacturers seeking FDA approval to market their generic drugs prior to expiration of patents covering our branded products.

We and/or our third party partners are routinely subject to patent infringement suits related to our Generics Division products, including as of December 31, 2017, suits related to our oxycodone hydrochloride tablets, apixaban tablets and dimethyl fumarate capsules. If this or any of our future patent litigation matters involving generic products are resolved unfavorably, we or our alliance or collaboration partners may be enjoined from manufacturing, developing or selling the generic product that is the subject of such litigation without a license from the other party. In addition, if we decide to market and sell generic products prior to the resolution of patent infringement suits, we could be held liable for lost profits if we are found to have infringed a valid patent, or liable for treble damages if we are found to have willfully infringed a valid patent. In our branded products division, as of December 31, 2017, we were involved in two patent infringement suits related to Zomig® nasal spray and three patent infringement suits related to Rytary®. If these patent litigation matters involving our branded products are resolved unfavorably, our Zomig® nasal spray product and/or Rytary® may face generic competition significantly earlier than the date of patent expirations for the products. We have incurred substantial expense to defend the foregoing patent litigation suits; during fiscal year 2017, we incurred costs of \$5.1 million in connection with our participation in the patent litigation matters described above, as well as for other matters that were resolved in 2017. Although it is not currently possible to quantify the liability we could incur if any of the above referenced patent litigation suits are decided against us, any unfavorable outcome on such matters could have a material adverse effect on our business, results of operations and financial condition.

In addition to patent infringement litigation claims, we are or may become a party to other litigation in the ordinary course of our business, including, among others, matters alleging product liability, other intellectual property rights infringement, violations of securities laws, employment discrimination or breach of commercial contract. A detailed description of our significant legal proceedings are described in “Item 15. Exhibits and Financial Statement Schedules – Notes to Consolidated Financial Statements - Note 19. Legal and Regulatory Matters.” In general, litigation claims can be expensive and time consuming to bring or defend against and could result in settlements or damages that could have a material adverse effect on our business, results of operations and financial condition.

Our agreements to settle patent litigations, which are important to our business, are facing increased government scrutiny in the United States, which may result in increased government actions and private litigation suits.

We are involved in numerous patent litigations in which we challenge the validity or enforceability of innovator companies’ listed patents and/or their applicability to our generic pharmaceutical products, as well as patent infringement litigation in which generic companies challenge the validity or enforceability of our patents and/or their applicability to their generic pharmaceutical products, and therefore settling patent litigations has been and is likely to continue to be an important part of our business. Parties to such settlement agreements in the United States, including us, are required by law to file them with the Federal Trade Commission (“FTC”) and the Antitrust Division of the Department of Justice for review. The FTC has publicly stated that, in its view, some of the brand - generic settlement agreements violate the antitrust laws and has brought actions against some brand and generic companies that have entered into such agreements. In June 2013, the U.S. Supreme Court in its decision in *FTC v. Actavis* determined that “reverse payment” settlement agreements between brand and generic companies could violate antitrust laws. The Supreme Court held that such settlement agreements are neither immune from antitrust attack nor presumptively illegal but rather should be analyzed under the “Rule of Reason.” It is currently uncertain the effect the Supreme Court’s decision will have on our existing settlement agreements or its impact on our ability to enter into such settlement agreements in the future or the terms thereof. The Supreme Court’s decision may result in heightened scrutiny from the FTC of such settlement agreements and we may become subject to increased FTC investigations or enforcement actions arising from such settlement agreements. Further, private plaintiffs, including direct and indirect purchasers of our products, may also become more active in bringing private litigation claims against us and other brand and generic pharmaceutical companies alleging that such settlement agreements violate antitrust laws.

Our approved products may not achieve expected levels of market acceptance.

Even if we are able to obtain regulatory approvals for our new products, the success of those products is dependent upon market acceptance. Levels of market acceptance for our new products could be affected by several factors, including:

- the availability of alternative products from our competitors;
- the prices of our products relative to those of our competitors;
- the timing of our market entry;
- the ability to market our products effectively at the retail level;
- the perception of patients and the healthcare community, including third-party payors, regarding the safety, efficacy and benefits of our drug products compared to those of competing products; and
- the acceptance of our products by government and private formularies.

Some of these factors are not within our control, and our products may not achieve expected levels of market acceptance. Additionally, continuing and increasingly sophisticated studies of the proper utilization, safety and efficacy of pharmaceutical products are being conducted by the industry, government agencies and others which can call into question the utilization, safety and efficacy of previously marketed products. In some cases, studies have resulted, and may in the future result, in the discontinuance of product marketing or other risk management programs such as the need for a patient registry.

Our business is highly dependent on market perceptions of us and the safety and quality of our products. Our business, products or product pricing could be subject to negative publicity, which could have a material adverse effect on our business, results of operations and financial condition.

Market perceptions of our business are very important to us, especially market perceptions of the safety and quality of our products. If any of our products or similar products that other companies distribute are subject to market withdrawal or recall or are proven to be, or are claimed to be, harmful to consumers, then this could have a material adverse effect on our business, results of operations and financial condition. Also, because our business is dependent on market perceptions, negative publicity associated with product quality, illness or other adverse effects resulting from, or perceived to be resulting from, our products could have a material adverse impact on our business, results of operations and financial condition.

The generic pharmaceutical industry has also in recent years been the subject of significant publicity regarding the pricing of pharmaceutical products more generally, including publicity and pressure resulting from prices charged by competitors and peer companies for new products as well as price increases by competitors and peer companies on older products that the public has deemed excessive. Any downward pricing pressure on the price of certain of our products arising from social or political pressure to lower the cost of pharmaceutical products could have a material adverse impact on our business, results of operations and financial condition.

Accompanying the press and media coverage of pharmaceutical pricing practices and public complaints about the same, there has been increasing U.S. federal and state legislative and enforcement interest with respect to drug pricing. For instance, the United States Department of Justice issued subpoenas to pharmaceutical companies, including us, seeking information about the sales, marketing and pricing of certain generic drugs. A detailed description of the United States Department of Justice's investigation is described in "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 19. Legal and Regulatory Matters". In addition to the effects of any investigations or claims brought against us, our business, results of operations and financial condition could also be adversely affected if any such inquiries, of us or of other pharmaceutical companies or the industry more generally, were to result in legislative or regulatory proposals that limit our ability to increase the prices of our products.

We may discontinue the manufacture and distribution of certain existing products, which may adversely impact our business, results of operations and financial condition.

We continually evaluate the performance of our products, and may determine that it is in our best interest to discontinue the manufacture and distribution of certain of our products. We cannot guarantee that we have correctly forecasted, or will correctly forecast in the future, the appropriate products to discontinue or that our decision to discontinue various products is prudent if market conditions change. In addition, we cannot assure you that the discontinuance of products will reduce our operating expenses or will not cause us to incur material charges associated with such a decision. Furthermore, the discontinuance of existing products entails various risks, including, in the event that we decide to sell the discontinued product, the risk that we will not be able to find a purchaser for such products or that the purchase price obtained will not be equal to at least the book value of the net assets for such products. Other risks include managing the expectations of, and maintaining good relations with, our customers who previously purchased products from our discontinued products, which could prevent us from selling other products to them in the future. Moreover, we may incur other significant liabilities and costs associated with our discontinuance of products, which could have a material adverse effect on our business, results of operations and financial condition.

We expend a significant amount of resources on research and development efforts that may not lead to successful product introductions or the recovery of our research and development expenditures.

We conduct research and development primarily to enable us to manufacture and market pharmaceuticals in accordance with FDA regulations. We spent \$80.8 million, \$80.5 million and \$70.6 million on research and development activities during the years ended December 31, 2017, 2016 and 2015, respectively. We are required to obtain FDA approval before marketing our drug products. The FDA approval process is costly and time consuming. Typically, research expenses related to the development of innovative products and the filing of NDAs are significantly greater than those expenses associated with ANDAs. As we continue to develop new products, our research expenses will likely increase. Because of the inherent risk associated with research and development efforts in our industry, our research and development expenditures may not result in the successful introduction of FDA-approved pharmaceuticals.

Our bioequivalence studies, other clinical studies and/or other data may not result in FDA approval to market our new drug products. While we believe that the FDA's ANDA procedures will apply to our bioequivalent versions of branded drugs, these drugs may not be suitable for, or approved as part of, these abbreviated applications. In addition, even if our drug products are suitable for FDA approval by filing an ANDA, the abbreviated applications are costly and time consuming to complete. After we submit a NDA or ANDA, the FDA may require that we conduct additional studies, and as a result, we may be unable to reasonably determine the total research and development costs to develop a particular product. Also, for products pending approval, we may obtain raw materials or produce batches of inventory to be used in anticipation of the product's launch. In the event that FDA approval is denied or delayed, we could be exposed to the risk of this inventory becoming obsolete. Finally, we cannot be certain that any investment made in developing products or product-delivery technologies will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not able, ultimately, to introduce successful new products or new delivery technologies as a result of those efforts, we will be unable to recover those expenditures.

The time necessary to develop generic drugs may adversely affect whether, and the extent to which, we receive a return on our capital.

We generally begin our development activities for a new generic drug product several years in advance of the patent expiration date of the brand-name drug equivalent. The development process, including drug formulation, testing, and FDA review and approval, often takes three or more years. This process requires that we expend considerable capital to pursue activities that do not yield an immediate or near-term return. Also, because of the significant time necessary to develop a product, the actual market for a product at the time it is available for sale may be significantly less than the originally projected market for the product. If this were to occur, our potential return on our investment in developing the product, if approved for marketing by the FDA, would be adversely affected and we may never receive a return on our investment in the product. It is also possible for the manufacturer of the brand-name product for which we are developing a generic drug to obtain approvals from the FDA to switch the brand-name drug from the prescription market to the OTC market. If this were to occur, we would be prohibited from marketing our product other than as an OTC drug, in which case revenues could be substantially less than we anticipated.

Research and development efforts invested in our branded pharmaceutical products may not achieve expected results.

We invest increasingly significant resources to develop our branded products, both through our own efforts and through collaborations, in-licensing and acquisition of products from or with third parties. The development of proprietary branded drugs involves processes and expertise different from those used in the development of generic products, which increases the risks of failure that we face. For example, the time from discovery to commercial launch of a branded product can be 15 years or even longer, and involves multiple stages: not only intensive preclinical and clinical testing, but also highly complex, lengthy and expensive approval processes which can vary from country to country. The longer it takes to develop a product, the longer time it may take for us to recover our development costs and generate profits, if at all.

During each development stage, we may encounter obstacles that delay the process or approval and increase expenses, leading to significant risks that we will not achieve our goals and may be forced to abandon a potential product in which we have invested substantial amounts of time and money. These obstacles may include: preclinical failures; difficulty enrolling patients in clinical trials; delays in completing formulation and other work needed to support an application for approval; adverse reactions or other safety concerns arising during clinical testing; insufficient clinical trial data to support the safety or efficacy of the product candidate; and failure to obtain, or delays in obtaining, the required regulatory approvals for the product candidate or the facilities in which it is manufactured. As a result of the obstacles noted above, our investment in research and development of branded products can involve significant costs with no assurances of future revenues or profits.

Approvals for our new generic drug products may be delayed or become more difficult to obtain if the FDA institutes changes to its approval requirements.

The FDA may institute changes to its ANDA approval requirements, such as implementing new or additional fees similar to the fees imposed by the Generic Drug Fee User Amendments of 2012 (“GDUFA”) and its second iteration (GDUFA II), which may make it more difficult or expensive for us to obtain approval for our new generic products. The FDA may also implement other changes that may directly affect some of our ANDA filings pending approval from the FDA, such as changes to guidance from the FDA regarding bioequivalency requirements for particular drugs. Such changes may cause our development of such generic drugs to be significantly more difficult or result in delays in FDA approval or result in our decision to abandon or terminate certain projects. Any changes in FDA requirements may make it more difficult for us to file ANDAs or obtain approval of our ANDAs and generate revenues and thus have a material adverse effect on our business, results of operations and financial condition.

The risks and uncertainties inherent in conducting clinical trials could delay or prevent the development and commercialization of our own branded products, which could have a material adverse effect on our business, results of operations and financial condition.

With respect to our branded products which do not qualify for the FDA’s abbreviated application procedures, we must demonstrate through clinical trials that these products are safe and effective for use. We have only limited experience in conducting and supervising clinical trials. The process of completing clinical trials and preparing a NDA may take several years and requires substantial resources. Our studies and filings may not result in FDA approval to market our new drug products and, if the FDA grants approval, we cannot predict the timing of any approval. There are substantial filing fees for NDAs that are not refundable if FDA approval is not obtained.

There are a number of risks and uncertainties associated with clinical trials. The results of clinical trials may not be indicative of results that would be obtained from large scale testing. Clinical trials are often conducted with patients having advanced stages of disease and, as a result, during the course of treatment these patients can die or suffer adverse medical effects for reasons that may not be related to the pharmaceutical agents being tested, but which nevertheless affect the clinical trial results. In addition, side effects experienced by the patients may cause delay of approval or limit the profile of an approved product. Moreover, our clinical trials may not demonstrate sufficient safety and efficacy to obtain approval from the FDA or foreign regulatory authorities. The FDA or foreign regulatory authorities may not agree with our assessment of the clinical data or they may interpret it differently. Such regulatory authorities may require additional or expanded clinical trials. Even if the FDA or foreign regulatory authorities approve certain products developed by us, there is no assurance that such regulatory authorities will not subject marketing of such products to certain limits on indicated use.

Failure can occur at any time during the clinical trial process and, in addition, the results from early clinical trials may not be predictive of results obtained in later and larger clinical trials, and product candidates in later clinical trials may fail to show the desired safety or efficacy despite having progressed successfully through earlier clinical testing. A number of companies in the pharmaceutical industry, including us, have suffered significant setbacks in clinical trials, even in advanced clinical trials after showing positive results in earlier clinical trials. The completion of clinical trials for our product candidates may be delayed or halted for the reasons noted above in addition to many other reasons, including:

- delays in patient enrollment, and variability in the number and types of patients available for clinical trials;
- regulators or institutional review boards may not allow us to commence or continue a clinical trial;
- our inability, or the inability of our partners, to manufacture or obtain from third parties materials sufficient to complete our clinical trials;
- delays or failure in reaching agreement on acceptable clinical trial contracts or clinical trial protocols with prospective clinical trial sites;
- risks associated with trial design, which may result in a failure of the trial to show statistically significant results even if the product candidate is effective;
- difficulty in maintaining contact with patients after treatment commences, resulting in incomplete data;
- poor effectiveness of product candidates during clinical trials;
- safety issues, including adverse events associated with product candidates;
- the failure of patients to complete clinical trials due to adverse side effects, dissatisfaction with the product candidate, or other reasons;
- governmental or regulatory delays or changes in regulatory requirements, policy and guidelines; and
- varying interpretation of data by the FDA or foreign regulatory authorities.

In addition, our product candidates could be subject to competition for clinical study sites and patients from other therapies under development which may delay the enrollment in or initiation of our clinical trials.

The FDA or foreign regulatory authorities may require us to conduct unanticipated additional clinical trials, which could result in additional expense and delays in bringing our product candidates to market. Any failure or delay in completing clinical trials for our product candidates would prevent or delay the commercialization of our product candidates. We cannot assure that our expenses related to clinical trials will lead to the development of brand-name drugs that will generate revenues in the near future. Delays or failure in the development and commercialization of our own branded products could have a material adverse effect on our business, results of operations and financial condition.

We rely on third parties to conduct clinical trials and testing for our product candidates, and if they do not properly and successfully perform their legal and regulatory obligations, as well as their contractual obligations to us, we may not be able to obtain regulatory approvals for our product candidates.

We design the clinical trials for our product candidates, but rely on contract research organizations and other third parties to assist us in managing, monitoring and otherwise carrying out these trials, including with respect to site selection, contract negotiation, analytical testing and data management. We do not control these third parties and, as a result, they may not treat our clinical studies as their highest priority, or in the manner in which we would prefer, which could result in delays.

Although we rely on third parties to conduct our clinical trials and related activities, we are responsible for confirming that each of our clinical trials is conducted in accordance with our general investigational plan and protocol. Moreover, the FDA and foreign regulatory agencies require us to comply with regulations and standards, commonly referred to as good clinical practices and good laboratory practices, for conducting, recording and reporting the results of clinical trials to ensure that the data and results are credible and accurate and that the trial participants are adequately protected. Our reliance on third parties does not relieve us of these responsibilities and requirements. The FDA enforces good clinical practices and good laboratory practices through periodic inspections of trial sponsors, principal investigators and trial sites. If we, our contract research organizations or our study sites fail to comply with applicable good clinical practices and good laboratory practices, the clinical data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that, upon inspection, the FDA will determine that any of our clinical trials comply with good clinical practices and good laboratory practices. In addition, our clinical trials must be conducted with product manufactured under the FDA's cGMP regulations. Our failure or the failure of our contract manufacturers if any are involved in the process, to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

If third parties do not successfully carry out their duties under their agreements with us, if the quality or accuracy of the data they obtain is compromised due to failure to adhere to our clinical protocols or regulatory requirements, or if they otherwise fail to comply with clinical trial protocols or meet expected deadlines, our clinical trials may not meet regulatory requirements. If our clinical trials do not meet regulatory requirements or if these third parties need to be replaced, our clinical trials may be extended, delayed, suspended or terminated. If any of these events occur, we may not be able to obtain regulatory approval of our product candidates, which could have a material adverse effect on our business, results of operations and financial condition.

We currently do not have a license partner for commercialization of Numient® outside of the United States and Taiwan.

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 the authorization is applicable in all 28 member states of the European Union, as well as Iceland, Liechtenstein and Norway. We have no experience marketing or selling our pharmaceutical products outside of the United States and Puerto Rico and to date, we have not launched commercialization activities for Numient® outside of the United States. In connection with our sale of Impax Taiwan in February 2018, we entered into a license agreement for the third party buyer to manufacture and commercialize Numient® in Taiwan, R.O.C., for a period of up to ten years. If we are unsuccessful in entering into third party collaboration arrangements for commercialization activities of Numient® outside of the United States or Taiwan, R.O.C., such failure could have a material adverse effect on our business, results of operations and financial condition.

The illegal distribution and sale by third parties of counterfeit versions of our products or of stolen products could have a negative impact on our reputation and a material adverse effect on our business, results of operations and financial condition.

Third parties could illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards that our products undergo. Counterfeit products are frequently unsafe or ineffective, and can be life-threatening. Counterfeit medicines may contain harmful substances, the wrong dose of the active pharmaceutical ingredient or no active pharmaceutical ingredients at all. However, to distributors and users, counterfeit products may be visually indistinguishable from the authentic version.

Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product. It is possible that adverse events caused by unsafe counterfeit products will mistakenly be attributed to the authentic product. In addition, thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels could adversely impact patient safety, our reputation and our business.

Public loss of confidence in the integrity of pharmaceutical products as a result of counterfeiting or theft could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on a small number of suppliers for our raw materials that we use to manufacture our products and interruptions in our supply chain could materially and adversely affect our business.

The raw materials we use in the production of our products consist of pharmaceutical chemicals in various forms that are generally available from several sources in the United States and throughout the world. In some cases, however, the raw materials, such as the active pharmaceutical ingredients (“API”) used to manufacture our products, are available only from a single supplier. Further, even if more than one supplier exists, we may choose, and have done so in the case of our API suppliers for a majority of our products, to list only one supplier in our product applications submitted to the FDA. The FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials were unavailable from a specified supplier or the supplier was not in compliance with FDA or other applicable requirements, the FDA approval of a new supplier could delay the manufacture of the drug involved. As a result, there is no guarantee we will always have timely and sufficient access to a required raw material or other product. Generally, we would need as long as 18 months to find and qualify a new sole-source supplier. If we receive less than one year’s termination notice from a sole-source supplier that it intends to cease supplying raw materials, it could result in disruption of our ability to produce the drug involved. We currently do not have long-term supply agreements with the majority of our API suppliers and although to date we have only experienced occasional interruptions in supplies, no assurance can be given that we will continue to receive uninterrupted or adequate supplies of such raw materials.

A significant portion of our raw materials may also be available only from foreign sources. Foreign sources can be subject to the special risks of doing business abroad, including:

- greater possibility for disruption due to transportation or communication problems;
- the relative instability of some foreign governments and economies;
- interim price volatility based on labor unrest, materials or equipment shortages, export duties, restrictions on the transfer of funds, or fluctuations in currency exchange rates; and
- uncertainty regarding recourse to a dependable legal system for the enforcement of contracts and other rights.

Many third-party suppliers are subject to governmental regulation and, accordingly, we are dependent on the regulatory compliance of these third parties. We also depend on the strength, enforceability and terms of our various contracts with these third-party suppliers. We also rely on complex shipping arrangements throughout the various facilities of our supply chain spectrum. Customs clearance and shipping by land, air or sea routes rely on and may be affected by factors that are not in our full control or are hard to predict.

Any inability to obtain raw materials on a timely basis, or any significant price increases which cannot be passed on to customers, could have a material adverse effect on our business, results of operations and financial condition.

Our policies regarding returns, rebates, allowances and chargebacks, and marketing programs adopted by wholesalers may reduce our revenues in future fiscal periods.

Based on industry practice, many generic drug manufacturers' policies give customers post-sale inventory allowances on returns. Under these arrangements, from time to time, we give our customers credits on our generic products that our customers hold in inventory after we have decreased the market prices of the same generic products due to competitive pricing. Therefore, if new competitors enter the marketplace and significantly lower the prices of any of their competing products, we would likely reduce the price of our product. As a result, we would be obligated to provide credits to our customers who are then holding inventories of such products, which could reduce sales revenue and gross margin for the period the credit is provided. Like our competitors, we also give credits for chargebacks to wholesalers that have contracts with us for their sales to hospitals, group purchasing organizations, pharmacies or other customers. A chargeback is the difference between the price the wholesaler pays and the price that the wholesaler's end-customer, who is covered under a contract with the manufacturer allowing it to purchase at a lower price, pays for a product. Although we establish reserves based on our prior experience and our best estimates of the impact that these policies may have in subsequent periods, we cannot ensure that our reserves are adequate or that actual product returns, rebates, allowances and chargebacks will not exceed our estimates. Any failure to establish adequate reserves with respect to returns, rebates, allowances and chargebacks may result in a material adverse effect on our business, results of operations and financial condition.

Certain of our products use controlled substances, the availability of which may be limited by the DEA and other regulatory agencies.

We utilize controlled substances in certain of our current products and products in development and therefore must meet the requirements of the Controlled Substances Act of 1970 and the related regulations administered by the DEA in the United States. These laws relate to the manufacture, shipment, storage, sale and use of controlled substances. The DEA and other regulatory agencies limit the availability of the active ingredients used in certain of our current products and products in development and, as a result, our procurement quota of these active ingredients may not be sufficient to meet commercial demand or complete clinical trials. We must annually apply to the DEA for procurement quota in order to obtain these substances. Any delay or refusal by the DEA in establishing our procurement quota for controlled substances could delay or stop our clinical trials or product launches, or could cause trade inventory disruptions for those products that have already been launched, which could have a material adverse effect on our business, results of operations and financial condition.

Global economic conditions may adversely affect our industry, business, results of operations and financial condition.

Although global economic conditions have been fairly stable as a whole in recent years, continued concerns regarding the systemic impact of potential geopolitical issues and economic policy uncertainty could potentially cause economic and market instability in the future and could adversely affect our business, results of operations and financial condition. We have exposure to many different industries and counterparties, including our partners under our alliance and collaboration agreements, suppliers of raw chemical materials, drug wholesalers and other customers that may be affected by an unstable economic environment. Any economic instability or challenging economic conditions could result in tighter credit conditions and thus affect these parties' ability to fulfill their respective contractual obligations to us, cause them to limit or place burdensome conditions upon future transactions with us or drive us and our competitors to decrease prices, each of which could materially and adversely affect our business, results of operations and financial condition.

We may be subject to disruptions or failures in our information technology systems and network infrastructures, including through cyber-attacks or other third party breaches, that could have a material adverse effect on our business.

We rely on the efficient and uninterrupted operation of complex information technology systems and network infrastructures to operate our business. We also hold data in various data center facilities upon which our business depends. A disruption, infiltration or failure of our information technology systems or any of our data centers as a result of software or hardware malfunctions, system implementations or upgrades, computer viruses, third-party security breaches, employee error, theft or misuse, malfeasance, power disruptions, natural disasters or accidents could cause breaches of data security, loss of intellectual property and critical data and the release and misappropriation of sensitive competitive information.

Further, data maintained in digital form is subject to risk of cyber-attacks, which are increasing in frequency and sophistication. Cyber-attacks could include the deployment of harmful malware and other means to affect service reliability and threaten data confidentiality, integrity and availability. Despite our efforts to monitor and safeguard our systems to prevent data compromise, the possibility of a future data compromise cannot be eliminated entirely, and risks associated with intrusion, tampering, and theft remain. In addition, we do not have insurance coverage with respect to system failures or cyber-attacks.

While we have implemented a number of protective measures, including firewalls, antivirus, patches, data encryption, log monitors, routine back-ups with offsite retention of storage media, system audits, data partitioning, routine password modifications and disaster recovery procedures, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events. If our systems were to fail or we are unable to successfully expand the capacity of these systems, or we are unable to integrate new technologies into our existing systems, our operations and financial results could suffer.

We have also outsourced significant elements of our information technology infrastructure and as a result we depend on third parties who are responsible for maintaining significant elements of our information technology systems and infrastructure and who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of our third party vendors, make such systems potentially vulnerable to service interruptions and security breaches from inadvertent or intentional actions by its employees, partners or vendors. These systems are also vulnerable to attacks by malicious third parties, and may be susceptible to intentional or accidental physical damage to the infrastructure maintained by us or by third parties. A breach of our security measures or the accidental loss, inadvertent disclosure, unapproved dissemination, misappropriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, fraud, trickery or other forms of deception, or for any other cause, could enable others to produce competing products, use our proprietary technology or information, and/or adversely affect our business. Further, any such interruption, security breach, loss or disclosure of confidential information could result in financial, legal, business, and reputational harm to us and could have a material adverse effect on our business, results of operations and financial condition.

We may be adversely affected by alliance, collaboration, supply, or license and distribution agreements we enter into with other companies.

We have entered into several alliance, collaboration, supply or license and distribution agreements with respect to certain of our products and services and may enter into similar agreements in the future. These arrangements may require us to relinquish rights to certain of our technologies or product candidates, or to grant licenses on terms that ultimately may prove to be unfavorable to us. Relationships with alliance partners may also include risks due to regulatory requirements, incomplete marketplace information, inventories, and commercial strategies of our partners, and our agreements may be the subject of contractual disputes. If we or our partners are not successful in commercializing the products covered by the agreements, such commercial failure could adversely affect our business.

Pursuant to license and distribution agreements with unrelated third party pharmaceutical companies, we are dependent on such companies to supply us with product that we market and sell, and we may enter into similar agreements in the future. Any delay or interruption in the supply of product under such agreements could curtail or delay our product shipment and adversely affect our revenues, as well as jeopardize our relationships with our customers.

From time to time we may need to rely on licenses to proprietary technologies, which may be difficult or expensive to obtain.

We may need to obtain licenses to patents and other proprietary rights held by third parties to develop, manufacture and market products. If we are unable to timely obtain these licenses on commercially reasonable terms, our ability to commercially market our products may be inhibited or prevented, which could have a material adverse effect on our business, results of operations and financial condition.

We depend on qualified scientific and technical employees and are increasingly dependent on our direct sales force, and our limited resources may make it more difficult to attract and retain these personnel.

Because of the specialized scientific nature of our business, we are highly dependent upon our ability to continue to attract and retain qualified scientific and technical personnel. We are not aware of any pending, significant losses of scientific or technical personnel. Loss of the services of, or failure to recruit, key scientific and technical personnel, however, would be significantly detrimental to our product-development programs. As a result of our small size and limited financial and other resources, it may be difficult for us to attract and retain qualified officers and qualified scientific and technical personnel.

In addition, marketing of our branded products, such as the Zomig® products pursuant to our AZ Agreement with AstraZeneca and Rytary®, requires much greater use of a direct sales force compared to marketing of our generic products. Our ability to realize significant revenues from marketing and sales activities depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. Any failure to attract or retain qualified sales personnel could negatively impact our sales revenue and have a material adverse effect on our business, results of operations and financial condition.

We have entered into employment agreements with our executive officers and certain other key employees that provide that the executive officer may terminate his or her employment upon 60 days prior written notice to us. All of our other key personnel are employed on an at-will basis with no formal employment agreements. We do not maintain “Key Man” life insurance on any executives.

We are subject to significant costs and uncertainties related to compliance with the extensive regulations that govern the manufacturing, labeling, distribution, promotion and sale of pharmaceutical products as well as environmental, safety and health regulations.

The manufacturing, distribution, processing, formulation, packaging, labeling, promotion and sale of our products are subject to extensive regulation by federal agencies, including the FDA, DEA, FTC, Consumer Product Safety Commission and Environmental Protection Agency, among others. We are also subject to state and local laws, regulations and agencies in California, New Jersey, Pennsylvania and elsewhere. Such regulations are also subject to change by the relevant federal, state and international agencies. For instance, beginning from January 1, 2015, we have been required to comply with certain requirements under the Drug Quality and Security Act (“DQSA”), specifically Title II of the DQSA, referred to as the Drug Supply Chain Security Act, which requires companies in certain prescription drugs’ chain of distribution to build electronic, interoperable systems to identify and trace the products as they are distributed in the United States. Compliance with the Drug Supply Chain Security Act has resulted in increased expenses for us and has imposed greater administrative burdens on our organization. Compliance with further requirements of the DQSA or any future federal or state electronic pedigree requirements may result in further expenditures.

As further described above under the risk factor, “*Manufacturing or quality control problems may damage our reputation for quality production, demand costly remedial activities and negatively impact our business, results of operations and consolidated financial condition,*” we are required to comply with the requirements of the FDA and our products are required to be manufactured in a manner consistent with cGMP and other similar standards. If we, or one of our third party suppliers, fail to comply with the FDA requirements and other applicable laws and regulations, we may breach our representations made to our customers or the FDA or other governmental may take action against us or our products, which could have a material adverse effect on our business, results of operations and financial condition.

The FDA may also require labeling revisions, formulation or manufacturing changes and/or product modifications or additional safety data for our new or existing products. If the FDA imposes more stringent requirements or requires any additional safety, testing or remedial measures on our products or product candidates, we could incur increased costs for, or delays in, obtaining approval of such products or be required to remove such products from the market. For instance, we have derived a portion of our revenue from the sale of generic oxymorphone hydrochloride ER, a pharmaceutical product in the opioid class of drugs. The U.S. Department of Health and Human Services has declared the wide spread addiction to and abuse of opioid products a public health emergency in the United States. Changing public and clinical perceptions of opioid products and the risks relating to their use may result in the imposition of even stricter regulation, or even the removal of, such products by the FDA or other governmental agencies, any of which could have a material adverse effect on our business, results of operations and financial condition.

With respect to environmental, safety and health laws and regulations, we cannot accurately predict the outcome or timing of future expenditures that we may be required to make in order to comply with such laws as they apply to our operations and facilities. We are also subject to potential liability for the remediation of contamination associated with both present and past hazardous waste generation, handling, and disposal activities. We are subject periodically to environmental compliance reviews by environmental, safety, and health regulatory agencies. Environmental laws are subject to change and we may become subject to stricter environmental standards in the future and face larger capital expenditures in order to comply with environmental laws.

Compliance with federal and state and local law regulations, including compliance with any newly enacted regulations, requires substantial expenditures of time, money and effort to ensure full technical compliance. Failure to comply with applicable governmental regulations can result in fines, disgorgement, unanticipated compliance expenditures, recall or seizure of products, exposure to product liability claims, total or partial suspension of production or distribution, suspension of the FDA’s review of NDAs or ANDAs, enforcement actions, injunctions and civil or criminal prosecution, any of which could have a material and adverse effect on our business, results of operations and financial condition.

We may experience reductions in the levels of reimbursement for pharmaceutical products by governmental authorities, HMOs or other third-party payors. Any such reductions could have a material adverse effect on our business, results of operations and financial condition.

Various governmental authorities and private health insurers and other organizations, such as HMOs, provide reimbursement to consumers for the cost of certain pharmaceutical products. Demand for our products depends in part on the extent to which such reimbursement is available. In addition, third-party payors are attempting to control costs by limiting the level of reimbursement for medical products, including pharmaceuticals, and increasingly challenge the pricing of these products which may adversely affect the pricing of our products. Moreover, health care reform has been, and is expected to continue to be, an area of national and state focus, which could result in the adoption of measures that could adversely affect the pricing of pharmaceuticals or the amount of reimbursement available from third-party payors for our products.

Reporting and payment obligations under the Medicaid rebate program and other government programs are complex, and failure to comply could result in sanctions and penalties or we could be required to reimburse the government for underpayments, which could have a material adverse effect on our business.

Medicaid and other government reporting and payment obligations are highly complex and somewhat ambiguous. State attorneys general and the U.S. Department of Justice have brought suits or instituted investigations against a number of other pharmaceutical companies for failure to comply with Medicaid and other government reporting obligations. Our methodologies for making these calculations are complex and the judgments involved require us to make subjective decisions, such that these calculations are subject to the risk of errors. Government agencies may impose civil or criminal sanctions, including fines, penalties and possible exclusion from federal health care programs, including Medicaid and Medicare. Any such penalties or sanctions could have a material adverse effect on our business, results of operations and financial condition.

Legislative or regulatory programs that may influence prices of prescription drugs could have a material adverse effect on our business.

Current or future federal or state laws and regulations may influence the prices of drugs and, therefore, could adversely affect the prices that we receive for our products. Programs in existence in certain states seek to set prices of all drugs sold within those states through the regulation and administration of the sale of prescription drugs. Expansion of these programs, in particular, state Medicaid programs, or changes required in the way in which Medicaid rebates are calculated under such programs, could adversely affect the price we receive for our products and could have a material adverse effect on our business, results of operations and financial condition. Further, as described in detail above under the risk factor “Our business is highly dependent on market perceptions of us and the safety and quality of our products. Our business, products or pricing could be subject to negative publicity, which could have a material adverse effect on our business, results of operations and financial condition” pharmaceutical product prices have been the focus of increased scrutiny by the government, including certain state attorneys general, members of congress and the United States Department of Justice. Decreases in health care reimbursements or prices of our prescription drugs could limit our ability to sell our products or decrease our revenues, which could have a material adverse effect on our business, results of operations and financial condition.

Our failure to comply with the legal and regulatory requirements governing sales, marketing and pricing of our products may result in substantial fines, sanctions and restrictions on our business activities.

Our practices and activities related to the sales and marketing of our products, as well as the pricing of our products, are subject to extensive regulation under U.S. federal and state healthcare statutes and regulations intended to combat fraud and abuse to federal and state healthcare payment programs, such as Medicare and Medicaid, Tri-Care, CHAMPUS, and Department of Defense programs. These laws include the federal Anti-Kickback Statute, the federal False Claims Act, and similar state laws and implementing regulations. For example, the payment of any incentive to a healthcare provider to induce the recommendation of our product or the purchase of our products reimbursable under a federal or state program is prohibited under these laws. Likewise, knowingly presenting or causing to be presented a false claim for payment to a federal or state health care program would expose a company to sanctions and penalties. Similarly, the inaccurate reporting of prices leading to inflated reimbursement rates would also be considered a violation of these laws. The Physician Payment Sunshine Act enacted in 2010 imposes reporting and disclosure requirements on drug manufacturers for any “transfer of value” made or distributed to prescribers and other healthcare providers. Failure to submit this required information may result in significant civil monetary penalties. These laws and regulations are enforced by the U.S. Department of Justice, the U.S. Department of Health and Human Services, Office of Inspector General, state Medicaid Fraud Units and other state enforcement agencies.

Violations of the laws and regulations described above are punishable by criminal and civil sanctions, including substantial fines and penal sanctions, such as imprisonment. It is common for enforcement agencies to initiate investigations into sales and marketing practices, as well as pricing practices, regardless of merit. These types of investigations and any related litigation can result in: (i) large expenditures of cash for legal fees, payment for penalties, and compliance activities; (ii) limitations on operations; (iii) diversion of management resources; (iv) injury to our reputation; and (v) decreased demand for our products.

While we have developed corporate compliance programs based on what we believe to be current best practices, we cannot assure you that we or our employees or agents are or will be in compliance with all applicable federal or state regulations and laws. Further, the criteria for determining compliance are often complex and subject to change and interpretation. If we are in violation of any of these requirements or any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could include the imposition of significant criminal and civil fines and penalties, exclusion from federal healthcare programs or other sanctions, any which could have a material and adverse effect on our business, results of operations and financial condition.

We have entered into, and anticipate entering into, contracts with various U.S. government agencies. Unfavorable provisions in government contracts, some of which may be customary, may harm our business, results of operations and financial condition.

Government contracts customarily contain provisions that give the government substantial rights and remedies, many of which are not typically found in commercial contracts, including provisions that allow the government to:

- suspend or debar the contractor from doing business with the government or a specific government agency;
- terminate existing contracts, in whole or in part, for any reason or no reason;
- reduce the scope and value of contracts;
- change certain terms and conditions in contracts;
- claim rights to products, including intellectual property, developed under the contract;
- take actions that result in a longer development timeline than expected;
- direct the course of a development program in a manner not chosen by the government contractor;
- audit and object to the contractor's contract-related costs and fees, including allocated indirect costs; and
- control and potentially prohibit the export of the contractor's products.

Generally, government contracts contain provisions permitting unilateral termination or modification, in whole or in part, at the government's convenience. Under general principles of government contracting law, if the government terminates a contract for convenience, the terminated company may recover only its incurred or committed costs, settlement expenses and profit on work completed prior to the termination.

If the government terminates a contract for default, the defaulting company is entitled to recover costs incurred and associated profits on accepted items only and may be liable for excess costs incurred by the government in procuring undelivered items from another source. Some government contracts grant the government the right to use, for or on behalf of the U.S. government, any technologies developed by the contractor under the government contract. If we were to develop technology under a contract with such a provision, we might not be able to prohibit third parties, including our competitors, from using that technology in providing products and services to the government.

As a government contractor, we may also become subject to periodic audits and reviews. As part of any such audit or review, the government may review the adequacy of, and our compliance with, our internal control systems and policies, including those relating to our purchasing, property, compensation and/or management information systems. In addition, if an audit or review uncovers any improper or illegal activity, we may be subject to civil and criminal penalties and administrative sanctions, including termination of our contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the government. We could also suffer serious harm to our reputation if allegations of impropriety were made against us.

Legislative or regulatory reform of the healthcare system in the United States may harm our future business.

In recent years, there have been numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for, the availability of and reimbursement for, healthcare services in the United States, and it is likely that Congress and state legislatures and health agencies will continue to focus on healthcare reform in the future. The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively commonly referred to as the "Healthcare Reform Act" became effective on January 1, 2010 and amongst other changes, increased the minimum Medicaid drug rebates for pharmaceutical companies and revised the definition of "average manufacturer price" for reporting purposes, which affected the amount of our Medicaid drug rebates to states and imposed a significant annual fee on companies that manufacture or import branded prescription drug products.

We are unable to predict the future course of federal or state healthcare legislation. If significant additional reforms are made to the United States healthcare system, those reforms could have a material adverse effect on our business, results of operations and financial condition.

We depend on our intellectual property, and our future success is dependent on our ability to protect our intellectual property and not infringe on the rights of others.

We believe intellectual property protection is important to our business and that our future success will depend, in part, on our ability to obtain patent protection, maintain trade secret protection and operate without infringing on the rights of others. We cannot assure you that:

- any of our future processes or products will be patentable;
- our processes or products will not infringe upon the patents of third parties; or
- we will have the resources to defend against charges of patent infringement by third parties or to protect our own rights against infringement by third parties.

We rely on trade secrets and proprietary knowledge related to our products and technology which we generally seek to protect by confidentiality and non-disclosure agreements with employees, consultants, licensees and pharmaceutical companies. If these agreements are breached, we may not have adequate remedies for any breach, and our trade secrets may otherwise become known by our competitors.

We are subject to potential product liability claims that can result in substantial litigation costs and liability.

The design, development and manufacture of pharmaceutical products involve an inherent risk of product liability claims and associated adverse publicity. Product liability insurance coverage is expensive, difficult to obtain, and may not be available in the future on acceptable terms, or at all. Although we currently carry \$50.0 million of such insurance, we believe that no reasonable amount of insurance can fully protect against all such risks because of the potential liability inherent in the business of producing pharmaceutical products for human consumption.

Changes in tax regulations, including the U.S. federal tax reform, and varying application and interpretations of these regulations could result in an increase in our existing and future tax liabilities.

We have potential tax exposures resulting from the varying application of statutes, regulations and interpretations, including exposures with respect to manufacturing, research and development, marketing, sales and distribution functions. For instance, on December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (H.R. 1) (the “2017 Tax Reform Act”). The 2017 Tax Reform Act contains significant changes to U.S. federal income tax laws, including reduction of the federal corporate tax rate from 35% to 21%. The reduction in the corporate income tax rate does not currently materially impact the value of our net deferred tax assets, because we are currently in a full valuation allowance. However, the limitations on the deductibility of interest expense and executive compensation under the terms of the 2017 Tax Reform Act may have a material and adverse effect on our business, financial condition and results of operations. Moreover, the limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks under the 2017 Tax Reform Act may also have a material effect on our cash flows.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with GAAP. Any future changes in estimates, judgments and assumptions used or necessary revisions to prior estimates, judgments or assumptions could lead to a restatement of our results.

The consolidated financial statements included in this Annual Report on Form 10-K are prepared in accordance with GAAP. This involves making estimates, judgments and assumptions that affect reported amounts of assets (including intangible assets), liabilities, revenues, expenses and income. Estimates, judgments and assumptions are inherently subject to change in the future and any necessary revisions to prior estimates, judgments or assumptions could lead to a restatement. Any such changes could result in corresponding changes to the amounts of assets (including goodwill and other intangible assets), liabilities, revenues, expenses and income.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results, timely file our periodic reports, maintain our reporting status or prevent fraud.

Our management or our independent registered public accounting firm may identify material weaknesses in our internal control over financial reporting in the future. The existence of internal control material weaknesses may result in current and potential stockholders and alliance and collaboration agreements' partners losing confidence in our financial reporting, which could harm our business, the market price of our common stock, and our ability to retain our current, or obtain new, alliance and collaboration agreements' partners.

In addition, the existence of material weaknesses in our internal control over financial reporting may affect our ability to timely file periodic reports under the Exchange Act. Although we remedied any past accounting issues and do not believe similar accounting problems are likely to recur, an internal control material weakness may develop in the future and affect our ability to timely file our periodic reports. The inability to timely file periodic reports under the Exchange Act could result in the SEC revoking the registration of our common stock, which would prohibit us from listing or having our stock quoted on any public market. This would have an adverse effect on our business and stock price by limiting the publicly available information regarding us and greatly reducing the ability of our stockholders to sell or trade our common stock.

Terrorist attacks and other acts of violence or war may adversely affect our business.

Terrorist attacks at or nearby our facility in Hayward, California may negatively affect our operations. While we do not believe that we are more susceptible to such attacks than other companies, such attacks could directly affect our physical facilities or those of our suppliers or customers and could make the transportation of our products more difficult and more expensive and ultimately affect our sales.

We carry insurance coverage on our facilities of types and in amounts that we believe are in line with coverage customarily obtained by owners of similar properties. We continue to monitor the state of the insurance market in general and the scope and cost of coverage for acts of terrorism in particular, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Currently, we carry terrorism insurance as part of our property and casualty and business interruption coverage. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged facilities, as well as the anticipated future net sales from those facilities.

We are party to various agreements as part of our normal course of business which periodically incorporate provisions whereby we indemnify the other party to the agreement.

In the normal course of business, we periodically enter into commercial, employment, legal settlement and other agreements which incorporate indemnification provisions. In some but not all cases, we maintain insurance coverage which we believe will effectively mitigate our obligations under certain of these indemnification provisions. However, should our obligation under an indemnification provision exceed any applicable coverage or should coverage be denied, we could experience a material and adverse effect on our business, financial condition and results of operations.

Because of the location of our manufacturing and research and development facilities, our operations could be interrupted by an earthquake or be susceptible to climate changes.

Our corporate headquarters, manufacturing operations, and research and development activities related to process technologies located in California are located near major earthquake fault lines. Although we use third party manufacturers to produce a number of our products, we produce a substantial portion of our products at our California facility. A disruption at these California facilities due to an earthquake, other natural disaster, or due to climate changes, even on a short-term basis, could impair our ability to produce and ship products to the market on a timely basis. In addition, we could experience a destruction of facilities which would be costly to rebuild, or loss of life, all of which could materially adversely affect our business and results of operations.

We presently carry \$100.0 million and \$25.0 million of earthquake coverage related to our facilities and property (including inventory) located in Hayward, California and Memphis, TN, respectively. For all other worldwide locations where we have facilities and/or property, we presently carry \$100.0 million of earthquake coverage. We believe the aggregate amount of earthquake coverage we currently carry is appropriate in light of the risks; however, the amount of our earthquake insurance coverage may not be sufficient to cover losses from earthquakes. We may discontinue some or all of this insurance coverage in the future if the cost of premiums exceeds the value of the coverage discounted for the risk of loss. If we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged facilities, as well as the anticipated future net sales from those facilities.

The expansion of social media platforms present new risks and challenges, which could cause a material adverse effect on our business, results of operations and financial condition.

The inappropriate use of certain media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information. In addition, negative posts or comments about us on any social networking website could seriously damage our reputation. Further, the disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If our non-public sensitive information is disclosed or if our reputation is seriously damaged through social media, it could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Proposed Business Combination with Amneal Pharmaceuticals LLC

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

As discussed under “Item 1. Business - “Business Combination with Amneal Pharmaceuticals”, we entered into the Business Combination Agreement whereby we have agreed with Amneal to combine our generics and specialty pharmaceutical businesses with the generic drug development and manufacturing business of Amneal.

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

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

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

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

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

Governmental entities or private parties could take actions under antitrust laws to enjoin the completion of the Combination or to seek the divestiture of substantial assets of Impax.

At any time before or after consummation of the Combination, notwithstanding the termination of the waiting period under the HSR Act, the DOJ or the FTC or other state governmental entity could take such action under the antitrust laws as it deems necessary or desirable in the public interest including seeking to enjoin the completion of the Combination or seeking divestiture of a substantial amount of our assets. A divestiture of a substantial amount of our assets could have a material adverse effect on our business, results of operations and financial condition or prospects before and after Closing, diminish the anticipated benefits of the Combination in full or in part, or cause the benefits to take longer to be realized than expected. Further, private parties may also seek to take legal action under the antitrust laws under certain circumstances.

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

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

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

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

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

The integration of Impax and Amneal following the Closing will present challenges that may result in a decline in the anticipated benefits of the Combination.

The Combination involves the integration of two businesses that currently operate as independent businesses. We and Amneal will be required to devote management attention and resources to integrating our business practices and operations following the Closing, and prior to the Combination, management attention and resources will be required to plan for such integration. Potential difficulties we, Amneal or New Amneal may encounter in the integration process include the following:

- the inability to successfully integrate the two businesses, including operations, technologies, products and services, in a manner that permits us, Amneal or New Amneal to achieve the cost savings and operating synergies anticipated to result from the Combination, which could result in the anticipated benefits of the Combination not being realized partly or wholly in the time frame currently anticipated or at all;

- the loss of sales and customers as a result of certain customers of either or both of the two businesses deciding not to continue to do business with us or Amneal, or deciding to decrease their amount of business in order to reduce their reliance on a single company;
- the necessity of coordinating geographically separated organizations, systems and facilities;
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Combination;
- the integration of personnel with diverse business backgrounds and business cultures, while maintaining focus on providing consistent, high-quality products and services;
- the consolidation and rationalization of information technology platforms and administrative infrastructures as well as accounting systems and related financial reporting activities;
- the potential weakening of established relationships with regulators; and
- the challenge of preserving important relationships of both us and Amneal and resolving potential conflicts that may arise.

Furthermore, it is possible that the integration process could result in the loss of our talented employees or skilled workers. The loss of talented employees and skilled workers could adversely affect our, Amneal's or New Amneal's ability to successfully conduct their respective businesses because of such employees' experience and knowledge of our business and Amneal's business. In addition, we, Amneal or New Amneal could be adversely affected by the diversion of management's attention and any delays or difficulties encountered in connection with the integration of the two businesses. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our or Amneal's segments. If we, Amneal or New Amneal experience difficulties with the integration process, the anticipated benefits of the Combination may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have a material and adverse effect on the business, results of operations, financial condition or prospects of us, Amneal or New Amneal during this transition period and for an undetermined period after completion of the Combination.

Ownership interests will not be adjusted if there is a change in the value of our company or Amneal and their respective assets before the Combination is completed.

The interests of Class A Common Stock received by our stockholders in connection with the Combination will not be adjusted if there is a change in the value or assets of Amneal, Impax or New Amneal prior to the consummation of the Combination. No termination rights will arise in connection with an adverse change at Amneal or our company unless there has been an Amneal Material Adverse Effect or an Impax Material Adverse Effect as applicable (in each case as defined in the Business Combination Agreement).

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

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

After the Combination is complete, our stockholders will have a significantly lower ownership and voting interest in New Amneal than the Existing Amneal Members and will exercise less influence over New Amneal than they do over our company.

Upon the completion of the Combination, each holder of Impax shares of common stock will have a percentage ownership of New Amneal that is smaller than such holder's percentage ownership of our company immediately prior to the Combination. At the Closing, approximately 75% of the total New Amneal Shares will not be held by our stockholders. Following the Closing, Existing Amneal Members are expected to hold approximately 60% of the voting power of the outstanding New Amneal Shares and following the PIPE Investment, the PIPE investors will hold approximately 15% of the voting power of the outstanding New Amneal Shares.

In addition, the Class A Common Stock to be received by our stockholders as consideration if the Combination is completed will have different rights than shares in Impax common stock.

We will incur transaction-related costs in connection with the Combination and the integration of our business with Amneal's business.

We will incur transaction-related costs in connection with the Combination and in connection with the integration of our business with Amneal's business following the Closing. There are many systems that must be integrated, including information management, purchasing, accounting and finance, sales, billing, payroll and benefits, and regulatory compliance. We and Amneal are in the early stages of assessing the magnitude of these costs and are therefore unable to provide estimates of these costs. Moreover, many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Such expenses could, particularly in the near term, reduce the cost synergies that we expect to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost synergies related to the integration of the businesses following the completion of the Combination. Accordingly, any net synergies may not be achieved in the near term or at all. These integration expenses may result in us, Amneal or New Amneal taking significant charges against earnings following the completion of the Combination. Some of these costs and expenses will be incurred even if the Combination is not consummated, which could have a material and adverse effect on our business, results of operations and financial condition.

Pending litigation against us or Amneal could result in an injunction preventing the completion of the Combination or a judgment resulting in the payment of damages.

We, Amneal and members of our respective boards are currently and may in the future be parties, among others, to various claims and litigation related to the Business Combination Agreement and the Combination, including putative shareholder class actions - see "Note 19. Legal and Regulatory Matters." for additional details regarding the shareholder class actions. Among other remedies, the plaintiffs in such matters are seeking to enjoin the Combination. The results of complex legal proceedings are difficult to predict, and could delay or prevent the Combination from becoming effective in a timely manner. The existence of litigation relating to the Combination could impact the likelihood of obtaining the required approval from our stockholders in order to complete the Combination. Moreover, the pending litigation is, and any future additional litigation could be, time consuming and expensive, could divert the attention of our management away from our regular business, and, if any one of these lawsuits is adversely resolved against either us or Amneal, could have a material adverse effect on our respective businesses, results of operation and financial condition.

One of the conditions to the Closing is that no governmental entity will have issued an order or injunction or taken any other action enjoining or otherwise prohibiting the consummation of the Combination, and that no law will have been enacted or promulgated by any governmental authority of competent jurisdiction which prohibits or makes illegal the consummation of the Combination. Consequently, if a settlement or other resolution is not reached in the litigation referenced above and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting our and/or Amneal's ability to complete the Combination on the terms contemplated by the Business Combination Agreement, then such injunctive or other relief may prevent the Combination from being completed in a timely manner or at all.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

Our primary properties consist of various owned and leased facilities in California, Pennsylvania and New Jersey. As of December 31, 2017, we also owned a significant manufacturing facility in Taiwan, R.O.C. classified as held for sale as discussed in "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 15. Restructuring." The expiration dates of the lease agreements for our leased facilities range between January 14, 2018 and December 31, 2027. Our properties are generally used to support the operations of both the Impax Generics division and the Impax Specialty Pharma division. The table below shows the square feet owned or leased by function at each location.

Location	Owned	Leased	Total	Function
Hayward, CA	35,000	—	35,000	Research & development
Hayward, CA	50,000	—	50,000	Manufacturing
Hayward, CA	19,000	—	19,000	Administration & lab
Hayward, CA	13,300	—	13,300	Manufacturing support
Hayward, CA	—	76,180	76,180	Warehouse & lab
Hayward, CA	—	45,000	45,000	Corporate offices
Hayward, CA	—	88,677	88,677	Manufacturing & lab
California Properties	117,300	209,857	327,157	
Fort Washington, PA	—	47,379	47,379	Administration
Middlesex, NJ	—	37,500	37,500	Manufacturing **
Middlesex, NJ	—	18,593	18,593	Packaging **
Middlesex, NJ	—	816	816	Research & development **
Middlesex, NJ	—	32,516	32,516	Administration **
Bridgewater, NJ	—	32,806	32,806	Administration
New Jersey Properties	—	122,231	122,231	
Taiwan	—	397,917	397,917	Manufacturing *
Totals	117,300	777,384	894,684	

* This facility is on land that is leased from the state. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 15 . Restructurings" for additional description of our sale of our Taiwan facility.

**Our leases in Middlesex, NJ expire on March 31, 2018.

In our various facilities we maintain an extensive equipment base that includes new or recently reconditioned equipment for the manufacturing and packaging of compressed tablets, coated tablets and capsules. The manufacturing and research and development equipment includes mixers and blenders for capsules and tablets, automated capsule fillers, tablet presses, particle reduction, sifting equipment, and tablet coaters. The packaging equipment includes fillers, cottoners, cappers, and labelers. We also maintain two well equipped, modern laboratories used to perform all the required physical and chemical testing of our products. We also maintain a broad variety of material handling and cleaning, maintenance, and support equipment. We own substantially all of our manufacturing equipment and believe it is well maintained and suitable for its requirements.

We maintain property and casualty and business interruption insurance in amounts we believe are sufficient and consistent with practices for companies of comparable size and business.

Item 3. Legal Proceedings

Information pertaining to legal proceedings can be found in "Item 15. Exhibits and Financial Statement Schedules -Notes to Consolidated Financial Statements – Note 19. Legal and Regulatory Matters" and is incorporated by reference herein.

Item 4. Mine Safety Disclosures

Not applicable.

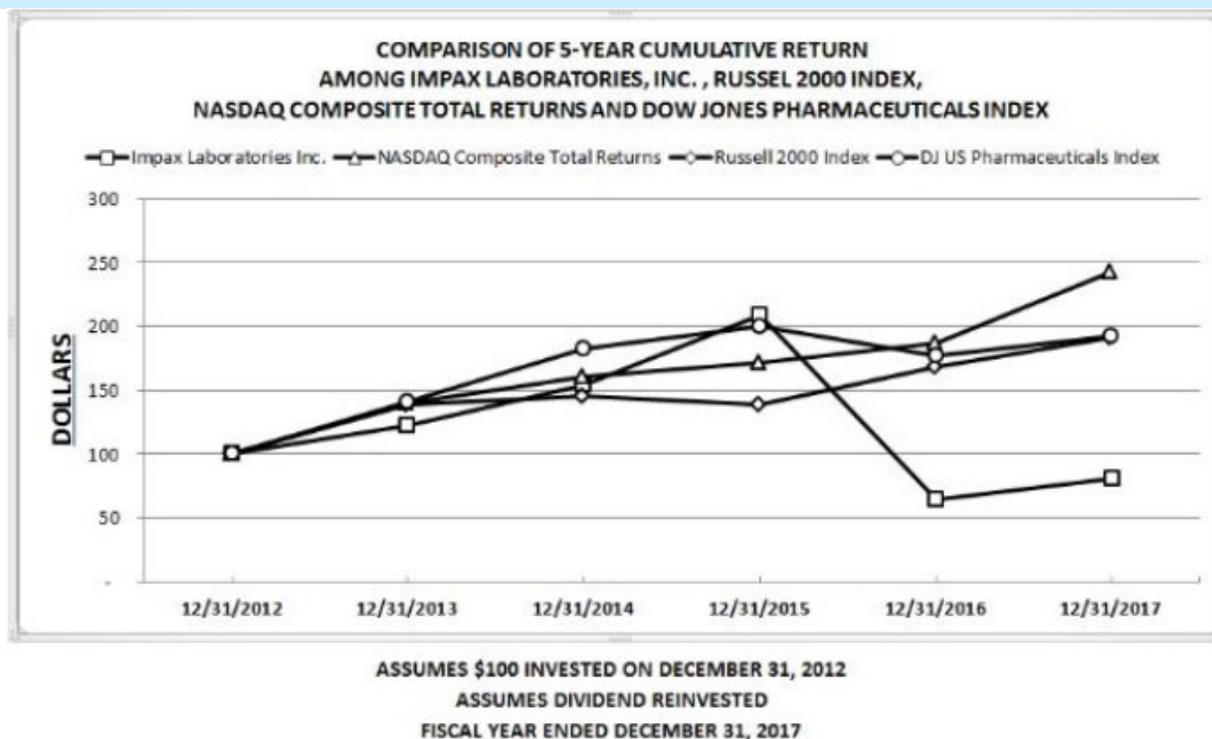
PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Stock Price

Our common stock is traded on the NASDAQ Global Market under the symbol "IPXL". The following table sets forth the high and low sales prices for our common stock as reported by the NASDAQ Global Market, as follows:

	Price Range per Share	
	High	Low
Year Ended December 31, 2017		
First Quarter	\$ 15.05	\$ 7.75
Second Quarter	\$ 17.95	\$ 11.85
Third Quarter	\$ 25.70	\$ 14.65
Fourth Quarter	\$ 22.45	\$ 15.60
Year Ended December 31, 2016		
First Quarter	\$ 43.16	\$ 29.66
Second Quarter	\$ 37.20	\$ 27.62
Third Quarter	\$ 32.20	\$ 20.97
Fourth Quarter	\$ 24.47	\$ 12.28



This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of Impax Laboratories, Inc. under the Securities Act of 1933, as amended, or the Exchange Act.

Holders

As of December 31, 2017, there were approximately 1,128 holders of record of our common stock, solely based upon the count our transfer agent provided us as of that date.

Dividends

We have never paid cash dividends on our common stock and have no present plans to do so. Our current policy is to retain all earnings, if any, for use in the operation of our business. The payment of future cash dividends, if any, will be at the discretion of our Board of Directors and will be dependent upon our earnings, financial condition, capital requirements and other factors as our Board of Directors may deem relevant.

Unregistered Sales of Securities

There were no sales of unregistered securities during the year ended December 31, 2017.

Purchases of Equity Securities by the Issuer

The following table provides information regarding the purchases of our equity securities by us during the quarter ended December 31, 2017.

Period	Total Number of Shares (or Units) Purchased(1)	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2017 to October 31, 2017	78,790	\$ 19.74	—	—
November 1, 2017 to November 30, 2017	—	—	—	—
December 1, 2017 to December 31, 2017	597	\$ 12.15	—	—
Total	79,387	\$ 19.69	—	—

(1) Represents shares of our common stock that were repurchased to settle employee tax withholding obligations upon the vesting of shares of restricted stock and/or exercise of stock options pursuant to the terms of our Fourth Amended and Restated 2002 Equity Incentive Plan (the "2002 Plan").

Equity Compensation Plans

The following table details information regarding our existing equity compensation plans as of December 31, 2017 :

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities reflected in Column (a)) (c)
Equity compensation plans approved by security holders	2,324,997 (1)	\$ 20.43	1,932,375 (1)
Equity compensation plans not approved by security holders	850,000 (2)	12.70	—
Total:	3,174,997	\$ 18.36	1,932,375

- (1) Represents options issued pursuant to the 2002 Plan. There were 296,921 available for issuance under the 1999 Plan, however, we have ceased granting equity awards under this plan.
- (2) Represents 850,000 options issued to Paul Bisaro, our President and Chief Executive Officer appointed in March 2017 in accordance with NASDAQ's employment inducement grant exemption.

See "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements — Note 14. Employee Benefit Plans and Note 13. Share-Based Compensation" for information concerning our employee benefit plans and equity compensation plans.

Item 6. Selected Financial Data

The following selected financial data should be read together with our consolidated financial statements and accompanying consolidated financial statement footnotes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The selected consolidated financial statement data in this section are not intended to replace our consolidated financial statements and the accompanying consolidated financial statement footnotes. Our historical consolidated financial results are not necessarily indicative of our future consolidated financial results.

The selected financial data set forth below are derived from our consolidated financial statements. The consolidated statements of operations data for the years ended December 31, 2017, 2016 and 2015 and the consolidated balance sheet data as of December 31, 2017 and 2016 are derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The data set forth below with respect to our consolidated statements of operations for the years ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013 are derived from our consolidated financial statements, which are not included in this Annual Report on Form 10-K.

(In thousands, except per share data)

Years Ended December 31,

Statements of Operations Data:	2017	2016	2015	2014	2013
Total revenues	\$ 775,787	\$ 824,429	\$ 860,469	\$ 596,049	\$ 511,502
Research and development	80,846	80,466	70,622	78,642	68,854
Total operating expenses	546,491	343,080	282,836	223,837	205,687
(Loss) income from operations	(402,692)	(494,182)	69,568	88,816	(6,387)
Net (loss) income	(469,287)	(472,031)	38,997	57,353	101,259
Net (loss) income per share — basic	\$ (6.53)	\$ (6.63)	\$ 0.56	\$ 0.84	\$ 1.51
Net (loss) income per share — diluted	\$ (6.53)	\$ (6.63)	\$ 0.54	\$ 0.81	\$ 1.47

(In thousands)

As of December 31,

Balance Sheet Data:	2017	2016	2015	2014	2013
Cash, cash equivalents and short-term investments	\$ 181,778	\$ 180,133	\$ 340,351	\$ 414,856	\$ 413,133
Working capital	341,317	309,817	495,312	516,927	505,852
Total assets	1,351,300	1,823,018	1,922,487	1,079,197	996,923
Long-term debt	769,524	813,545	424,595	—	—
Total liabilities	1,164,099	1,199,044	860,078	191,320	186,720
Retained (deficit) earnings	(372,445)	98,192	570,223	531,226	473,873
Total stockholders' equity	187,201	623,974	1,062,409	887,877	810,203

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis, as well as other sections in this report, should be read in conjunction with the consolidated financial statements and related Notes to Consolidated Financial Statements included elsewhere herein. All references to years mean the relevant 12-month period ended December 31.

Overview

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

We plan to continue to expand Impax Generics through targeted ANDAs and a first-to-file and first-to-market strategy and to continue to evaluate and pursue external growth initiatives, including acquisitions and partnerships. We focus our efforts on a broad range of therapeutic areas including products that have technically challenging drug-delivery mechanisms or unique product formulations. We employ our technologies and formulation expertise to develop generic products that reproduce brand-name products' physiological characteristics but do not infringe any valid patents relating to such brand-name products. We generally focus our generic product development on brand-name products as to which the patents covering the active pharmaceutical ingredient have expired or are near expiration, and we employ our proprietary formulation expertise to develop controlled-release technologies that do not infringe patents covering the brand-name products' controlled-release technologies. We also develop, manufacture, sell and distribute specialty generic pharmaceuticals that we believe present one or more competitive advantages, such as difficulty in raw materials sourcing, complex formulation or development characteristics or special handling requirements. In addition to our focus on solid oral dosage products, we have expanded our generic pharmaceutical products portfolio to include alternative dosage form products, primarily through alliance and collaboration agreements with third parties. As of December 31, 2017, we marketed 225 generic pharmaceuticals, which represent dosage variations of 77 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 December 31, 2017, in our Impax Generics Division, we had 17 applications pending at the FDA and 20 other products in various stages of development for which applications have not yet been filed.

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

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

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

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

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

Business Combination with Amneal Pharmaceuticals LLC

As discussed above under "Item 1. Business - Business Combination with Amneal Pharmaceuticals LLC", on October 17, 2017, we entered into a Business Combination Agreement (the "Business Combination Agreement") with Atlas Holdings, Inc., a Delaware corporation and our wholly-owned subsidiary ("Holdco"), K2 Merger Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of Holdco ("Merger Sub"), and Amneal Pharmaceuticals LLC ("Amneal").

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

Immediately following the Closing, (i) the Existing Amneal Members will hold approximately 75% of the voting power and economic interests in New Amneal, and (ii) our stockholders immediately prior to the Closing will hold approximately 25% of the voting power and economic interests in New Amneal. Following the Closing and the PIPE Investment (as described above under "Item 1. Business - Business Combination with Amneal Pharmaceuticals LLC"), it is expected that the Existing Amneal Members will hold approximately 60% of the voting power of the outstanding shares of New Amneal common stock (the "New Amneal Shares") and TPG Improv Holdings, L.P. ("TPG") and other institutional investors will hold approximately 15% of the voting power of the outstanding New Amneal Shares.

Consummation of the Transactions is subject to customary closing conditions, including, among other things, (i) the approval of our stockholders holding a majority of the outstanding Impax Common Stock entitled to vote (the "Requisite Stockholder Approval"), (ii) expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (iii) NYSE listing approval for Holdco Class A Common Stock. The obligation to consummate the Transactions is also conditioned upon each party's representations and warranties being true and correct (subject to certain materiality exceptions) and each party having performed in all material respects its obligations under the Business Combination Agreement. The Closing is currently expected to occur during the first half of 2018, however, we cannot assure that the Closing will be completed on the terms or timeline currently contemplated, or at all. See "Item IA. Risk Factors - Risks Related to Our Proposed Business Combination with Amneal Pharmaceuticals LLC" above for additional information regarding the risks related to the Transactions.

Results of Operations

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Overview

The following table sets forth our summarized, consolidated results of operations for the years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Total revenues	\$ 775,787	\$ 824,429	\$ (48,642)	(6)%
Gross profit (loss)	143,799	(151,102)	294,901	*
(Loss) income from operations	(402,692)	(494,182)	91,490	(19)%
(Loss) income before income taxes	(450,961)	(576,325)	125,364	(22)%
Provision for (benefit from) income taxes	18,326	(104,294)	122,620	*
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 2,744	(1)%

* Percentage exceeds 100%

Consolidated total revenues for the year ended December 31, 2017 decreased by 6%, or \$48.6 million, to \$775.8 million compared to \$824.4 million for the year ended December 31, 2016. The decrease was primarily attributable to lower Impax Generics division product sales. Selling price for existing products decreased consolidated total revenues by 22%, while volumes for existing products increased consolidated total revenues by 14%, in each case compared to the prior year. The decrease in selling price was primarily the result of additional competition during the year ended December 31, 2017 in generic Adderall XR®, fenofibrate, diclofenac sodium gel, metaxalone and lower prices on epinephrine auto injector, partially offset by volume increases in epinephrine auto injector and Rytary®. New product launches increased consolidated total revenues by 2% compared to the prior year. We currently expect pricing pressures on generic products to continue in the industry at least in the near term. We are closely monitoring these developments as they related to our products, customers and end users.

Revenues from our Impax Generics division for the year ended December 31, 2017 were \$549.1 million, a decrease of \$57.2 million or 9%, over the prior year. The decrease compared to the prior year period was primarily due to increased competition on diclofenac sodium gel, metaxalone, generic Adderall XR® and fenofibrate. These decreases were partially offset by increased sales of our epinephrine auto-injector, budesonide and other products we acquired as part of the Teva Transaction compared to the prior year period.

Revenues from our Impax Specialty Pharma division for the year ended December 31, 2017 were \$226.7 million, an increase of \$8.6 million or 4% over the prior year. The increase from the prior year period was primarily due to higher sales of Rytary®, partially offset by lower sales of our anthelmintic products franchise and Zomig®.

Net loss for the year ended December 31, 2017 was \$469.3 million, a decrease in our loss of \$2.7 million compared to a net loss of \$472.0 million for the year ended December 31, 2016. The net loss for the year ended December 31, 2017 was due to \$289.7 million in intangible asset impairment charges and an approximate \$74.1 million fixed assets impairment charge of our Taiwan manufacturing facility associated with our announced sale of the Taiwan operations. Additionally, during the year ended December 31, 2017, revenue from our generic products decreased due to increased competition and an approximate \$48.2 million increase in cost of revenues caused by under-utilization of our plants associated with our restructuring initiatives. Our fiscal year 2016 net loss was driven largely by our \$541.6 million asset impairment charges and a \$40.3 million reserve recorded as a result of the uncertainty of collection of the receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities.

Of the \$289.7 million intangible asset impairment charges we incurred during the year ended December 31, 2017, we recognized \$96.9 million in cost of revenues impairment charges and \$192.8 million in in-process research and development impairment charges on our consolidated statement of operations. The impairment charge was attributable to eight currently marketed products and four in-process research and development ("IPR&D") product rights, the majority of which were acquired as part of the Teva Transaction. For the currently marketed products, the impairment charge was the result of continued significant price and volume erosion during the year ended December 31, 2017, resulting in significantly lower expected future cash flows. The IPR&D impairment was the result of delays in the anticipated product launch and related competition in the market.

Impax Generics

The following table sets forth results of operations for the Impax Generics division for the years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Revenues:				
Impax Generics sales, net	\$ 549,077	\$ 606,320	\$ (57,243)	(9)%
Cost of revenues	454,911	417,316	37,595	9 %
Cost of revenues impairment charges	96,865	464,319	(367,454)	(79)%
Gross loss	(2,699)	(275,315)	272,616	(99)%
Operating expenses:				
Selling, general and administrative	28,294	20,508	7,786	38 %
Research and development	63,245	61,980	1,265	2 %
In-process research and development impairment charges	192,809	27,765	165,044	*
Patent litigation expense	827	829	(2)	— %
Change in fair value of contingent consideration	(31,048)	—	(31,048)	*
Fixed assets impairment charges	8,380	—	8,380	*
Total operating expenses	262,507	111,082	151,425	*
Loss from operations	\$ (265,206)	\$ (386,397)	\$ 121,191	(31)%

* Percentage exceeds 100%

Revenues

Total revenues for the Impax Generics division for the year ended December 31, 2017 were \$549.1 million, a decrease of \$57.2 million or 9%, compared to the prior year. The decrease compared to the prior year period was primarily due to increased competition on diclofenac sodium gel, metaxalone, generic Adderall XR® and fenofibrate. The decreases in revenue related to these products were partially offset by increased sales of our epinephrine auto-injector, budesonide and other products we acquired as part of the Teva Transaction compared to the prior year period.

Cost of Revenues

Cost of revenues was \$454.9 million for the year ended December 31, 2017, an increase of \$37.6 million from the prior year. The increase was due to \$22.4 million of higher intangible asset amortization expenses resulting from the Teva Transaction, an increase of \$14.4 million of inventory reserves primarily for bad batches and short-dated product, \$11.6 million of additional restructuring costs incurred in connection with the closure of our Middlesex, New Jersey facility and the reduction-in-force of our technical operations group. The additional costs are offset by lower production costs due to increased absorption primarily as a result of restocking of new product launch inventory.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges was \$96.9 million for the year ended December 31, 2017, as compared to \$464.3 million for the year ended December 31, 2016. The \$96.9 million of impairment charges for the year ended December 31, 2017 were mostly due to continued price and volume erosion on eight currently marketed products, of which six were acquired in the Teva Transaction without an offsetting increase in customer demand, resulting in significantly lower expected future cash flows. The \$464.3 million of impairment charges for the year ended December 31, 2016 were primarily due to price reductions taken on certain products acquired as part of the Teva Transaction in order to retain key customers.

Gross Loss

Gross loss for the year ended December 31, 2017 was \$2.7 million as compared to gross loss of \$275.3 million for the prior year. The decrease in gross loss was due primarily to \$367.5 million of lower intangible asset impairment charges offset by an increase of \$22.4 million intangible asset amortization expenses both relating to assets acquired in the Teva Transaction. The gross loss decrease was also partially offset by continued price erosion due to competition and customer mix along with an increase of \$14.4 million of inventory reserves, \$11.6 million of additional restructuring costs incurred with the closure of our Middlesex, New Jersey facility and the reduction-in-force of our technical operations group.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2017 were \$28.3 million, as compared to \$20.5 million for the year ended December 31, 2016. The \$7.8 million increase from the prior year was primarily due to \$2.9 million of additional freight costs, \$2.8 million of higher supply claims from our wholesale customers and \$2.2 million higher marketing costs.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2017 were \$63.2 million, as compared to \$62.0 million for the year ended December 31, 2016. The \$1.2 million increase from the prior year period was primarily due to \$3.3 million of higher internal project costs and \$0.8 million of employee termination benefits from the closure of our Generic Division's research and development site in Middlesex, New Jersey partially offset by \$3.4 million of lower external development.

In-process Research and Development Impairment Charges

In-process research and development impairment charges were \$192.8 million for the year ended December 31, 2017, as compared to \$27.8 million for the year ended December 31, 2016. The \$192.8 million of impairment charges for the year ended December 31, 2017 were due to delays in the anticipated launch of products and marketing rights acquired in the Teva Transaction and associated competition in the market. The \$27.8 million of impairment charges for the year ended December 31, 2016 were due to delays in the expected start of commercialization and/or lower pricing amid highly competitive market conditions of certain pipeline products, resulting in lower expected future cash flows.

Change in Fair Value of Contingent Consideration

During the year ended December 31, 2017, we recognized \$31.0 million of income on the change in the fair value of contingent consideration, compared to a minimal change in fair value of contingent consideration recognized during the prior year. We are required under the Termination Agreement with Teva to make certain milestone payments to Teva associated with our methylphenidate hydrochloride (generic Concerta®) product. The Company conducted a review of the underlying inputs and assumptions at December 31, 2017, and based on timing and probability of the product launch, and corresponding number of competitors expected to be in the market at both launch and the one-year anniversary of launch, the Company concluded that the fair value of its contingent consideration was \$0. Refer to "Item 15. Financial Information - Notes to the Consolidated Financial Statements - Note 4. Fair Value Measurement and Financial Instruments" for additional information related to the contingent consideration associated with our methylphenidate hydrochloride product.

Fixed Assets Impairment Charges

The fixed assets impairment charges recognized during the year ended December 31, 2017 were primarily due to the closure of our Middlesex, New Jersey manufacturing facility; we sold the entity which held the leases to the site to a third party in early 2018. In addition, we recognized fixed impairment charges associated with abandoned software. Refer to "Item 15. Financial Information - Notes to the Consolidated Financial Statements - Note 15. Restructurings" for additional information related to the sale of Middlesex, New Jersey assets. There was no comparable loss in 2016.

Impax Specialty Pharma

The following table sets forth results of operations for the Impax Specialty Pharma division for the years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
Revenues:				
Rytary®, net	\$ 91,637	\$ 73,834	\$ 17,803	24 %
Zomig®, net	51,115	53,539	(2,424)	(5)%
All other Specialty Pharma Products, net	83,958	90,736	(6,778)	(7)%
Total revenues	226,710	218,109	8,601	4 %
Cost of revenues	80,212	69,583	10,629	15 %
Cost of revenues impairment charges	—	24,313	(24,313)	(100)%
Gross profit	146,498	124,213	22,285	18 %
Operating expenses:				
Selling, general and administrative	67,949	61,448	6,501	11 %
Research and development	17,602	18,486	(884)	(5)%
In-process research and development impairment charges	—	25,200	(25,200)	(100)%
Fixed assets impairment charges	74,128	—	74,128	*
Patent litigation expense	4,278	6,990	(2,712)	(39)%
Total operating expenses	163,957	112,124	51,833	46 %
(Loss) income from operations	\$ (17,459)	\$ 12,089	\$ (29,548)	*

* Percentage exceeds 100%

Revenues

Total revenues for the Impax Specialty Pharma division for the year ended December 31, 2017 were \$226.7 million, an increase of \$8.6 million or 4% over the prior year. The increase from the prior year period was primarily due to higher sales of Rytary®, partially offset by lower sales of our anthelmintic products franchise and Zomig®.

Cost of Revenues

Cost of revenues was \$80.2 million for the year ended December 31, 2017, a \$10.6 million increase over the prior year. The increase is primarily due to higher sales of Rytary, increase in inventory reserve of \$4.6 million and increase in accelerated depreciation expenses of \$9.1 million related to our manufacturing facility located in Taiwan, which we sold in February of 2018. The cost of revenues increase was partially offset by a reduction in amortization of \$10.6 million due to impairment of Emverm® intangible asset in 2016.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges were \$24.3 million for the year ended December 31, 2016, primarily as a result of lower than expected script volume for Emverm®. There were no comparable charges during 2017.

Gross Profit

Gross profit for the year ended December 31, 2017 was \$146.5 million, or 65% of total revenues, as compared to \$124.2 million, or 57% of total revenues, in the prior year. The increase in gross profit was primarily due to higher product sales of Rytary® during the year ended December 31, 2017 and a reduction in intangible asset impairment charges compared to 2016.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2017 were \$67.9 million, as compared to \$61.4 million for the year ended December 31, 2016. The \$6.5 million increase compared to the prior year was primarily due to certain employee termination benefits and higher advertising and promotion costs related to Emverm® and Zomig®.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2017 were \$17.6 million, as compared to \$18.5 million for the year ended December 31, 2016. The \$0.9 million decrease compared to the prior year was primarily due to a \$2.6 million AstraZeneca reimbursement to us related to the juvenile toxicity study and pediatric study required by the FDA under the Pediatric Research Equity Act for approval of the nasal formulation of Zomig® for the acute treatment of migraine in pediatric patients ages six through eleven years old pursuant to the terms of the AZ Agreement, as well as reduced expenses related to our branded initiatives, partially offset by higher spend for our Drug Safety/Pharmacovigilance group of \$2.5 million. See “Item 1. Alliance and Collaboration Agreements - Impax Specialty Pharma - Alliance and Collaboration Agreements” for details regarding the AZ Agreement.

In-process Research and Development Impairment Charges

In-process research and development impairment charges were \$25.2 million for the year ended December 31, 2016. The impairment charges resulted from management’s decision during the fourth quarter of 2016 to cease development on our next generation Albenza® product due to continued difficulties in sourcing the active pharmaceutical ingredient for the product. There were no comparable charges during 2017.

Fixed Assets Impairment Charges

The fixed assets impairment charges recorded during the year ended December 31, 2017 were primarily due to a \$74.1 million loss associated with a stock and asset purchase agreement we entered into with a third party during the year ended December 31, 2017 pursuant to which we agreed to sell Impax Taiwan, including our Taiwan facility. Refer to “Item 15. Exhibits and Financial Statement Schedules - Notes to the Consolidated Financial Statements - Note 15. Restructurings” for additional information related to the sale of our Taiwan operations. There was no comparable fixed asset impairment charges recorded in 2016.

Patent Litigation Expenses

Patent litigation expenses for the year ended December 31, 2017 were \$4.3 million, as compared to \$7.0 million for the year ended December 31, 2016. The \$2.7 million higher cost during the prior year was primarily due to patent litigation activity related to Zomig® trial during the third quarter of 2016. Refer to “Item 15. Financial Information - Notes to the Consolidated Financial Statements - Note 19. Legal and Regulatory Matters” for more information.

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 years ended December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2017	2016	Dollars	Percentage
General and administrative expenses	\$ 120,027	\$ 119,874	\$ 153	— %
Interest expense, net	(53,412)	(40,419)	(12,993)	32 %
Reserve for Turing receivable	(3,999)	(40,312)	36,313	(90)%
Gain on sale of assets	17,236	175	17,061	*
Loss on debt extinguishment	(1,215)	—	(1,215)	*
Other expense, net	(6,879)	(1,587)	(5,292)	*
Loss before income taxes	(168,296)	(202,017)	33,721	(17)%
Provision for (benefit from) income taxes	\$ 18,326	\$ (104,294)	\$ 122,620	*

* Percentage exceeds 100%

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2017 were \$120.0 million, as compared to \$119.9 million for the year ended December 31, 2016. The \$0.1 million increase during 2017 compared to the prior year was primarily due to \$8.6 million higher legal expenses compared to the prior year period and \$11.7 million integration costs. These higher expenses were largely offset primarily by \$5.4 million of lower executive costs, \$4.8 million lower share-based compensation costs, \$4.3 million of reduction in IT spending, and \$1.5 million lower business development spending. The expenses in 2016 also included \$3.7 million related to the Teva Transaction, of which there were no comparable charges during year ended December 31, 2017.

Interest Expense, net

Interest expense, net was \$53.4 million for the year ended December 31, 2017, a \$13.0 million increase from the prior year. Interest expense for 2017 reflected interest on our \$600.0 million convertible senior notes issued in 2015, interest on our \$400.0 million Term Loan with Royal Bank of Canada entered into in the third quarter of 2016 to fund the Teva Transaction, and unused line of credit fees on our Revolving Credit Facility with Royal Bank of Canada entered into in 2016. In contrast, prior year interest expense of \$40.4 million reflected interest expense on our Term Loan with Barclays Bank PLC entered into in connection with the financing of the Tower Acquisition, which was repaid in full on June 30, 2016 using proceeds from the issuance of our \$600.0 million convertible senior notes. Refer to "Outstanding Debt Obligations" below for additional information related to our outstanding convertible notes and credit facilities. Interest income was \$1.0 million for the year ended December 31, 2017, which was relatively consistent with interest income for the year ended December 31, 2016.

Reserve for Turing Receivable

During the year ended December 31, 2016, we recorded a reserve of \$40.3 million as a result of the uncertainty of collection of the receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities, as compared to a net \$4.0 million of such charges during the year ended December 31, 2017. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to the Consolidated Financial Statements - Note 5. Accounts Receivable" for additional information related to the Turing receivable.

Gain on Sale of Assets

During the year ended December 31, 2017, we recognized a \$12.5 million gain on the sale of 29 ANDAs and one NDA for non-strategic approved generic products, the vast majority of which products were not marketed, and all acquired as part of the Tower Acquisition, and \$4.7 million gain from the sale of the our storage warehouse in Hayward, California.

Loss on Debt Extinguishment

During the year ended December 31, 2017, we recognized a \$1.2 million loss on debt extinguishment related to the voluntary prepayment of \$50.0 million on our Term Loan Facility with Royal Bank of Canada. There was no comparable loss in 2016.

Other Expense, Net

Other expense, net was \$6.9 million for year ended December 31, 2017, as compared to \$1.6 million for the year ended December 31, 2016. The expense for the year ended December 31, 2017 was primarily due to legal settlement costs related to our settlement with Endo Pharmaceuticals Inc. on our marketed oxymorphone hydrochloride tablets, which we settled in August 2017, and the suit related to the Telephone Consumer Protection Act. Refer to "Item 15. Financial Information - Notes to the Consolidated Financial Statements - Note 19. Legal and Regulatory Matters" for more information related to the Telephone Consumer Protection Act suit.

Income Taxes

During the year ended December 31, 2017, we recorded an aggregate tax provision of \$18.3 million for U.S. domestic income taxes and foreign income taxes, an increase of \$122.6 million compared to an aggregate tax benefit of \$104.3 million we recorded during the prior year. The effective tax rate decreased to (4.1)% for the year ended December 31, 2017 compared to 18.1% for the year ended December 31, 2016.

The effective income tax rate was (4.1)% for the fiscal year ended December 31, 2017, and reflected the increase in valuation allowance of \$77.1 million against net deferred tax assets. Based on an evaluation of both the positive and negative evidence available, as discussed below, we determined that it was necessary to establish a valuation allowance against all of our net deferred tax assets for the fiscal year ended December 31, 2017.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. This evidence includes, but is not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence of a recent financial reporting loss for the year ended December 31, 2017.

Based on these criteria and the relative weighting of both the positive and negative evidence available, and in particular the activity surrounding our prior earnings history, including the intangible impairments charges recognized during 2017, we determined that it was necessary to establish a valuation allowance against all of our net deferred tax assets as of December 31, 2017. Given the objectively verifiable negative evidence of a three-year cumulative loss which, under the provisions of FASB ASC Topic 740 is a significant element of negative evidence that is difficult to overcome, and the weighting of all available positive evidence, we excluded projected taxable income from the assessment of income that could be used as a source of taxable income to realize the deferred tax assets.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Overview

The following table sets forth our summarized, consolidated results of operations for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Total revenues	\$ 824,429	\$ 860,469	\$ (36,040)	(4)%
Gross (loss) profit	(151,102)	352,404	(503,506)	*
(Loss) income from operations	(494,182)	69,568	(563,750)	*
(Loss) income before income taxes	(576,325)	59,368	(635,693)	*
(Benefit from) provision for income taxes	(104,294)	20,371	(124,665)	*
Net (loss) income	\$ (472,031)	\$ 38,997	\$ (511,028)	*

* Percentage exceeds 100%

Consolidated total revenues for the year ended December 31, 2016 decreased by 4%, or \$36.1 million, to \$824.4 million compared to \$860.5 million for the year ended December 31, 2015. The decrease was primarily attributable to lower Impax Generics division product sales, partially offset by higher Impax Specialty Pharma division product sales. Selling price for existing products decreased consolidated total revenues by 16%, while volumes for existing products increased consolidated total revenues by 2%, in each case compared to the prior year. New product launches, including those resulting from acquisitions, increased consolidated total revenues by 9% compared to the prior year.

Revenues from our Impax Generics division decreased by \$104.6 million during the year ended December 31, 2016, as compared to the prior year. This decrease was primarily due to lower selling prices across a majority of the products in the division, partially offset by higher sales volumes, including those resulting from product acquisitions. The products that experienced significant declines in selling price during the year ended December 31, 2016 compared to the prior year included diclofenac sodium gel, metaxalone, generic Adderall XR®, and fenofibrate family products. In connection with the pricing declines, we recorded \$15.0 million in shelf-stock adjustments related to diclofenac sodium gel and metaxalone during 2016. Partially offsetting these pricing declines were price and volume increases of certain products compared to 2015 primarily related to our epinephrine auto-injector and oxymorphone products.

Revenues from our Impax Specialty Pharma division increased by \$68.6 million during the year ended December 31, 2016, as compared to the prior year. The increase was primarily due to higher selling prices and higher sales volumes across a majority of the products in the division including Zomig®, Rytary®, which launched in April 2015, and our anthelmintic products franchise.

Net loss for the year ended December 31, 2016 was \$472.0 million, a decrease of \$511.0 million compared to net income of \$39.0 million for the year ended December 31, 2015. The net loss for the year ended December 31, 2016 was primarily driven by \$541.6 million in intangible asset impairment charges, as compared to \$13.7 million of such charges in the prior year, as well as a \$40.3 million reserve recorded as a result of the uncertainty of collection of the receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities. Included in our 2015 results was a \$45.6 million gain related to the sale of Daraprim® to Turing, for which there was no comparable gain in 2016. Refer to "Item 15. Exhibits and Financial Schedules - Note 5. Accounts Receivable" for information related to the Daraprim® sale and Turing reserve.

Of the \$541.6 million in intangible asset impairment charges we incurred in 2016, \$308.4 million of such charges related to certain intangible assets acquired as part of 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 charge of \$251.0 million during the third quarter of 2016. We experienced even further price reductions on certain of the products acquired in the Teva Transaction during the fourth quarter of 2016, which resulted in \$57.4 million of additional intangible asset impairment charges. In total, our impairment analyses for the products acquired in the Teva Transaction resulted in the recognition of \$308.4 million of non-cash impairment charges to earnings, comprised of a \$301.7 million charge recorded in cost of revenues impairment charges and a \$6.7 million charge recorded in-process research and development impairment charges in our consolidated statement of operations for the year ended December 31, 2016.

During 2016, we also incurred other non-cash impairment charges on certain of our intangible assets, primarily related to the products acquired from the Tower Acquisition, totaling \$233.2 million. These impairment charges arose primarily due to increased competition, price degradation, product discontinuations and delays in expected product launches. The largest intangible asset impairment charge related to products acquired in the Tower Acquisition was for our epinephrine auto-injector product, which occurred during the fourth quarter of 2016 and accounted for more than half of the \$233.2 million in charges. The impairment charge on the epinephrine auto-injector product was triggered by current and projected price degradation as a result of unexpected changes in the pricing environment and additional competition.

Impax Generics

The following table sets forth results of operations for the Impax Generics division for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Revenues:				
Impax Generics sales, net	\$ 591,744	\$ 699,844	\$ (108,100)	(15)%
Rx Partner	14,339	9,307	5,032	54 %
Other Revenues	237	1,781	(1,544)	(87)%
Total revenues	606,320	710,932	(104,612)	(15)%
Cost of revenues	417,316	442,742	(25,426)	(6)%
Cost of revenues impairment charges	464,319	7,303	457,016	*
Gross (loss) profit	(275,315)	260,887	(536,202)	*
Operating expenses:				
Selling, general and administrative	20,508	29,641	(9,133)	(31)%
Research and development	61,980	52,478	9,502	18 %
In-process research and development impairment charges	27,765	6,360	21,405	*
Patent litigation expense	829	2,942	(2,113)	(72)%
Total operating expenses	111,082	91,421	19,661	22 %
(Loss) income from operations	\$ (386,397)	\$ 169,466	\$ (555,863)	*

* Percentage exceeds 100%

Revenues

Total revenues for the Impax Generics division for the year ended December 31, 2016 were \$606.3 million, a decrease of \$104.6 million or 15%, over the prior year. The decrease was primarily due to increased competition on diclofenac sodium gel, metaxalone, and fenofibrate, coupled with lower market share for generic Adderall XR® during the first half of 2016, in each case compared to the prior year. These decreases were partially offset by increased sales of oxycodone, increased sales of epinephrine auto-injector, which was acquired as part of the Tower Acquisition in March 2015, and sales of the products acquired as part of the Teva Transaction in August 2016, in each case compared to the prior year. In addition, during the year ended December 31, 2016, we recorded a \$15.0 million shelf-stock adjustment related to diclofenac sodium gel and metaxalone as a result of declining prices during 2016, for which there was no comparable charge in the prior year.

Cost of Revenues

Cost of revenues was \$417.3 million for the year ended December 31, 2016, a decrease of \$25.4 million from the prior year. The decrease was primarily attributable to lower costs related to decreased product revenue compared to the prior year and the absence of costs related to (i) the step-up to fair value of inventory in connection with the Tower Acquisition, (ii) Hayward remediation activities and (iii) the Philadelphia restructuring, which were all incurred in the prior year but for which we did not incur comparable costs in 2016. The reduced costs during 2016 compared to the prior year were partially offset by higher intangible asset amortization expenses resulting from the Teva Transaction and a full year of amortization expense related to products acquired in the Tower Acquisition, along with higher restructuring costs incurred in conjunction with the previously announced closure of the Middlesex, New Jersey facility.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges was \$464.3 million for the year ended December 31, 2016, a \$457.0 million increase over the prior year. Of this increase, \$301.7 million related to impairments recognized on certain intangible assets acquired as part of the Teva Transaction. As discussed above, we assumed certain price concessions would occur following the closing of the Teva Transaction on August 3, 2016. 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 charge of \$248.0 million during the third quarter of 2016. We experienced even further price reductions on certain of the products acquired in the Teva Transaction during the fourth quarter of 2016, which resulted in \$53.7 million of additional intangible asset impairment charges recorded in cost of revenues impairment charges.

During 2016, we also incurred other non-cash impairment charges recorded to cost of revenues impairment charges on certain of our intangible assets, primarily related to the products acquired from the Tower Acquisition, totaling \$162.6 million. These impairment charges arose primarily due to increased competition, price degradation, and product discontinuations. The largest intangible asset impairment charge related to the products acquired in the Tower Acquisition was on our epinephrine auto-injector product, which occurred during the fourth quarter of 2016. The impairment charge on the epinephrine auto-injector product was triggered by current and projected price degradation as a result of changes in the pricing environment and additional competition.

Gross (Loss) Profit

Gross (loss) for the year ended December 31, 2016 was (\$275.3) million, or 45% of total revenues, as compared to gross profit of \$260.9 million, or 37% of total revenues, for the prior year. The decreases in gross profit and gross margin were primarily due to intangible asset impairment charges, lower product sales, higher shelf-stock adjustments, increased intangibles amortization, and increased restructuring costs, as noted above. These decreases were partially offset by the absence of remediation costs related to the Hayward facility and the absence of restructuring costs related to the Philadelphia facility in 2016, both incurred in 2015.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses for the year ended December 31, 2016 were \$20.5 million, as compared to \$29.6 million for the year ended December 31, 2015. The \$9.1 million decrease from the prior year was primarily attributable to a decrease in failure to supply claims during 2016.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2016 were \$62.0 million, as compared to \$52.5 million for the year ended December 31, 2015. The \$9.5 million increase from the prior year was 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 were \$27.8 million for the year ended December 31, 2016, an increase of \$21.4 million from the prior year. The 2016 impairment charges included \$21.1 million related to products acquired as part of the Tower Acquisition and caused primarily due to delays in the expected start of commercialization and/or lower anticipated pricing of such products amid highly competitive market conditions, resulting in lower forecasted future cash flows. There were \$6.4 million of similar charges recorded in the prior year. In addition, the 2016 impairment charges included \$6.7 million related to products acquired as part of the Teva Transaction and caused by lower anticipated pricing amid highly competitive market conditions, resulting in lower forecasted future cash flows.

Patent Litigation Expenses

Patent litigation expenses for the year ended December 31, 2016 were \$0.8 million, as compared to \$2.9 million for the year ended December 31, 2015. The \$2.1 million decrease was due to reduced legal activity in 2016 compared to the prior year.

Impax Specialty Pharma

The following table sets forth results of operations for the Impax Specialty Pharma division for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
Revenues:				
Rytary®, net	\$ 73,834	\$ 42,364	\$ 31,470	74 %
Zomig®, net	53,539	49,251	4,288	9 %
All other Specialty Pharma Products, net	90,736	57,922	32,814	57 %
Total revenues	218,109	149,537	68,572	46 %
Cost of revenues	69,583	58,020	11,563	20 %
Cost of revenues impairment charges	24,313	—	24,313	*
Gross profit	124,213	91,517	32,696	36 %
Operating expenses:				
Selling, general and administrative	61,448	52,427	9,021	17 %
Research and development	18,486	18,144	342	2 %
In-process research and development impairment charges	25,200	—	25,200	*
Patent litigation expense	6,990	1,625	5,365	*
Total operating expenses	112,124	72,196	39,928	55 %
Income from operations	\$ 12,089	\$ 19,321	\$ (7,232)	(37)%

* Percentage exceeds 100%

Revenues

Total revenues for the Impax Specialty Pharma division for the year ended December 31, 2016 were \$218.1 million, an increase of \$68.6 million or 46% over the prior year. The increase was 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 \$69.6 million for the year ended December 31, 2016, an \$11.6 million increase over the prior year. The increase was primarily due to higher costs related to increased product sales and a full year of amortization expense related to products acquired in the Tower Acquisition. Additionally, cost of revenues for the prior year included a \$5.4 million step-up to fair value of inventory charge in connection with the Tower Acquisition, for which there was no comparable charge in 2016.

Cost of Revenues Impairment Charges

Cost of revenues impairment charges were \$24.3 million for the year ended December 31, 2016. There were no comparable charges during the prior year. The impairment charge was primarily the result of lower than expected script volume for Emverm®.

Gross Profit

Gross profit for the year ended December 31, 2016 was \$124.2 million, or 57% of total revenues, as compared to \$91.5 million, or 61% of total revenues, in the prior year. The increase in gross profit in 2016 compared to the prior year was primarily due to increased product sales and the absence in 2016 of the \$5.4 million step-up to fair value of inventory charge in connection with the Tower Acquisition we incurred in 2015, partially offset by higher impairment charges during 2016. The decrease in gross margin during the year ended December 31, 2016 was primarily due to lower selling prices on certain products compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the year ended December 31, 2016 were \$61.4 million, as compared to \$52.4 million for the year ended December 31, 2015. The \$9.0 million increase during the year ended December 31, 2016 was primarily due to expenses related to the sales force expansion to support sales and marketing activities for Rytary® and increased advertising and promotion expenses to support the launch of Emverm® and the new indication of Zomig® nasal spray for pediatric patients approved by the FDA in June 2015. The increase in expenses during 2016 was partially offset by training expenses incurred during the year ended December 31, 2015 to support the launch of Rytary®.

Research and Development Expenses

Research and development expenses for the year ended December 31, 2016 were \$18.5 million, as compared to \$18.1 million for the year ended December 31, 2015. The \$0.4 million increase compared to the prior year was primarily due to increased research and development activities related to our branded initiatives.

In-process Research and Development Impairment Charges

In-process research and development impairment charges were \$25.2 million for the year ended December 31, 2016. There were no comparable charges during the prior year. The impairment charges resulted from management's decision during the fourth quarter of 2016 to cease development on our next generation Albenza® product due to continued difficulties in sourcing the active pharmaceutical ingredient for the product.

Patent Litigation Expenses

Patent litigation expenses for the year ended December 31, 2016 were \$7.0 million, as compared to \$1.6 million for the year ended December 31, 2015. The \$5.4 million increase during 2016 compared to the prior year was due to increased patent litigation activity in 2016.

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 from operations for the years ended December 31, 2016 and 2015 (in thousands):

	Year Ended December 31,		Increase / (Decrease)	
	2016	2015	Dollars	Percentage
General and administrative expenses	\$ 119,874	\$ 119,219	\$ 655	1%
Interest expense, net	(40,419)	(26,226)	(14,193)	54%
Reserve for Turing receivable	(40,312)	—	(40,312)	*
Gain on sale of asset	—	45,574	(45,574)	*
Loss on debt extinguishment	—	(16,903)	16,903	*
Net change in fair value of derivatives	—	(13,000)	13,000	*
Other (expense) income, net	(1,412)	355	(1,767)	*
Loss before income taxes	(202,017)	(129,419)	(72,598)	56%
(Benefit from) provision for income taxes	\$ (104,294)	\$ 20,371	\$ (124,665)	*

* Percentage exceeds 100%

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2016 were \$119.9 million, as compared to \$119.2 million for the year ended December 31, 2015. The \$0.7 million increase during 2016 compared to the prior year was primarily due to costs recognized in 2016 related to the separation of G. Frederick Wilkinson as our President and Chief Executive Officer in December 2016 and higher legal expenses compared to the prior year, partially offset by lower transaction and integration expenses related to strategic transactions during 2016 as compared to the transaction and integration expenses incurred related to the Tower Acquisition during the prior year.

Interest Expense, net

Interest expense, net was \$40.4 million for the year ended December 31, 2016, a \$14.2 million increase from the prior year. Interest expense for 2016 reflected interest on our \$600.0 million convertible senior notes issued in 2015, interest on our \$400.0 million Term Loan with Royal Bank of Canada entered into in 2016 to fund the Teva Transaction, and unused line of credit fees on our Revolving Credit Facility with Royal Bank of Canada entered into in 2016. In contrast, prior year interest expense of \$27.3 million reflected interest expense on our Term Loan with Barclays Bank PLC entered into in connection with the financing of the Tower Acquisition, which was repaid in full on June 30, 2016 using proceeds from the issuance of our \$600.0 million senior notes. Refer to "Outstanding Debt Obligations" below for additional information related to our outstanding convertible notes and credit facilities. Interest income was \$1.0 million for the year ended December 31, 2016, which was relatively consistent with interest income for the year ended December 31, 2015.

Reserve for Turing Receivable

During the year ended December 31, 2016, we recorded a reserve of \$40.3 million, representing the amount of the estimated receivable due from Turing for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities. We received \$7.7 million in payments from Turing during the fourth quarter of 2016, which reduced the reserve balance of \$48.0 million as of September 30, 2016 to the reserve balance of \$40.3 million as of December 31, 2016. Refer to "Item 15. Financial Information - Notes to the Consolidated Financial Statements - Note 5. Accounts Receivable" for additional information related to the Turing receivable.

Gain on Sale of Asset

During the year ended December 31, 2015, we recognized a \$45.6 million gain on the sale of our right to Daraprim®. There was no comparable gain in 2016.

Loss on Debt Extinguishment

During the year ended December 31, 2015, we recognized a \$16.9 million loss on debt extinguishment related to the repayment of our \$435.0 million term loan with Barclays Bank PLC. There was no comparable loss in 2016.

Net Change in Fair Value of Derivatives

During the year ended December 31, 2015, we recognized a \$13.0 million expense as the net change in the fair value of our derivative instruments entered into in conjunction with our convertible senior notes due 2022. This expense resulted from the change in our stock price from June 30, 2015 to December 31, 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 2016.

Other (Expense) Income, Net

Other expense, net was \$1.4 million for the year ended December 31, 2016, a \$1.8 million increase from the prior year. The increase was primarily due to the change in the fair value of the contingent consideration due to Teva pursuant to the Termination Agreement with Teva whereby Teva returned to us our full commercial rights to our then pending ANDA for methylphenidate hydrochloride and due to an increase in fixed asset impairments over the prior year. Refer to "Item 15. Exhibits and Financial Statement Schedules - Note 3. Business Acquisitions" for more information on the Termination Agreement with Teva.

Income Taxes

During the year ended December 31, 2016, we recorded an aggregate tax benefit of \$104.3 million for U.S. domestic income taxes and for foreign income taxes, a decrease of \$124.7 million compared to an aggregate tax provision of \$20.4 million we recorded during the prior year. The decrease in the tax provision during 2016 compared to the prior year resulted from lower income before taxes in the year ended December 31, 2016. The effective tax rate decreased to 18.1% for the year ended December 31, 2016 compared to 34.3% for the year ended December 31, 2015.

The effective income tax rate was 18.1% for the fiscal year ended December 31, 2016, and reflected the establishment of a valuation allowance of \$108.8 million against net deferred tax assets. Based on an evaluation of both the positive and negative evidence available, as discussed below, we determined that it was necessary to establish a valuation allowance against a significant portion of our net deferred tax assets for the fiscal year ended December 31, 2016.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. This evidence includes, but is not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence of a recent financial reporting loss for the year ended December 31, 2016.

Based on these criteria and the relative weighting of both the positive and negative evidence available, and in particular the activity surrounding our prior earnings history, including the intangible impairments charges recognized during 2016, we determined that it was necessary to establish a valuation allowance against a significant portion of our net deferred tax assets as of December 31, 2016. Given the objectively verifiable negative evidence of a three-year cumulative loss which, under the provisions of FASB ASC Topic 740 is a significant element of negative evidence that is difficult to overcome, and the weighting of all available positive evidence, we excluded projected taxable income from the assessment of income that could be used as a source of taxable income to realize the deferred tax assets.

Liquidity and Capital Resources

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

We expect to incur significant operating expenses, including research and development and patent litigation expenses, for the foreseeable future. In addition, we are generally required to make cash expenditures to manufacture and/or acquire finished product inventory in advance of selling the finished product to our customers and collecting payment, which may result in a significant use of cash. We believe our existing cash and cash equivalents, together with cash expected to be generated from operations and our revolving line of credit facility, will be sufficient to meet our financing requirements through the next 12 months. We may, however, seek additional financing through alliance, collaboration, and licensing agreements, as well as from the debt and equity capital markets, to fund capital expenditures, research and development plans, potential acquisitions, and potential revenue shortfalls due to delays in new product introductions or otherwise. We cannot be assured that such financing will be available on favorable terms, or at all. Refer to "Item 1A. Risk Factors" above for additional information related to the risks related to our ability to raise additional funds.

Cash Flows - Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net cash provided by operations increased by \$0.4 million to \$84.2 million for the year ended December 31, 2017, from \$83.8 million for year ended December 31, 2016. Our cash flows are impacted by our underlying results from operations and related timing of cash receipts and cash disbursements. For the year ended December 31, 2017, while we experienced reduced operating results, our working capital management improved in 2017, most notably with inventory and payables.

Net cash used in investing activities for the year ended December 31, 2017 was \$9.7 million, a decrease of \$617.4 million compared to \$627.1 million in the prior year. In 2017, net cash used in investing activities primarily consisted of a \$26.7 million for capital expenditures partially offset by proceeds from the sale of intangible assets and property, plant and equipment of \$21.5 million. In 2016, net cash used in investing activities primarily consisted of a \$585.8 million payment to fund the Teva Transaction. Increased capital expenditures in 2016 were partially offset by proceeds from the repayment by Tolmar of the outstanding \$15.0 million balance due to us under our loan and security agreement with Tolmar pursuant to which provided to Tolmar one or more loans in an aggregate amount not to exceed \$15.0 million (the "Tolmar Loan Agreement").

Net cash used in financing activities for the year ended December 31, 2017 was \$73.7 million, representing a decrease of \$456.2 million as compared to \$382.5 million net cash provided by financing activities in the prior year. In 2017, \$70.0 million of principal payments were made on the \$400.0 million of proceeds from the term loan entered into with Royal Bank of Canada to finance the Teva Transaction in 2016. In 2016, net cash provided by financing activities primarily consisted of \$400.0 million of proceeds from the term loan entered into with Royal Bank of Canada to finance the Teva Transaction. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 10. Debt" below for additional information regarding our outstanding convertible notes and credit facilities.

Cash Flows - Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net cash provided by operating activities for the year ended December 31, 2016 was \$83.9 million, a decrease of \$8.6 million as compared to the prior year \$92.5 million net cash provided by operating activities. While the 2016 cash flows from operations were relatively stable compared to 2015, there were some large variations in the line items. Our lower net income during 2016 was more than offset by higher non-cash items. Significant changes in non-cash items during 2016 included higher depreciation and amortization resulting from acquisition activity, non-cash interest expense, intangible asset impairment charges, and the reserve related to the receivable from Turing. Working capital items also experienced significant changes in 2016 compared to the prior year as increased cash flow from accounts receivable collections were more than offset by higher cash outflows related to profit sharing payments, higher inventory in support of product launches as well as lower cash inflows from accounts payable and accrued expenses largely related to payments made on behalf of Turing. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 5. Accounts Receivable" for additional information related to the Turing receivable and payments.

Net cash used in investing activities for the year ended December 31, 2016 was \$627.1 million, an increase of \$159.6 million compared to \$467.5 million in the prior year. In 2016, net cash used in investing activities primarily consisted of a \$585.8 million payment to fund the Teva Transaction. Increased capital expenditures in 2016 were partially offset by proceeds from the repayment by Tolmar of the outstanding \$15.0 million balance due to us under the Tolmar Loan Agreement. Net cash used in investing activities for the prior year included a \$691.3 million payment to fund the Tower Acquisition, partially offset by \$200.1 million from the maturity of investments and \$59.5 million in proceeds from the sale to Turing of our rights to Daraprim®, both of which had no similar activity during 2016.

Net cash provided by financing activities for the year ended December 31, 2016 was \$382.5 million, representing a decrease of \$118.4 million as compared to \$500.9 million in the prior year. In 2016, net cash provided by financing activities primarily consisted of \$400.0 million of proceeds from the term loan entered into with Royal Bank of Canada to finance the Teva Transaction. In contrast, prior year net cash provided by financing activities included \$600.0 million from the issuance of convertible notes and \$88.3 million from the sale of warrants, offset by the payment of \$147.0 million to purchase the bond hedge derivative asset, for which similar activity did not occur during 2016. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 10. Debt" below for additional information regarding our outstanding convertible notes and credit facilities.

Commitments and Contractual Obligations

Our contractual obligations as of December 31, 2017 were as follows (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Open Purchase Order Commitments	\$ 108,071	\$ 108,071	\$ —	\$ —	\$ —
Operating Leases (a)	28,142	5,575	6,318	5,136	11,113
Long-term debt obligations	925,000	20,000	305,000	600,000	—
Interest payments on long-term debt obligations (b)	112,852	29,286	77,566	6,000	—
Total (c)	\$ 1,174,065	\$ 162,932	\$ 388,884	\$ 611,136	\$ 11,113

- (a) We lease office, warehouse, and laboratory facilities under non-cancelable operating leases with expiration dates through December 2027. We also lease certain equipment under various non-cancelable operating leases with various expiration dates through July 2022.
- (b) Interest on existing debt obligations was calculated based on applicable rates at December 31, 2017.
- (c) Liabilities for uncertain tax positions FASB ASC Topic 740, Sub-topic 10, were excluded as we are not able to make a reasonably reliable estimate of the amount and period of related future payments. As of December 31, 2017, we had a \$3.5 million provision for uncertain tax positions. Refer to "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 16. Income Taxes" for additional information.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2017 and 2016.

Outstanding Debt Obligations

Royal Bank of Canada Credit Facilities

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

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

The Amended and Restated Credit Agreement contains certain negative covenants (subject to exceptions, materiality thresholds and other allowances) including, without limitation, negative covenants that limit our and our restricted subsidiaries' ability to incur additional debt, guarantee other obligations, grant liens on assets, make loans, acquisitions or other investments, dispose of assets, make optional payments in connection with or modify certain debt instruments, pay dividends or make other payments on capital stock, engage in mergers or consolidations, enter into arrangements that restrict our and our restricted subsidiaries' ability to pay dividends or grant liens, engage in transactions with affiliates, or change our fiscal year. Prior to the effective date of the Amendment on March 27, 2017 the Amended and Restated Credit Agreement also included a financial maintenance covenant whereby we must not permit our total net leverage ratio in any 12-month period to exceed 5.00:1.00, as tested at the end of each fiscal quarter. Effective as of March 27, 2017 and pursuant to Amendment, the total net leverage ratio financial covenant was replaced with a senior secured net leverage ratio financial covenant. Pursuant to the Amendment, we must not permit our senior secured net leverage ratio to exceed 2.50:1.00 and our interest coverage ratio to be less than 3.00:1.00, in each case in any 12-month period, as tested at the end of each fiscal quarter. We were in compliance with all of our covenants under the Amended and Restated Credit Agreement as of December 31, 2017.

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

The full amount of the proceeds from the Term Loan Facility of \$400.0 million, along with \$196.4 million of cash were used to finance the Teva Transaction, including transaction fees, on its closing date of August 3, 2016. As of December 31, 2017, the full amount of the \$200.0 million Revolving Credit Facility remains available to us for working capital and other general corporate purposes.

In connection with the Term Loan Facility, we incurred \$11.0 million of debt issuance costs for banking, legal and accounting fees and other expenses during the third quarter of 2016. In connection with the Amendment, we incurred \$0.8 million of debt issuance costs for banking fees during the first quarter of 2017. These debt issuance costs were recorded on our consolidated balance sheet as a reduction to the current and long-term portions of debt related to the Term Loan Facility. These deferred debt issuance costs will be accreted to interest expense over the term of the debt using the effective interest method. In connection with the increase in the aggregate principal amount of revolving loans permitted under the Revolving Credit Facility, we incurred \$0.8 million of debt issuance costs for banking fees which were recorded as an asset with current and long-term portions on our consolidated balance sheet. These deferred debt issuance costs, in addition to the \$0.3 million balance remaining from the initial 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 year ended December 31, 2017, we recognized \$17.7 million of interest expense related to the Term Loan Facility, of which \$15.5 million was cash and \$2.2 million was non-cash accretion of the debt discount recorded for deferred debt issuance costs. For the period of August 3, 2016 through December 31, 2016, we recognized \$6.9 million of interest expense related to the Term Loan Facility, of which \$6.0 million was cash and \$0.9 million was non-cash accretion of debt discounts recorded for deferred debt issuance costs. As of December 31, 2017, the Term Loan Facility had a carrying value of \$317.5 million, of which \$17.8 million is classified as current debt and \$299.7 million is classified as long-term debt on our consolidated balance sheet. The Term Loan Facility requires us to make quarterly principal payments of \$5.0 million beginning from December 2016 through June 2021, and the remaining principal balance is payable in August 2021. As of December 31, 2017, the outstanding principal amount for the Term Loan Facility was \$325.0 million.

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

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

2% Convertible Senior Notes due June 2022

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

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

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

- (i) If during any calendar quarter commencing after the quarter ending September 30, 2015 (and only during such calendar quarter) the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than 130% of the conversion price on each applicable trading day; or
- (ii) If during the five business day period after any 10 consecutive trading day period (the "measurement period") in which the trading price per \$1,000 of principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last report sale price of our common stock and the conversion rate on each such trading day; or
- (iii) Upon the occurrence of corporate events specified in the Indenture.

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

Concurrently with the offering of the Notes and using a portion of the proceeds from the sale of the Notes, we entered into a series of convertible note hedge and warrant transactions (the "Note Hedge Transactions" and "Warrant Transactions") which are designed to reduce the potential dilution to our stockholders and/or offset the cash payments we are required to make in excess of the principal amount upon conversion of the Notes. The Note Hedge Transactions and Warrant Transactions are separate transactions, in each case, entered into by us with a financial institution and are not part of the terms of the Notes. These transactions will not affect any holder's rights under the Notes, and the holders of the Notes have no rights with respect to the Note Hedge Transactions and Warrant Transactions. See "Note 10. Debt" and "Note 11. Stockholders' Equity" for additional information.

For the years ended December 31, 2017 and December 31, 2016, we recognized \$35.5 million and \$33.8 million, respectively, of interest expense related to the Notes, of which \$12.0 million and \$12.0 million, respectively, was cash and \$23.5 million and \$21.8 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 \$469.9 million and \$446.4 million as of December 31, 2017 and December 31, 2016, respectively. Accrued interest payable on the Notes of \$0.5 million as of both December 31, 2017 and December 31, 2016 is included in accrued expenses on our consolidated balance sheets.

Critical Accounting Policies and Use of Estimates

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the U.S. Securities & Exchange Commission (“SEC”) require the use of estimates and assumptions, based on complex judgments considered reasonable, and affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant judgments are employed in estimates used in determining values of tangible and intangible assets, contingent consideration, legal contingencies, tax assets and tax liabilities, fair value of share-based compensation related to equity incentive awards issued to employees and directors, and estimates used in applying our revenue recognition policy including those related to accrued chargebacks, rebates, distribution service fees, product returns, Medicare, Medicaid, and other government rebate programs, shelf-stock adjustments, and the timing and amount of deferred and recognized revenue under our several alliance and collaboration agreements. Actual results may differ from estimated results. Certain prior year amounts have been reclassified to conform to the presentation for the year ended December 31, 2017.

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

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

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

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

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

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

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

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

A significant majority of our gross to net accruals are the result of chargebacks and rebates and administrative fees, with the majority of those programs having an accrual to payment cycle of three months. In addition to this relatively short accrual to payment cycle, we receive monthly information from the wholesalers regarding their sales of our products and actual on hand inventory levels of our products. During the year ended December 31, 2017, the three large wholesalers account for 99% of our chargebacks and 66% of our indirect sales rebates. Consistent with the pharmaceutical industry, the accrual to payment cycle for returns is longer and can take several years depending on the expiration of the related products. However, returns represent the smallest gross to net adjustment. We have not experienced any significant changes in our estimates as it relates to our chargebacks, rebates or returns in each of the years in the three-year period ended December 31, 2017.

The following tables are rollforwards of the activity in the reserves for the years ended December 31, 2017, 2016 and 2015 with an explanation for any significant changes in the accrual percentages (in thousands):

	Years Ended December 31,		
	2017	2016	2015
<u>Chargeback reserve</u>			
Beginning balance	\$ 151,978	\$ 102,630	\$ 43,125
Acquired balances	—	—	24,532
Provision recorded during the period	1,212,039	1,011,400	833,157
Credits issued during the period	(1,227,126)	(962,052)	(798,184)
Ending balance	\$ 136,891	\$ 151,978	\$ 102,630
Provision as a percent of gross product sales	42%	36%	34%

As noted in the table above, the provision for chargebacks, as a percent of gross product sales, increased to 42% in 2017 from 36% in 2016 primarily due to the change in products sales mix due to the Teva Transaction, which closed in August 2016 and which products carry a higher chargeback rate, a higher chargeback rate on both Fenofibrate and Budesonide product sales due to increase market competition in 2017 and lower product sales of Diclofenac Sodium Gel, which carried a lower chargeback rate.

The aggregate provision for chargebacks, as a percent of gross product sales, increased to 36% in 2016 from 34% in 2015 primarily as a result of product sales mix and inclusion of product sales from the Tower Acquisition and Teva Transaction.

	Years Ended December 31,		
	2017	2016	2015
Rebate reserve			
Beginning balance	\$ 300,647	\$ 265,229	\$ 88,812
Acquired balances	—	—	75,447
Provision recorded during the period	663,724	768,629	571,642
Credits issued during the period	(769,104)	(733,211)	(470,672)
Ending balance	\$ 195,267	\$ 300,647	\$ 265,229
Provision as a percent of gross product sales	23%	27%	23%

As noted in the table above, the provision for rebates, as a percent of gross product sales, decreased from 27% during the year ended December 31, 2016 to 23% during the year ended December 31, 2017 as a result of lower product sales of Diclofenac Sodium Gel, which carried a higher rebate rate, and the discontinuation of the Amphetamine Salts IR products in May 2017, which carried a higher rebate rate.

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 year ended December 31, 2016 as a result of product sales mix, the formation of alliances between certain major wholesalers and major retailers and the inclusion of product sales from the Tower Acquisition, which carry 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 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 5. Accounts Receivable," as Impax Specialty Pharma rebates are classified as Accrued Expenses on our consolidated balance sheets.

	Years Ended December 31,		
	2017	2016	2015
Returns reserve			
Beginning balance	\$ 72,888	\$ 48,950	\$ 27,174
Acquired balances	—	—	11,364
Provision related to sales recorded in the period	47,709	52,383	43,967
Credits issued during the period	(44,304)	(28,445)	(33,555)
Ending balance	\$ 76,293	\$ 72,888	\$ 48,950
Provision as a percent of gross product sales	1.7%	1.9%	2.0%

As noted in the table above, the provision for returns as a percent of gross product sales decreased to 1.7% in 2017 compared to 1.9% in 2016 as a result of slightly lower historical returns experience.

The provision for returns as a percent of gross product sales decreased to 1.9% in 2016 compared to 2.0% in 2015 as a result of slightly lower 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 \$60.3 million, \$72.1 million, and \$91.7 million as of December 31, 2017, December 31, 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 \$7.5 million, \$7.0 million, and \$6.6 million as of December 31, 2017, December 31, 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 was previously related to our alliance and collaboration agreement with Pfizer, Inc., formerly Wyeth LLC ("Pfizer") and our supply agreement with L. Perrigo Company ("Perrigo") with respect to the supply of over-the-counter pharmaceutical product Loratadine and Pseudoephedrine Sulfate 5 mg/120 mg 12-hour Extended Release Tablets (the "D12 Product"). Following the expiration of our obligation to supply the D12 Product to Pfizer and Perrigo as described below, we do not currently sell any over-the-counter pharmaceutical products through this sales channel. We previously recognized profit share revenue in the period earned.

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

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

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

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

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

Income Taxes. We are subject to U.S. federal, state and local income taxes, Netherlands income tax, Republic of Ireland income tax and Taiwan R.O.C. income taxes. In accordance with U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118 ("SAB 118") the amounts recorded in the fourth quarter of 2017 related to the 2017 Tax Reform Act represent reasonable estimates based on our analysis to date and are considered to be provisional and subject to revision during 2018. Provisional amounts were recorded for the Transition Tax, and the re-measurement of our 2017 U.S. net deferred tax liabilities. These amounts are considered to be provisional as we continue to assess available tax methods and elections and refine our computations. In addition, further regulatory guidance related to the 2017 Tax Reform Act is expected to be issued in 2018 which may result in changes to our current estimates. Any revisions to the estimated impacts of the 2017 Tax Reform Act will be recorded quarterly until the computations are complete which is expected no later than the fourth quarter of 2018.

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

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

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

Our consolidated net deferred tax asset valuation allowance totaled \$184.6 million as of December 31, 2017, such that we realize on a more likely than not basis, a tax-effected net deferred tax liability of \$3.2 million. If actual results differ from these estimates or these estimates are adjusted in future periods, the valuation allowance may need to be adjusted, which could materially impact our financial position and results of operations. If sufficient positive evidence arises in the future indicating that all or a portion of the deferred tax assets meet the more likely than not standard for realization, the valuation allowance would be reduced accordingly in the period that such a conclusion is reached.

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

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

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

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

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

We concluded the carrying value of goodwill was not impaired as of December 31, 2017 and 2016, as the fair value of the Impax Specialty Pharma division and the Impax Generics division exceeded their respective carrying values at each date. In the fourth quarter of 2017, we determined that it was not more likely than not that the fair value of goodwill was less than its carrying value. As a result we did not perform a quantitative analysis. In the fourth quarter of 2016, we performed a quantitative analysis and estimated 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.

Recent Accounting Pronouncements

Recently issued accounting standards are discussed in "Item 15. Exhibits and Financial Statements - Notes to Consolidated Financial Statements - Note 2. Summary of Significant Accounting Policies."

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents and accounts receivable. We limit our credit risk associated with cash equivalents by placing investments with high credit quality securities, including U.S. government securities, treasury bills, corporate debt, short-term commercial paper and highly-rated money market funds. As discussed above under "Item 7. Outstanding Debt Obligations," we are party to a Term Loan facility of \$400.0 million (of which \$325.0 million is outstanding as of December 31, 2017) 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 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 5. Accounts Receivable" 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. During the fourth quarter of 2016, we received \$7.7 million in payments from Turing. During the year ended December 31, 2017, we increased the reserve balance by a net \$4.0 million, consisting of a \$5.0 million increase in the reserve resulting from additional Medicaid rebate claims received during the period and a \$1.0 million reduction in the reserve resulting from payments received from Turing during the period. As of December 31, 2017, the \$44.3 million estimated receivable due from Turing was fully reserved.

Prior to June 30, 2015, we had no derivative assets or liabilities and did not engage in any hedging activities. As a result of our June 30, 2015 issuance of the Notes described above under "Item 7. Outstanding Debt Obligations" and in "Item 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 10. Debt", 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.

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 15. Exhibits and Financial Statement Schedules - Notes to Consolidated Financial Statements - Note 20. 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 8. Financial Statements and Supplementary Data

The consolidated financial statements and schedule listed in the Index to Financial Statements beginning on page F-1 are filed as part of this Annual Report on Form 10-K and incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based upon this 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 December 31, 2017 at the reasonable assurance level.

Management Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles used in the United States (GAAP). Internal control over financial reporting includes our policies and procedures, such as our Code of Conduct, which (i) require our employees, directors and contingent workers and business partners who perform work on our behalf to adhere to certain ethical standards; (ii) require the maintenance of records, in reasonable detail, to help to ensure that our transactions, assets and liabilities are accurately and fairly recorded; (iii) provide reasonable assurance that transactions are authorized by our management and directors and are recorded as necessary to allow for the accurate preparation of financial statements in accordance with GAAP; and (iv) provide reasonable assurance regarding the safeguarding of our assets and the prevention or timely detection of the unauthorized acquisition, use or disposition of our assets which could have a material effect on the financial statements. Internal control over financial reporting includes the controls themselves, management's monitoring of those controls, the independent assessment of the design and effectiveness of those controls by our internal audit team, actions taken to correct deficiencies as identified, and oversight of our internal control environment by our Audit Committee of our Board of Directors. Any system of internal control has inherent limitations and therefore may not prevent or detect misstatements. Projections of any evaluation of the effectiveness of internal control over financial reporting to future periods has risks as controls may become inadequate over time because of changes in conditions.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017, the end of our fiscal year, and has reviewed the results of this assessment with the Audit Committee of our Board of Directors. Management based its assessment on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. Based on the assessment, management has concluded our internal control over financial reporting was effective as of the end of the fiscal year 2017 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

The scope of management's assessment of the effectiveness of its internal control over financial reporting as of December 31, 2017 included our consolidated operations.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included immediately below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Impax Laboratories, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Impax Laboratories, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes, and the consolidated financial statement schedule, "Schedule II - Valuation and Qualifying Accounts" (collectively, the consolidated financial statements), and our report dated March 1, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 1, 2018

Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2017, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

Code of Conduct

We have adopted a Code of Conduct, which was amended and restated effective February 16, 2016 (“Code of Conduct”). The Code of Conduct applies to all of our directors, employees, including our Chief Executive Officer, Chief Financial Officer and any other accounting officer, controller or persons performing similar functions, and contingent workers and business partners who perform work on our behalf. The Code of Conduct is available on our website (www.impaxlabs.com) and accessible via the “Investor Relations” page. Any amendments to, or waivers of, the Code of Conduct will be disclosed on our website within four business days following the date of such amendment or waiver.

Additional information required by this item is incorporated by reference to our definitive proxy statement for the 2018 Annual Meeting of Stockholders (“the Annual Meeting Proxy Statement”). In the event we do not file the Annual Meeting Proxy Statement, the information will be provided instead by an amendment to this report not later than 120 days after the end of our fiscal year.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to the Proxy Statement, except information concerning the equity compensation plans table which is set forth in “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” and which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV.

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Consolidated Financial Statements

The consolidated financial statements listed in the Index to Financial Statements beginning on page F-1 are filed as part of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

The financial statement schedule listed in the Index to Financial Statements on page F-1 is filed as part of this Annual Report on Form 10-K.

(a)(3) Exhibits

See the "Exhibit Index" beginning on the next page of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

Not Applicable.

EXHIBIT INDEX

Exhibit No.	Description of Document	
2.1.1	Business Combination Agreement, dated as of October 17, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation, and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 17, 2017).†	Incorporated by Reference
2.1.2	Amendment No. 1 to the Business Combination Agreement, dated as of November 21, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 21, 2017).	Incorporated by Reference
2.1.3	Amendment No. 2 to the Business Combination Agreement, dated as of December 16, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 20, 2017).	Incorporated by Reference
2.2	Stock Purchase Agreement, dated as of October 8, 2014, by and among the Company, Tower Holdings, Inc. ("Tower"), Lineage Therapeutics Inc. ("Lineage"), Roundtable Healthcare Partners II, L.P., Roundtable Healthcare Investors II, L.P., the other stockholders of Tower and Lineage, the holders of options to purchase shares of Tower common stock and options to purchase shares of Lineage common stock, the holders of warrants to acquire shares of Tower common stock and warrants to acquire shares of Lineage common stock and, solely with respect to Section 8.3, Roundtable Healthcare Management II, LLC. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 10, 2014).†	Incorporated by Reference
3.1.1	Restated Certificate of Incorporation of the Company dated as of August 30, 2004 (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on December 23, 2008).	Incorporated by Reference
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 Company's Current Report on Form 8-K filed on December 9, 2015).	Incorporated by Reference
3.1.3	Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of Delaware on January 21, 2009 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on January 22, 2009).	Incorporated by Reference
3.2.1	Amended and Restated Bylaws of the Company, effective as of May 14, 2014.	Filed Herewith
3.2.2	Amendment No. 1 to Amended and Restated Bylaws of the Company, effective as of March 24, 2015.	Filed Herewith
3.2.3	Amendment No. 2 to Amended and Restated Bylaws of the Company, effective as of July 7, 2015.	Filed Herewith
3.2.4	Amendment No. 3 to Amended and Restated Bylaws of the Company, effective as of October 7, 2015.	Filed Herewith
3.2.5	Amendment No. 4 to Amended and Restated Bylaws of the Company, effective as of May 17, 2016.	Filed Herewith
3.2.6	Amendment No. 5 to Amended and Restated Bylaws of the Company, effective as of August 19, 2016.	Filed Herewith
3.2.7	Amendment No. 6 to Amended and Restated Bylaws of the Company, effective as of November 23, 2016.	Filed Herewith
3.2.8	Amendment No. 7 to Amended and Restated Bylaws of the Company, effective as of December 19, 2016.	Filed Herewith
3.2.9	Amendment No. 8 to Amended and Restated Bylaws of the Company, effective as of March 24, 2017.	Filed Herewith

3.2.10	Amendment No. 9 to Amended and Restated Bylaws of the Company, effective as of November 10, 2017.	Filed Herewith
4.1	Specimen of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 filed on October 10, 2008).	Incorporated by Reference
4.2	Preferred Stock Rights Agreement, dated as of January 20, 2009, by and between the Company and StockTrans, Inc., as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 22, 2009).	Incorporated by Reference
4.3.1	Indenture, dated as of June 30, 2015, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
4.3.2	Supplemental Indenture, dated as of November 6, 2017, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 7, 2017).	Incorporated by Reference
10.1	Letter Agreement, dated as of June 25, 2015, between RBC Capital Markets LLC and the Company regarding the Base Warrants (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.2	Letter Agreement, dated as of June 25, 2015, between RBC Capital Markets LLC and the Company regarding the Base Call Option Transaction (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.3	Letter Agreement, dated as of June 26, 2015, between RBC Capital Markets LLC and the Company regarding the Additional Warrants (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.4	Letter Agreement, dated as of June 26, 2015, between RBC Capital Markets LLC and the Company regarding the Additional Call Option Transaction (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.5.1	Credit Agreement, dated as of August 4, 2015, by and among the Company, the lenders party thereto from time to time and Royal Bank of Canada, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 5, 2015).	Incorporated by Reference
10.5.2	Restatement Agreement, dated as of August 3, 2016, by and among the Company, the guarantors party thereto, Royal Bank of Canada, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).	Incorporated by Reference
10.5.3	Amendment No. 1, dated as of March 27, 2017, to the Credit Agreement, dated as of August 4, 2015, as amended and restated as of August 3, 2016, among the Company, as borrower, Royal Bank of Canada, as administrative agent and collateral agent, the lenders party thereto and the other agents and parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).	Incorporated by Reference
10.6.1	Distribution, License, Development and Supply Agreement, dated as of January 31, 2012, between the Company and AstraZeneca UK Limited (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Current Report on Form 8-K filed on April 2, 2012)**.	Incorporated by Reference
10.6.2	First Amendment, dated as of May 31, 2016, to the Distribution, License, Development and Supply Agreement by and between AstraZeneca UK Limited and the Company dated as of January 31, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).**	Incorporated by Reference
10.7	Stock and Asset Purchase Agreement, dated as of December 19, 2017, by and between the Company and Bora Pharmaceuticals Co., Ltd. †	Filed Herewith
10.8	Master Supply Agreement, dated as of December 19, 2017, between the Company, Bora Pharmaceuticals Co., Ltd. and Impax Laboratories (Taiwan), Inc.***	Filed Herewith
10.9.1	Asset Purchase Agreement, dated as of June 20, 2016, between Teva Pharmaceutical Industries Ltd. and the Company (incorporated by reference to Exhibit 10.2.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).†**	Incorporated by Reference

10.9.2	Amendment No. 1, dated as of June 30, 2016, to the Asset Purchase Agreement between Teva Pharmaceutical Industries Ltd. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).	Incorporated by Reference
10.10.1	Asset Purchase Agreement, dated as of June 20, 2016, by and among 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., Watson Laboratories, Inc. and the Company (incorporated by reference to Exhibit 10.3.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).†**	Incorporated by Reference
10.10.2	Amendment No. 1, dated as of June 30, 2016, to the Asset Purchase Agreement by and among 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., Watson Laboratories, Inc. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).**	Incorporated by Reference
10.11.1	Supply Agreement, dated as of June 20, 2016, between Teva Pharmaceutical Industries Ltd. and the Company (incorporated by reference to Exhibit 10.4.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.11.2	Amendment No. 1, dated as of June 30, 2016, to the Supply Agreement between Teva Pharmaceutical Industries Ltd. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.4.2 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.12.1	Supply Agreement, dated as of June 20, 2016, by and among 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., Watson Laboratories, Inc. and the Company (incorporated by reference to Exhibit 10.5.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.12.2	Amendment No. 1, dated as of June 30, 2016, to the Supply Agreement by and among 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., Watson Laboratories, Inc. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.5.2 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.13.1	Impax Laboratories, Inc. 1999 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 12, 2009).*	Incorporated by Reference
10.13.2	Form of Stock Option Grant under the Impax Laboratories, Inc. 1999 Equity Incentive Plan (incorporated by reference to Exhibit 10.4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 12, 2009).*	Incorporated by Reference
10.14.1	Impax Laboratories, Inc. 2001 Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form 10 filed on October 10, 2008).*	Incorporated by Reference
10.14.2	Impax Laboratories, Inc. Amended and Restated Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.13 to the Company's Registration Statement on Form S-8 filed on August 29, 2017).*	Incorporated by Reference
10.15.1	Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A filed on April 5, 2017).*	Incorporated by Reference
10.15.2	Form of Stock Option Agreement under the Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on August 9, 2017).*	Incorporated by Reference

10.15.3	Form of Restricted Stock (Stock Bonus) Award Agreement under the Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on August 9, 2017).*	Incorporated by Reference
10.16.1	Impax Laboratories, Inc. Executive Non-Qualified Deferred Compensation Plan, amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.1.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 6, 2010).*	Incorporated by Reference
10.16.2	Amendment to Impax Laboratories, Inc. Executive Non-Qualified Deferred Compensation Plan, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 6, 2010).*	Incorporated by Reference
10.17	Employment Agreement, dated as of March 24, 2017, between the Company and Paul M. Bisaro (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).*	Incorporated by Reference
10.18	Stock Option Agreement with Paul M. Bisaro (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).*	Incorporated by Reference
10.19	Employment Agreement, dated as of December 16, 2017, by and among Amneal Pharmaceuticals LLC, Atlas Holdings, Inc., a wholly owned subsidiary of the Company, and Robert A. Stewart (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2017).*	Incorporated by Reference
10.20	Memorandum of Understanding, dated as of December 16, 2017, by and among Amneal Pharmaceuticals LLC, Paul M. Bisaro, the Company and Atlas Holdings, Inc., a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2017).*	Incorporated by Reference
10.21	Letter Agreement, dated as of December 19, 2016, between the Company and J. Kevin Buchi (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 1, 2017).*	Incorporated by Reference
10.22.1	Employment Agreement, dated as of April 21, 2014, by and between the Company and G. Frederick Wilkinson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 24, 2014).*	Incorporated by Reference
10.22.2	General Release and Waiver, dated as of December 19, 2016, by and between the Company and G. Frederick Wilkinson (incorporated by reference to Exhibit 10.20.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 1, 2017).*	Incorporated by Reference
10.23.1	Employment Agreement, dated as of January 1, 2010, between the Company and Michael J. Nestor (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on January 14, 2010).*	Incorporated by Reference
10.23.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of January 1, 2014, between the Company and Michael Nestor (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.23.3	Separation Agreement, dated as of January 8, 2018, between the Company and Michael J. Nestor (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 9, 2018).*	Incorporated by Reference
10.24	Employment Agreement, dated as of July 14, 2016, between the Company and Douglas S. Boothe (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).*	Incorporated by Reference
10.25.1	Offer of Employment Letter, dated as of March 17, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.13.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 28, 2012).*	Incorporated by Reference
10.25.2	Employment Agreement, dated as of May 2, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.13.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 28, 2012).*	Incorporated by Reference

10.25.3	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of May 2, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.26.1	Employment Agreement, dated as of December 12, 2012, between the Company and Bryan M. Reasons (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 13, 2012).*	Incorporated by Reference
10.26.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of December 12, 2012 between the Company and Bryan M. Reasons (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.27.1	Employment Agreement, dated as of November 28, 2011, by and between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
10.27.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of November 28, 2011, by and between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
10.27.3	Letter Agreement, dated as of April 1, 2014, between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.3 of the Company's Quarterly Report on Form 10-Q to the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
11.1	Statement re computation of per share earnings (incorporated by reference to Note 12 to the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K).	
21.1	Subsidiaries of the registrant.	Filed Herewith
23.1	Consent of Independent Registered Public Accounting Firm.	Filed Herewith
24.1	Powers of Attorney (included on the signature page of this Annual Report on Form 10-K)	
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
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.	Filed Herewith
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.	Filed Herewith
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Operations for each of the three years in the period ended December 31, 2017, (iii) Consolidated Statements of Comprehensive (Loss) Income for each of the three years in the period ended December 31, 2017, (iv) Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2017, (v) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2017 and (vi) Notes to Consolidated Financial Statements for each of the three years in the period ended December 31, 2017.	
*	Management contract, compensatory plan or arrangement.	
**	Confidential treatment granted for certain portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which portions are omitted and filed separately with the SEC.	
***	Confidential treatment requested for certain portions of the exhibit pursuant to Rule 24b-2 under the Exchange Act, which portions are omitted and filed separately with the SEC.	
†	Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request.	

Impax Laboratories, Inc.
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Impax Laboratories, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Impax Laboratories, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and the consolidated financial statement schedule, "Schedule II - Valuation and Qualifying Accounts" (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results its operations and its cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Philadelphia, Pennsylvania
March 1, 2018

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 181,778	\$ 180,133
Accounts receivable, net	240,753	257,368
Inventory, net	158,471	175,230
Prepaid expenses and other current assets	21,086	14,897
Income tax receivable	61,201	3,513
Assets held for sale	32,266	—
Total current assets	<u>695,555</u>	<u>631,141</u>
Property, plant and equipment, net	124,813	233,372
Intangible assets, net	262,467	620,466
Goodwill	207,329	207,329
Deferred income taxes, net	—	69,866
Other non-current assets	61,136	60,844
Total assets	<u>\$ 1,351,300</u>	<u>\$ 1,823,018</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 81,093	\$ 58,952
Accrued expenses	248,127	244,653
Liabilities held for sale	7,170	—
Current portion of long-term debt, net	17,848	17,719
Total current liabilities	<u>354,238</u>	<u>321,324</u>
Long-term debt, net	769,524	813,545
Deferred income taxes	3,226	—
Other non-current liabilities	37,111	64,175
Total liabilities	<u>1,164,099</u>	<u>1,199,044</u>
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 2,000,000 shares authorized; No shares issued or outstanding at December 31, 2017 and 2016	—	—
Common stock, \$0.01 par value; 150,000,000 shares authorized; 74,234,076 issued and 73,990,347 outstanding shares at December 31, 2017; 73,948,340 issued and 73,704,611 outstanding shares at December 31, 2016	742	739
Treasury stock at cost: 243,729 shares at December 31, 2017 and 2016	(2,157)	(2,157)
Additional paid-in capital	559,632	535,056
Retained (deficit) earnings	(372,445)	98,192
Accumulated other comprehensive income (loss)	1,429	(7,856)
Total stockholders' equity	<u>187,201</u>	<u>623,974</u>
Total liabilities and stockholders' equity	<u>\$ 1,351,300</u>	<u>\$ 1,823,018</u>

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

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

	Years Ended December 31,		
	2017	2016	2015
Revenues:			
Impax Generics, net	\$ 549,077	\$ 606,320	\$ 710,932
Impax Specialty Pharma, net	226,710	218,109	149,537
Total revenues, net	775,787	824,429	860,469
Cost of revenues	535,123	486,899	500,762
Cost of revenues impairment charges	96,865	488,632	7,303
Gross profit (loss)	143,799	(151,102)	352,404
Operating expenses:			
Selling, general and administrative	216,270	201,830	201,287
Research and development	80,847	80,466	70,622
In-process research and development impairment charges	192,809	52,965	6,360
Fixed asset impairment charges	82,508	—	—
Change in fair value of contingent consideration	(31,048)	—	—
Patent litigation	5,105	7,819	4,567
Total operating expenses	546,491	343,080	282,836
(Loss) income from operations	(402,692)	(494,182)	69,568
Other income (expense):			
Interest expense, net	(53,412)	(40,419)	(26,226)
Reserve for Turing receivable	(3,999)	(40,312)	—
Gain on sale of assets	17,236	175	45,574
Loss on debt extinguishment	(1,215)	—	(16,903)
Net change in fair value of derivatives	—	—	(13,000)
Other, net	(6,879)	(1,587)	355
(Loss) income before income taxes	(450,961)	(576,325)	59,368
Provision for (benefit from) income taxes	18,326	(104,294)	20,371
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Net (loss) income per common share:			
Basic	\$ (6.53)	\$ (6.63)	\$ 0.56
Diluted	\$ (6.53)	\$ (6.63)	\$ 0.54
Weighted-average common shares outstanding:			
Basic	71,856,950	71,147,397	69,640,417
Diluted	71,856,950	71,147,397	72,027,344

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

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

	Years Ended December 31,		
	2017	2016	2015
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Other comprehensive (loss) income component:			
Currency translation adjustments	9,285	2,607	(4,454)
Comprehensive (loss) income	\$ (460,002)	\$ (469,424)	\$ 34,543

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

IMPAX LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Treasury Stock	Additional Paid-in Capital	Retained (deficit) Earnings	Accumulated	Total
	Number of Shares	Par Value				Other Comprehensive Income (Loss)	
Balance, December 31, 2014	71,228	\$ 714	\$ (2,157)	\$ 364,103	\$ 531,226	\$ (6,009)	\$ 887,877
Net income	—	—	—	—	38,997	—	38,997
Other comprehensive loss:							
Currency translation adjustment	—	—	—	—	—	(4,454)	(4,454)
Exercises of stock options, issuances of restricted stock and sales of common stock under ESPP	1,698	15	—	(3,533)	—	—	(3,518)
Share-based compensation	—	—	—	28,613	—	—	28,613
Sale of warrants	—	—	—	88,320	—	—	88,320
Reclassification of derivatives to equity, net of related taxes	—	—	—	21,038	—	—	21,038
Tax benefit related to exercises of stock options and vestings of restricted stock	—	—	—	5,536	—	—	5,536
Balance, December 31, 2015	72,926	729	(2,157)	504,077	570,223	(10,463)	1,062,409
Net loss	—	—	—	—	(472,031)	—	(472,031)
Other comprehensive income:							
Currency translation adjustment	—	—	—	—	—	2,607	2,607
Exercises of stock options, issuances of restricted stock and sales of common stock under ESPP	1,022	10	—	(612)	—	—	(602)
Share-based compensation	—	—	—	32,180	—	—	32,180
Tax benefit related to exercises of stock options and vestings of restricted stock	—	—	—	(589)	—	—	(589)
Balance, December 31, 2016	73,948	739	(2,157)	535,056	98,192	(7,856)	623,974
Cumulative effect of change in accounting principle (Note 3)	—	—	—	1,350	(1,350)	—	—
Net loss	—	—	—	—	(469,287)	—	(469,287)
Other comprehensive income:							
Currency translation adjustment	—	—	—	—	—	9,285	9,285
Exercises of stock options, issuances of restricted stock and sales of common stock under ESPP	286	3	—	(2,855)	—	—	(2,852)
Share-based compensation	—	—	—	26,258	—	—	26,258
Other	—	—	—	(177)	—	—	(177)
Balance, December 31, 2017	74,234	\$ 742	\$ (2,157)	\$ 559,632	\$ (372,445)	\$ 1,429	\$ 187,201

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

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

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	109,449	88,348	68,637
Non-cash interest expense	25,950	22,845	11,230
Share-based compensation expense	26,258	32,180	28,613
Deferred income taxes, net and uncertain tax positions	74,873	(127,405)	(29,558)
Intangible asset impairment charges	289,674	541,597	13,664
Reserve for Turing receivable	3,999	40,312	—
Fixed asset impairment charges	82,508	—	—
Gain on sale of assets	(17,236)	(175)	(45,574)
Loss on debt extinguishment	1,215	—	16,903
Change in fair value of contingent consideration	(31,048)	—	—
Net change in fair value of derivatives	—	—	13,000
Recognition of deferred revenue	—	—	(4,310)
Other	(1,018)	2,853	(81)
Changes in certain assets and liabilities:			
Accounts receivable	12,552	26,771	(121,110)
Inventory	6,650	(45,561)	(14,035)
Prepaid expenses and other assets	(65,576)	(573)	9,330
Accounts payable and accrued expenses	32,377	(27,949)	107,402
Other liabilities	2,882	2,638	(656)
Net cash provided by operating activities	84,222	83,850	92,452
Cash flows from investing activities:			
Payment for business acquisition (net of cash acquired)	(121)	(585,800)	(691,348)
Purchases of property, plant and equipment	(26,749)	(49,402)	(25,199)
Proceeds from sales of property, plant and equipment	9,111	1,360	—
Payments for licensing agreements	(50)	(3,500)	(5,850)
Investment in cash surrender value of insurance	(4,750)	(4,750)	(4,750)
Proceeds from cash surrender value of insurance	529	—	—
Proceeds from repayment of Tolmar loan	—	15,000	—
Proceeds from sale of intangible assets	12,350	—	59,546
Maturities of short-term investments	—	—	200,064
Net cash used in investing activities	(9,680)	(627,092)	(467,537)
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	(70,000)	(5,000)	(435,000)
Payment of deferred financing fees	(818)	(11,867)	(36,941)
Purchase of bond hedge derivative asset	—	—	(147,000)
Proceeds from sale of warrants	—	—	88,320
Payment of withholding taxes related to restricted stock awards	(4,231)	(9,842)	(14,990)
Proceeds from exercises of stock options and ESPP	1,379	9,239	11,472
Net cash (used in) provided by financing activities	(73,670)	382,530	500,861
Effect of exchange rate changes on cash and cash equivalents	773	494	(298)
Net increase (decrease) in cash and cash equivalents	1,645	(160,218)	125,478
Cash and cash equivalents, beginning of year	180,133	340,351	214,873

Cash and cash equivalents, end of year	\$ 181,778	\$ 180,133	\$ 340,351
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 28,374	\$ 18,139	\$ 15,365
Cash paid for income taxes, net	\$ 2,928	\$ 23,053	\$ 43,223
Supplemental disclosure of non-cash investing activity:			
Fair value of contingent consideration issued in business acquisition	\$ —	\$ 30,100	\$ —

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

IMPAX LABORATORIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Operating and Reporting Structure

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 includes the Company's legacy Global Pharmaceuticals business as well as the acquired businesses from the Company's acquisition of Tower Holdings, Inc. ("Tower") and its subsidiaries on March 9, 2015 (the "Tower Acquisition").

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

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. 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. Impax Specialty Pharma currently has one internally developed branded pharmaceutical product, Rytary® (IPX066), an extended release oral capsule formulation of carbidopa-levodopa for the treatment of Parkinson's disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication and/or manganese intoxication, which was approved by the FDA on January 7, 2015 and which the Company began marketing in the United States ("U.S.") 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 (as amended, the "AZ Agreement"), and Emverm® (mebendazole) 100 mg chewable tablets, indicated for the treatment of pinworm, whipworm, common roundworm, common hookworm, and American hookworm in single or mixed infections. Revenues from branded products are reported under the caption "Impax Specialty Pharma sales, net." Impax Specialty Pharma also has a number of product candidates that are in varying stages of development. See "Note 20. Segment Information," for financial information about our segments for the years ended December 31, 2017, 2016 and 2015.

Operating Locations

As of December 31, 2017, the Company owned and/or leased facilities in California, Pennsylvania, New Jersey and Taiwan, Republic of China ("R.O.C."). In California, the Company utilizes a combination of owned and leased facilities mainly located in Hayward. The Company's primary properties in California consist of a leased office building used as the Company's corporate headquarters, in addition to four properties it owns, including a research and development center facility and a manufacturing facility. Additionally, the Company leases two facilities in Hayward, utilized for additional research and development, equipment storage and quality assurance support. In Pennsylvania, the Company leases office space for sales and marketing, finance, and administrative personnel in Fort Washington. In New Jersey, the Company leases manufacturing, packaging, research and development and warehousing facilities in Middlesex and office space in Bridgewater.

During the year ended December 31, 2017, the Company closed its Middlesex, New Jersey manufacturing facility and on February 6, 2018, we completed the sale of Impax Laboratories (Taiwan), Inc. ("Impax Taiwan") through a stock and purchase agreement.

Business Combination with Amneal Pharmaceuticals LLC

On October 17, 2017, the Company entered into a Business Combination Agreement (the "Business Combination Agreement") with Atlas Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Holdco"), K2 Merger Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of Holdco ("Merger Sub"), and Amneal Pharmaceuticals LLC ("Amneal"). The Business Combination Agreement was unanimously approved by the board of directors of the Company on October 16, 2017. Consummation of the Transactions is subject to customary closing conditions, including, among other things, the approval of the Company's stockholders holding a majority of the outstanding Company Common Stock entitled to vote. The Company and Amneal expect the merger to close in the first half of 2018. However, the Company cannot predict with certainty when, or if, the merger will be completed because completion of the merger is subject to conditions beyond the control of the Company.

At the closing (the "Closing") of the transactions contemplated by the Business Combination Agreement (the "Transactions"), (i) Merger Sub will merge with and into the Company (the "Impax Merger"), with the Company surviving the Impax Merger as a direct wholly-owned subsidiary of Holdco, (ii) each share of the Company's common stock issued and outstanding immediately prior to the Impax Merger, other than Company Common Stock held by the Company in treasury, by Amneal or by any of their respective subsidiaries, will be converted into the right to receive one fully paid and nonassessable share of Class A common stock of Holdco, ("Holdco Class A Common Stock"), (iii) the Company will convert to a limited liability company pursuant to the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act, (iv) Holdco will contribute to Amneal all of Holdco's equity interests in the Company to Amneal, in exchange for common units of Amneal, (v) Holdco will issue an aggregate number of shares of Class B common stock of Holdco, par value \$0.01 per share ("Holdco Class B Common Stock", and together with Holdco Class A Common Stock, "Holdco Common Stock") to the existing members of Amneal (the Existing "Amneal Members") and (vi) Holdco will become the managing member of Amneal. Upon closing of the transactions, the combination will be accounted for as a business combination under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, "*Business Combinations*," with Amneal treated as the "acquirer" and Impax treated as the "acquired" company for financial reporting purposes. In connection with the Closing, Holdco will be renamed Amneal Pharmaceuticals, Inc. ("New Amneal").

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

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

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

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

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

The Business Combination Agreement may be terminated by each of the Company and Amneal under certain circumstances, including if the Closing does not occur on or before July 17, 2018 (the "Outside Date"). Amneal also has certain additional termination rights, including in connection with a change of the Impax Board's recommendation that the Company's stockholders adopt and approve the Business Combination Agreement. The Company is required to pay Amneal a termination fee of \$45.0 million (the "Termination Fee") in connection with such a termination by Amneal, as well as under certain other circumstances, including if the Business Combination Agreement is terminated by the Company in connection with a Superior Proposal (as defined in the Business Combination Agreement). Additionally, Amneal will be entitled to reimbursement for up to \$15.0 million of its reasonable out-of-pocket expenses incurred in connection with the Business Combination Agreement and the Transactions if the Business Combination Agreement is terminated due to the failure to obtain the Requisite Stockholder Approval.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

As of December 31, 2017, the consolidated financial statements of the Company 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, Atlas Holdings, Inc., Lineage and Tower, including operating subsidiaries CorePharma LLC, Amedra Pharmaceuticals LLC, Mountain LLC and Trail Services, Inc., and Prohealth Biotech (Taiwan), Inc. ("Prohealth"). The Company acquired all the issued and outstanding share capital in Prohealth on October 24, 2017 and previously held a 57.54% majority ownership interest in the entity prior to such date. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the presentation for the year ended December 31, 2017 .

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

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

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

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

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

- **Chargebacks**

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

- **Rebates and Administrative Fees**

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

- Distribution Service Fees

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

- Returns

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

- Shelf-Stock Adjustments

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

- Cash Discounts

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

- Medicaid and Other U.S. Government Pricing Programs

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

- Rx Partner and OTC Partner

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

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

The Company applies the updated guidance of FASB ASC Topic 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 was previously, 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"). Following the expiration of the Company's obligation to supply the D12 Product to Pfizer and Perrigo as described below, the company does not currently sell any over-the-counter pharmaceutical products. The Company previously recognized profit share revenue in the period earned. During the quarter ended September 30, 2016, the Company sold the ANDAs for both the D12 Product and the Loratadine and Pseudoephedrine Sulfate 10 mg/240 mg 24-hour Extended Release Tablets, in addition to other specified assets, to Perrigo pursuant to an asset purchase agreement with Perrigo dated as of March 31, 2016 (the "Perrigo APA"). Under the terms of the Perrigo APA, the Company was required to continue to supply the D-12 Product to Pfizer and Perrigo until the date that was the earliest of (i) the date Perrigo's manufacturing facility is approved to manufacture the D-12 Product and (ii) December 31, 2017. On November 30, 2017, the Company assigned and transferred its supply agreement with Pfizer in its entirety to Perrigo in accordance with the Perrigo APA.

- Research Partner

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

Cash and Cash Equivalents

The Company considers all short-term investments with a maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are stated at cost, which, for cash equivalents, approximates fair value due to the short-term nature. The Company is potentially subject to financial instrument concentration of credit risk through its cash and cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, cash equivalents and accounts receivable. Cash is held on deposit in demand accounts at large financial institutions in amounts in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000 per depositor, per FDIC-insured bank, per ownership category. Cash equivalents are comprised of highly-rated money market funds. The Company limits its credit risk with respect to accounts receivable by performing credit evaluations of customers when deemed necessary. The Company does not require collateral to secure amounts due from its customers.

The following tables present the percentage of total accounts receivable and gross revenues represented by the Company's three largest customers as of and for the years ended December 31, 2017, 2016 and 2015:

Percent of Total Accounts Receivable	2017	2016	2015
Customer #1	44.7%	36.2%	52.4%
Customer #2	23.6%	35.6%	24.8%
Customer #3	23.4%	20.5%	14.4%
Top three largest customers	91.7%	92.3%	91.6%

Percent of Gross Revenues	2017	2016	2015
Customer #1	32.9%	40.1%	45.6%
Customer #2	30.0%	28.4%	21.7%
Customer #3	25.0%	20.1%	18.8%
Top three largest customers	87.9%	88.6%	86.1%

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from amounts deemed to be uncollectible from its customers; these allowances are for specific amounts on certain accounts based on facts and circumstances determined on a case-by-case basis.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using a standard cost method, and the cost flow assumption is first in, first out ("FIFO") flow of goods. Standard costs are revised annually, and significant variances between actual costs and standard costs are apportioned to inventory and cost of goods sold based upon inventory turnover. Costs include materials, labor, quality control, and production overhead. Inventory is adjusted for short-dated, unmarketable inventory equal to the difference between the cost of inventory and the estimated value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by the Company, additional inventory write-downs may be required. Consistent with industry practice, the Company may build pre-launch inventories of certain products which are pending required approval from the FDA and/or resolution of patent infringement litigation, when, in the Company's assessment, such action is appropriate to prepare for the anticipated commercial launch and FDA approval is expected in the near term and /or the related litigation will be resolved in the Company's favor. The Company accounts for all costs of idle facilities, excess freight and handling costs, and wasted materials (spoilage) as a current period charge in accordance with U.S. GAAP.

Assets Held for Sale

The Company classifies its long-lived assets to be sold as held for sale in the period (i) it has approved and committed to a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, (iii) an active program to locate a buyer and other actions required to sell the asset have been initiated, (iv) the sale of the asset is probable, (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company initially measures a long-lived asset that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset until the date of sale. Upon designation as an asset held for sale, the Company stops recording depreciation expense on the asset. The Company assesses the fair value of a long-lived asset less any costs to sell at each reporting period and until the asset is no longer classified as held for sale.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred and costs of improvements and renewals are capitalized. Costs incurred in connection with the construction or major renovation of facilities, including interest directly related to such projects, are capitalized as construction in progress. Depreciation is recognized using the straight-line method based on the estimated useful lives of the related assets, which are generally 40 years for buildings, 10 to 15 years for building improvements, eight to 10 years for equipment, and four to 10 years for office furniture and equipment. Land and construction-in-progress are not depreciated.

Intangible Assets

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

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

Goodwill

In accordance with FASB ASC Topic 350, "*Goodwill and Other Intangibles*," rather than recording periodic amortization, goodwill is subject to an annual assessment for impairment by applying a fair value based test. 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. The Company considers the Impax Generics division and the Impax Specialty Pharma division operating segments to each be a reporting unit. The Company attributes \$59.7 million of goodwill to the Impax Specialty Pharma division and \$147.6 million of goodwill to the Impax Generics division.

The Company concluded the carrying value of goodwill was not impaired as of December 31, 2017 and 2016 as the fair value of the Impax Specialty Pharma division and the Impax Generics division exceeded their carrying value at each date. The Company performs its annual impairment test in the fourth quarter of each year. In the fourth quarter of 2017, the Company determined that it was not more likely than not that the fair value of goodwill was less than its carrying value. As a result, the Company did not perform a quantitative analysis. In the fourth quarter of 2016, the Company performed a quantitative analysis and estimated 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, the Company performs a review of its 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, the Company 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.

Derivatives

The Company generally does not use derivative instruments or engage in hedging activities in its ordinary course of business. Prior to June 30, 2015, the Company had no derivative assets or liabilities and did not engage in any hedging activities. As a result of the Company's June 30, 2015 issuance of the convertible senior notes described in "Note 10. Debt", the conversion option of the notes temporarily met the criteria for an embedded derivative liability which required bifurcation and separate accounting. Concurrently with the issuance of the notes, the Company entered into a series of convertible note hedge and warrant transactions which in combination 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. See "Note 11. Stockholders' Equity" for additional information regarding the note hedge transactions and warrant transactions. While the warrants sold were classified as equity and recorded in additional paid-in capital, the call options purchased were temporarily classified as a bond hedge derivative asset on the Company's consolidated balance sheet. The Company engaged a third-party valuation firm with expertise in valuing financial instruments to determine the fair value of the bond hedge derivative asset and conversion option derivative liability at each reporting period. The Company's consolidated balance sheets reflected the fair value of the derivative asset and liability as of the reporting date, and changes in the fair value were reflected in current period earnings, as appropriate. As result of the amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's common stock discussed in "Note 11. Stockholders' Equity," both the derivative asset and liability were reclassified to additional paid-in capital. The Company had no derivative assets or liabilities and did not engage in any hedging activities during the years ended December 31, 2017 or 2016 .

Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business, covering a wide range of matters, including, among others, patent litigation, stockholder lawsuits, and product and clinical trial liability. The Company records accruals for such loss contingencies when it is probable a liability will have been incurred and the amount of loss can be reasonably estimated. The Company does not recognize gain contingencies until realized. The Company records an accrual for legal costs in the period incurred. A discussion of contingencies is included in "Note 18. Commitments and Contingencies" and "Note 19. Legal and Regulatory Matters".

Deferred Financing Costs

The Company capitalizes direct costs incurred to obtain debt financing and amortizes these costs to interest expense using the effective interest method over the term of the debt. These costs are recorded as a debt discount and the unamortized costs are netted against the related debt on the Company's consolidated balance sheets. For line-of-credit arrangements with no outstanding borrowing, the costs incurred to obtain the credit facility are amortized to interest expense using the straight-line method over the term of the line-of-credit arrangement. The unamortized balance is included in other assets on the Company's consolidated balance sheets.

Shipping and Handling Fees and Costs

Shipping and handling fees related to sales transactions are recorded as selling expense. Shipping costs were \$7.0 million , \$3.7 million and \$2.3 million for the years ended December 31, 2017 , 2016 and 2015 , respectively.

Research and Development Expenses

Research and development activities are expensed as incurred and consist of self-funded research and development costs and costs associated with work performed by other participants under collaborative research and development agreements.

Share-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with provisions of FASB ASC Topic 718 “*Stock Compensation*.” Under FASB ASC Topic 718, the Company recognizes the grant date fair value of stock-based employee compensation as expense on a straight-line basis over the vesting period of the grant. The Company uses the Black Scholes option pricing model to determine the grant date fair value of employee stock options. The fair value of restricted stock awards is equal to the closing price of the Company’s stock on the date such award was granted.

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

Income Taxes

The Company provides for income taxes using the asset and liability method as required by FASB ASC Topic 740, “*Income Taxes*.” This approach recognizes the amount of federal, state, local and foreign taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequences of events recognized in the consolidated financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period during which they are signed into law. FASB ASC Topic 740 requires an assessment of whether valuation allowances are needed against deferred tax assets based upon consideration of all available evidence using a more likely than not standard. See “Note 16. Income Taxes” for further discussion of the Company’s valuation allowances.

FASB ASC Topic 740, Sub-topic 10 “*Tax Positions*,” defines the criterion an individual tax position must meet for any part of the benefit of the tax position to be recognized in financial statements prepared in conformity with generally accepted accounting principles. Under FASB ASC Topic 740, Sub-topic 10, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based solely on the technical merits of the tax position. The tax benefits recognized in the financial statements from such a tax position should be measured based on the largest benefit having a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. Additionally, FASB ASC Topic 740, Sub-topic 10 provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In accordance with the disclosure requirements of FASB ASC Topic 740, Sub-topic 10, the Company’s policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of total interest expense and other expense, respectively.

Other Comprehensive Income

The Company follows the provisions of FASB ASC Topic 220, “*Comprehensive Income*,” which establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income is defined to include all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company recorded foreign currency translation gains and losses, which are reported as comprehensive income. Foreign currency translation gains (losses) for the years ended December 31, 2017, 2016 and 2015 were \$9.3 million, \$2.6 million and \$(4.5) million, respectively.

Foreign Currency Translation

The Company translates the assets and liabilities of the Taiwan dollar functional currency of 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 and the consolidated statements of changes in stockholders’ equity.

Recent Accounting Pronouncements

Accounting Guidance Issued Not Yet Adopted

In May 2014, the FASB issued 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 provided 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 is effective for annual and interim periods beginning after December 15, 2017. In April 2016 and May 2016, the FASB issued ASU 2016-10, " *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* " and ASU 2016-12, " *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* ," respectively. Both of these updates provide improvements and clarification to the previously issued revenue recognition guidance. The new standard can be adopted using one of two methods: the full retrospective method, which requires the standard to be applied to each prior period presented, or the modified retrospective method, which requires the cumulative effect of adoption to be recognized as an adjustment to opening retained earnings in the period of adoption. The Company adopted the new revenue recognition standard as of January 1, 2018 using the modified retrospective method. The Company has substantially completed its analysis of the impact that adoption will have on its consolidated financial statements. The majority of the Company's revenue relates to the sale of finished products to various customers, and the adoption will not have an impact on revenue recognized from these transactions. The Company has also evaluated the impact on certain less significant transactions involving third-party collaborations and other arrangements, whereby the Company will recognize revenue earlier under the new standard. The Company has estimated that a cumulative effect adjustment of approximately \$0.5 million will be recognized as of January 1, 2018 to reflect the recognition of revenue related to the Company's profit sharing agreements. During fiscal year 2018, the Company will disclose the amount by which revenue was affected for each period presented. In addition, the new standard will require changes to the Company's processes and controls and the Company has identified and designed changes to processes and controls to ensure readiness.

In February 2016, the FASB issued ASU 2016-02, " *Leases* " (Topic 842), with guidance regarding the accounting for and disclosure of leases. The update requires lessees to recognize all leases, including operating leases, with a term greater than 12 months on the balance sheet. This update also requires lessees and lessors to disclose key information about their leasing transactions. The guidance will be effective for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the effect that this guidance will have on its consolidated financial statements and related disclosures. The Company's expects the implementation of this standard to have an impact on its consolidated financial statements and related disclosures as it has aggregate future minimum lease payments of \$28.1 million as of December 31, 2017 under the current portfolio of non-cancelable leases for land, office space, and manufacturing, warehouse and research and development facilities with various expiration dates between January 2018 and December 2027. The Company anticipates recognition of additional assets and corresponding liabilities related to these leases on its consolidated balance sheet.

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 is effective for annual and interim periods beginning after December 15, 2017. The adoption of this guidance will not have any impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU-2016-16, Income Taxes (Topic 740): " *Intra-Entity Transfers of Assets Other Than Inventory* ," with guidance intended to more faithfully represent the economics of intra-entity asset transfers. The update clarifies that entities must recognize the income tax consequences of intra-entity asset transfers, other than inventory, when the transfer occurs. The guidance is effective for annual and interim periods beginning after December 15, 2017. The adoption of this guidance will not have any impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU-2017-01, Business Combinations (Topic 805): "*Clarifying the Definition of a Business*," with guidance intended to assist entities in evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The update provides a screen to determine whether an integrated set of assets and activities constitute a business. If the screen is not met, the guidance (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) removes the evaluation of whether a market participant could replace the missing elements. The guidance is effective for annual and interim periods beginning after December 15, 2017 and will be applied prospectively. The Company adopted this guidance as of January 1, 2018 and the guidance will not have any impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): "*Scope of Modification Accounting*," which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. The amendments in this ASU are applied prospectively to an award modified on or after the adoption date. The Company adopted this guidance as of January 1, 2018 and the guidance will not have any impact on the Company's consolidated financial statements.

Recently Adopted Accounting Guidance

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

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 915): "*Contingent Put and Call Options in Debt Instruments*," with guidance regarding the accounting for embedded derivatives related to debt contracts. The update clarifies that determining whether the economic characteristics of a put or call are clearly and closely related to its debt host requires only an assessment of the four-step decision sequence outlined in FASB ASC paragraph 815-15-25-24. The update also indicates that entities are not required to separately assess whether the contingency itself is clearly and closely related. The guidance will be effective for annual and interim periods beginning after December 15, 2016. The Company adopted this guidance during the first quarter of 2017, and it did not have an effect on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): "*Improvements to Employee Share-Based Payment Accounting*," with guidance regarding the simplification of accounting for share-based payment award transactions. The update changes the accounting for such areas as the accounting and cash flow classification for excess tax benefits and deficiencies; forfeitures; and tax withholding requirements and cash flow classification. The guidance is effective for annual and interim periods beginning after December 15, 2016. The Company adopted the new guidance effective January 1, 2017 and elected to eliminate the use of a forfeiture rate estimate in the determination of share-based compensation expense for restricted stock awards using the modified retrospective transition method, which resulted in a \$1.4 million charge to opening retained earnings for 2017. In addition, the Company is now presenting the cash paid for tax withholdings on stock options exercised and restricted stock awards vested retrospectively in cash flows from financing activities as opposed to the historical presentation in cash flows from operating activities. The adoption resulted in an increase to net cash from operations and decrease net cash provided by financing of \$9.3 million and \$20.5 million for the years ended December 31, 2016 and 2015, respectively. Excess tax benefits or deficiencies, historically recorded to additional paid-in capital, are recorded to income tax expense as they occur on a prospective basis.

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

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

3. BUSINESS ACQUISITIONS

Teva Transaction

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

The Company financed the Teva Transaction utilizing cash on hand and \$400.0 million, the full amount of borrowing available, from its Term Loan Facility with Royal Bank of Canada, as discussed in "Note 11. Debt." The Company incurred acquisition-related costs for the Teva Transaction of \$3.1 million and \$0.6 million during for the years ended December 31, 2016, and 2015, respectively, which are included in selling, general, and administrative expenses in the Company's consolidated statements of operations.

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 expanded its portfolio of difficult-to-manufacture or limited-competition products and maximized utilization of its existing manufacturing facilities.

As part of the closing of the Teva Transaction, the Company, Teva and Allergan agreed to certain transition related services pursuant to which the Company agreed to manage the payment process for certain commercial chargebacks and rebates on behalf of Teva and Allergan related to products each of Teva and Allergan sold into the channel prior to the closing date. On August 18, 2016, the Company received a payment totaling \$42.4 million from Teva and Allergan, which represented their combined estimate of the amount of commercial chargebacks and rebates to be paid by the Company on their behalf to wholesalers who purchased products from Teva and Allergan prior to the closing. Pursuant to the agreed upon transition services, Teva and Allergan are obligated to reimburse the Company for additional payments related to chargebacks and rebates made on their behalf in excess of the \$42.4 million. If the total payments made by the Company on behalf of Teva and Allergan are less than \$42.4 million, the Company is obligated to refund the difference to Teva and/or Allergan. As of December 31, 2017, the Company had paid \$29.1 million on behalf of Teva and Allergan related to chargebacks and rebates as described above and \$13.3 million remained in accrued expenses on the consolidated balance sheet.

Purchase Accounting and Consideration

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

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

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

- (1) The contingent consideration arrangement pursuant to the Termination Agreement potentially requires the Company to pay up to \$40.0 million of additional consideration to Teva upon the achievement of specified commercialization events related to methylphenidate hydrochloride. The \$30.1 million fair value of the potential contingent consideration payments recognized on the acquisition date was estimated by applying a probability-weighted expected return methodology. The Company conducted a review of the underlying inputs and assumptions at December 31, 2017, and based on timing and probability of the product launch, and corresponding number of competitors expected to be in the market at both launch and the one-year anniversary of launch, the Company concluded that the fair value of its contingent consideration was \$0.

Recognition and Measurement of Assets Acquired at Fair Value

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

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

	Estimated Fair Value	Weighted-Average Estimated Useful Life
Marketed product rights	\$ 455,529	19 years
Acquired IPR&D product rights (1)	157,503	n/a
Total intangible assets	613,032	
Inventory - raw materials	2,868	
Total assets acquired	\$ 615,900	

- (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 then pending ANDA for the generic equivalent to Concerta[®] (methylphenidate hydrochloride), a product the Company previously partnered with Teva USA under a Strategic Alliance Agreement dated June 27, 2001, as amended. As a result, the Company recognized an intangible asset of \$78.9 million related to the reacquired IPR&D. The Company engaged a third-party valuation specialist to measure the value of the reacquired product right using a discounted cash flow analysis. The asset was determined to be indefinite-lived based on the market participant methodology prescribed in ASC 805.

The estimated fair value of the IPR&D and identifiable intangible assets was determined using the “income approach,” which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. The assumptions, including the expected projected cash flows, utilized in the purchase price allocation and in determining the purchase price were based on management's best estimates as of the closing date of the Teva Transaction on August 3, 2016. Some of the more significant assumptions inherent in the development of those asset valuations include the estimated net cash flows for each year for each asset or product (including net revenues, cost of sales, research and development costs, selling and marketing costs and working capital / contributory asset charges), the appropriate discount rate to select in order to measure the risk inherent in each future cash flow stream, the assessment of each asset’s life cycle, the potential regulatory and commercial success risks, competitive trends impacting the asset and each cash flow stream, as well as other factors. The discount rate used to arrive at the present value at the closing date of the intangible assets was 6.7% . No assurances can be given that the underlying assumptions used to prepare the discounted cash flow analysis will not change. For these and other reasons, actual results may vary significantly from estimated results. During the year ended December 31, 2017 and 2016, the Company recognized impairment charges of \$213.9 million and \$308.4 million , respectively, related to the intangible assets from the Teva Transaction as described in "Note 8. Intangible Assets and Goodwill."

Revenues and Earnings for Acquired Product Lines

Included in the Company's consolidated statement of operations for the year ended December 31, 2016 were revenues of \$44.8 million and a net loss of \$244.7 million (including \$308.4 million of impairment charges - See "Note 8. 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 December 31, 2016.

Unaudited Pro Forma Results of Operations

The unaudited pro forma combined results of operations for the years ended December 31, 2016 and 2015 (assuming the closing of the Teva Transaction occurred on January 1, 2015) are as follows (in thousands):

	Years Ended December 31,	
	2016	2015
Total revenues	\$ 927,593	\$ 1,025,598
Net (loss) income	(450,190)	70,057

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

The unaudited pro forma information reflects primarily the following adjustments:

- Adjustments to amortization expense related to identifiable intangible assets acquired;
- Adjustments to interest expense to reflect the Company's Term Loan Facility (described in “Note 10. Debt”); and
- Adjustments to selling, general and administrative expense related to transaction costs directly attributable to the transaction include the elimination of \$3.1 million of charges in the pro forms results for the year ended December 31, 2016 which have been included in the pro forma results for the year ended December 31, 2015.

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 or Lineage. In connection with the Tower Acquisition, the options and warrants of Tower and Lineage that were outstanding at the time of the acquisition were cancelled. The Company incurred acquisition-related costs of \$10.9 million, of which \$6.7 million were incurred during the year ended December 31, 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 allowed 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.

Purchase Accounting and Consideration

The Company has accounted for the Tower Acquisition as a business combination under the acquisition method of accounting. The Company 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 Tower Acquisition 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		179,755
Deferred income taxes		37,041
Other non-current assets		3,844
Total assets acquired		975,297
Current liabilities		67,584
Deferred tax liabilities		210,005
Other non-current liabilities		6,360
Total liabilities assumed		283,949
Cash paid, net of cash acquired	\$	691,348

- (1) The accounts receivable acquired in the Tower Acquisition had a fair value of \$56.9 million, including 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.

Intangible Assets

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

	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	<u>\$ 632,600</u>	

The estimated fair value of the IPR&D 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 approximately \$179.8 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 \$120.1 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 unaudited pro forma combined results of operations for the year ended December 31, 2015 (assuming the closing of the Tower Acquisition occurred on January 1, 2014) are as follows (in thousands):

	Year Ended December 31, 2015	
Total revenues	\$	892,906
Net income	\$	54,285

The pro forma adjustments reflected herein include only those adjustments that are directly attributable to the Tower Acquisition, factually supportable and expected to have a continuing impact on the Company. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the closing of the Tower Acquisition 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 (described in "Note 10. Debt");
- Adjustments to cost of revenues related to the fair value adjustments in inventory sold, including elimination of \$6.1 million for the year ended December 31, 2015;
- Adjustments to selling, general and administrative expense related to the elimination of severance and retention costs of \$3.4 million incurred as part of the transaction;
- 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 year ended December 31, 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 10. Debt") that were incurred during the year ended December 31, 2015.

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

4. 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 December 31, 2017 and 2016 due to their short-term nature.

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

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

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

	As of December 31, 2017					
	Carrying Amount	Fair Value	Fair Value Measurement Based on			
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets						
Deferred Compensation Plan assets ⁽¹⁾	\$ 43,023	\$ 43,023	\$ —	\$ 43,023	\$ —	\$ —
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⁾	\$ 305,000	\$ 305,000	\$ —	\$ 305,000	\$ —	\$ —
2% Convertible Senior Notes due June 2022 ⁽³⁾	\$ 600,000	\$ 579,378	\$ 579,378	\$ —	\$ —	\$ —
Deferred Compensation Plan liabilities ⁽¹⁾	\$ 33,413	\$ 33,413	\$ —	\$ 33,413	\$ —	\$ —
Contingent consideration, long-term portion ⁽⁴⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
As of December 31, 2016						
	Carrying Amount	Fair Value	Fair Value Measurement Based on			
			Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets						
Deferred Compensation Plan assets ⁽¹⁾	\$ 37,382	\$ 37,382	\$ —	\$ 37,382	\$ —	\$ —
Liabilities						
Term Loan Facility due August 2021, current portion ⁽²⁾	\$ 20,000	\$ 20,000	\$ —	\$ 20,000	\$ —	\$ —
Term Loan Facility due August 2021, long-term portion ⁽²⁾	\$ 375,000	\$ 375,000	\$ —	\$ 375,000	\$ —	\$ —
2% Convertible Senior Notes due June 2022 ⁽³⁾	\$ 600,000	\$ 469,800	\$ 469,800	\$ —	\$ —	\$ —
Deferred Compensation Plan liabilities ⁽¹⁾	\$ 28,582	\$ 28,582	\$ —	\$ 28,582	\$ —	\$ —
Contingent consideration, long-term portion ⁽⁴⁾	\$ 31,048	\$ 31,048	\$ —	\$ —	\$ —	\$ 31,048

(1) The Deferred Compensation Plan liabilities are non-current liabilities recorded at the value of the amount owed to the plan participants, with changes in value recognized as compensation expense in the Company's consolidated statements of operations. The calculation of the Deferred Compensation Plan obligation is derived from observable market data by reference to hypothetical investments selected by the participants and is included in the line 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 as of December 31, 2017 and 2016 represents the unaccreted discount related to deferred debt issuance costs.

- (3) The difference between the amount shown as the carrying value in the above tables and the amount shown on the Company's consolidated balance sheets at December 31, 2017 and 2016 represents the unaccreted discounts related to deferred debt issuance costs and bifurcation of the conversion feature of the notes.
- (4) Under the terms of the Termination Agreement related to the Teva Transaction as described in "Note 3. Business Acquisitions.", the Company could be contractually obligated to make payments up to \$40.0 million based on the achievement of certain commercial and time-based milestones associated with its methylphenidate hydrochloride product. A discounted cash flow valuation model was used to value the contingent consideration using significant unobservable inputs, including the probability and timing of successful product launch, the expected number of product competitors in the market at the time of launch (as defined in the Termination Agreement) and the expected number of such competitors in the market on the one-year launch anniversary date. The Company conducted a review of the underlying inputs and assumptions at December 31, 2017, and based on timing and probability of the product launch, and corresponding number of competitors expected to be in the market at both launch and the one-year anniversary of launch, the Company concluded that the fair value of its contingent consideration is \$0.

The following table presents the changes in Level 3 instruments measured on a recurring basis for the years ended December 31, 2017 and 2016 (in thousands):

	Years Ended December 31,	
	2017	2016
Contingent consideration		
Beginning balance	\$ 31,048	\$ —
Completion of Teva Transaction August 3, 2016	—	30,100
Change in fair value included in earnings	(31,048)	948
Ending balance	\$ —	\$ 31,048

5. ACCOUNTS RECEIVABLE

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

	December 31, 2017	December 31, 2016
Gross accounts receivable ⁽¹⁾	\$ 634,059	\$ 794,173
Less: Rebate reserve	(181,611)	(293,816)
Less: Chargeback reserve	(136,891)	(151,978)
Less: Distribution services reserve	(11,037)	(18,318)
Less: Discount reserve	(14,344)	(17,957)
Less: Uncollectible accounts reserve ⁽²⁾	(49,423)	(54,736)
Accounts receivable, net	\$ 240,753	\$ 257,368

- (1) Includes estimated \$44.3 million and \$40.3 million as of December 31, 2017 and 2016, respectively, receivable due from Turing Pharmaceuticals AG ("Turing") for reimbursement of Daraprim® chargebacks and Medicaid rebate liabilities pursuant to an Asset Purchase Agreement between the Company and Turing dated August 7, 2015 (the "Turing APA"). In accordance with the terms of the Turing APA and in accordance with federal laws and regulations, the Company receives, and is initially responsible for processing and paying (subject to reimbursement by Turing), all chargebacks and rebates resulting from utilization by Medicaid, Medicare and other federal, state and local government programs, health plans and other health care providers for products sold under the Company's labeler code. Under the terms of the Turing APA, Turing is responsible for liabilities related to chargebacks and rebates that arise as a result of Turing's marketing or selling related activities in connection with Daraprim®. Refer to "Note 19. Legal and Regulatory Matters" for a description of the Company's suit against Turing related to, among other matters, Turing's failure to reimburse the Company for chargebacks and Medicaid rebate liabilities when due.

- (2) As a result of the uncertainty of collection from Turing that developed during the first quarter of 2016, the Company recorded a reserve of \$48.0 million as of March 31, 2016, which represented the full amount of the estimated receivable due from Turing. During the fourth quarter of 2016, the Company received a \$7.7 million payment from Turing. During the year ended December 31, 2017, the Company increased the reserve balance by a net \$4.0 million, consisting of a \$5.0 million increase in the reserve resulting from additional Medicaid rebate claims received during the period and a \$1.0 million reduction in the reserve balance resulting from payments received from Turing during the period. As of December 31, 2017, the \$44.3 million estimated receivable due from Turing was fully reserved.

A roll-forward of the rebate and chargeback reserves activity for the years ended December 31, 2017, 2016 and 2015 is as follows (in thousands):

Rebate reserve	Years Ended December 31,		
	2017	2016	2015
Beginning balance	\$ 293,816	\$ 265,229	\$ 88,812
Acquired balances	—	—	75,447
Provision recorded during the period for Impax Generics rebates	642,447	756,774	571,642
Credits issued during the period for Impax Generics rebates	(754,652)	(728,187)	(470,672)
Ending balance	\$ 181,611	\$ 293,816	\$ 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 Generics rebates are classified as "Accounts receivable, net" on the Company's consolidated balance sheets. Impax Specialty Pharma rebates are classified as "Accrued expenses" on the Company's consolidated balance sheets.

Chargeback reserve	Years Ended December 31,		
	2017	2016	2015
Beginning balance	\$ 151,978	\$ 102,630	\$ 43,125
Acquired balances	—	—	24,532
Provision recorded during the period	1,212,039	1,011,400	833,157
Credits issued during the period	(1,227,126)	(962,052)	(798,184)
Ending balance	\$ 136,891	\$ 151,978	\$ 102,630

6. INVENTORY

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

	December 31, 2017	December 31, 2016
Raw materials	\$ 63,732	\$ 53,808
Work in-process	3,046	3,280
Finished goods	104,187	130,879
Total inventory	170,965	187,967
Less: Non-current inventory	12,494	12,737
Total inventory-current, net	\$ 158,471	\$ 175,230

Inventory carrying value reserves were \$71.6 million and \$38.0 million as of December 31, 2017 and 2016, respectively. Included in the \$71.6 million of inventory reserves at December 31, 2017 was a pre-launch product inventory reserve of \$20.5 million, primarily related to colesevelam, recognized during the third quarter of 2017.

The Company recognizes pre-launch inventories at the lower of its cost or the expected net selling price. Cost is determined using a standard cost method, which approximates actual cost, and assumes a FIFO flow of goods. Costs of unapproved products are the same as approved products and include materials, labor, quality control, and production overhead. When the Company concludes FDA approval is expected within approximately six months, the Company will generally begin to schedule manufacturing process validation studies as required by the FDA to demonstrate the production process can be scaled up to manufacture commercial batches. Consistent with industry practice, the Company may build quantities of pre-launch inventories of certain products pending required final FDA approval and/or resolution of patent infringement litigation, when, in the Company's assessment, such action is appropriate to prepare for the anticipated commercial launch, FDA approval is expected in the near term, and/or the related litigation will be resolved in the Company's favor. The capitalization of unapproved pre-launch inventory involves risks, including, among other items, FDA approval of product may not occur; approvals may require additional or different testing and/or specifications than used for unapproved inventory; and, in cases where the unapproved inventory is for a product subject to litigation, the litigation may not be resolved or settled in favor of the Company. If any of these risks were to materialize and the launch of the unapproved product delayed or prevented, then the net carrying value of unapproved inventory may be partially or fully reserved. Generally, the selling price of a generic pharmaceutical product is at discount from the corresponding brand product selling price. Typically, a generic drug is easily substituted for the corresponding branded product, and once a generic product is approved, the pre-launch inventory is typically sold within the subsequent three months. If the market prices become lower than the product inventory carrying costs, then the pre-launch inventory value is reduced to such lower market value. If the inventory produced exceeds the estimated market acceptance of the generic product and becomes short-dated, a carrying value reserve will be recorded. In all cases, the carrying value of the Company's pre-launch product inventory is lower than the respective estimated net selling prices. The carrying value of unapproved inventory less reserves was \$19.3 million and \$29.2 million at December 31, 2017 and 2016, respectively.

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

7. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2017	December 31, 2016
Land	\$ 3,500	\$ 5,603
Buildings and improvements	96,775	174,303
Equipment	82,442	143,818
Office furniture and equipment	11,082	15,767
Construction-in-progress	46,622	50,191
Property, plant and equipment, gross	240,421	389,682
Less: Accumulated depreciation	(115,608)	(156,310)
Property, plant and equipment, net	<u>\$ 124,813</u>	<u>\$ 233,372</u>

Depreciation expense was \$38.3 million, \$29.1 million and \$25.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Unpaid vendor invoices relating to purchases of property, plant and equipment of \$3.1 million, \$4.0 million and \$4.5 million, which were accrued as of December 31, 2017, 2016 and 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.

During the third quarter of 2017, the Company sold a storage warehouse in Hayward, California for \$8.8 million in cash proceeds, representing the gross proceeds of \$9.4 million less fees and costs related to the sale of approximately \$0.6 million. Prior to the sale, the net book value of the storage warehouse was \$4.1 million and was included in the Impax Generics segment. The gain of \$4.7 million is included in gain on sale of assets in the Company's consolidated statement of operations.

During 2017, the Company closed its Middlesex, New Jersey manufacturing facility and in early 2018, the Company sold CorePharma, LLC, its wholly owned subsidiary that held the leases to the site. The Company additionally announced during 2017 that it had entered into a stock and asset purchase agreement with Bora Pharmaceuticals Co., Ltd., pursuant to which the Company agreed to sell Impax Laboratories (Taiwan), Inc., its wholly owned subsidiary which owns the manufacturing facility in Taiwan, R.O.C. The sale of Impax Taiwan subsequently closed in February 2018. Refer to "Note 15. Restructurings" for disclosures relating to these assets.

8. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The Company's intangible assets include both finite lived and indefinite-lived assets. Finite lived intangible assets, consisting of marketed product rights and royalties received from product sales by the Company's third party partners, are amortized over the estimated useful life of the asset based on the pattern in which the economic benefits are expected to be consumed or otherwise used up or, if that pattern is not readily determinable, on a straight-line basis. The remaining weighted-average amortization period for the Company's finite lived intangible assets not yet fully amortized is 6.6 years as of December 31, 2017. Indefinite-lived intangible assets consist of acquired IPR&D product rights and acquired future royalty rights to be paid based on other companies' net sales of products not yet approved. IPR&D assets acquired in a business combination are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. Amortization over the estimated useful life will commence at the time of the respective product's launch. If FDA approval to market the product is not obtained, the Company will immediately expense the related capitalized cost.

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

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

	Marketed Product Rights			IPR&D and Royalties	Total Company
	Gross Carrying Value	Accumulated Amortization	Intangible Assets, Net	Non-amortized Value	Intangible Assets, Net
Balance as of December 31, 2015	\$ 460,875	\$ (83,095)	\$ 377,780	\$ 224,240	\$ 602,020
Additions (1)	455,529	—	455,529	161,003	616,532
Amortization	—	(56,489)	(56,489)	—	(56,489)
Commercial Launch (2)	97,300	—	97,300	(97,300)	—
Impairment Charge (3)	(488,632)	—	(488,632)	(52,965)	(541,597)
Balance as of December 31, 2016	525,072	(139,584)	385,488	234,978	620,466
Additions	—	—	—	50	50
Amortization	—	(68,375)	(68,375)	—	(68,375)
Commercial Launch (2)	4,216	—	4,216	(4,216)	—
Divestiture (4)	(2,414)	2,414	—	—	—
Impairment Charge (3)	(96,865)	—	(96,865)	(192,809)	(289,674)
Balance as of December 31, 2017	\$ 430,009	\$ (205,545)	\$ 224,464	\$ 38,003	\$ 262,467

- (1) 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 Mebendazole Product Agreement related to the FDA's approval and the Company's subsequent commercial launch of Emverm® (mebendazole) 100 mg chewable tablets. See "Note 17. Alliance and Collaboration Agreements" for additional information related to the Mebendazole Product Agreement.

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 \$455.5 million were amortized, finite-lived marketed product rights and \$157.5 million were non-amortized, indefinite-lived acquired IPR&D product rights. Refer to "Note 3. Business Acquisitions" for additional information on the Teva Transaction.

Pursuant to the Termination Agreement related to the Teva Transaction, the Company reacquired its full commercial rights to its then 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, by terminating each party's rights and obligations with respect to such product under the Strategic Alliance Agreement between the Company and Teva, as amended. Pursuant to the terms of the Strategic Alliance Agreement, each party would retain 50% of the gross profit realized upon sales of the product following approval. As such the Company's 50% interest in the 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 the Company's reacquisition of the full rights in this product pursuant to the Termination Agreement, 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.

- (2) During the year ended December 31, 2017, the Company commercially launched two products acquired as IPR&D as part of the Teva Transaction and Tower Acquisition and, as a result, transferred the \$4.2 million asset value from non-amortized, indefinite-lived acquired IPR&D product rights to amortized, finite lived marketed product rights. These assets will be amortized over an estimated useful life ranging from seven to eight years based on the pattern of economic benefit expected to be realized through 2025.

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.

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.

- (3) For the year ended December 31, 2017 the Company recognized a total of \$289.7 million of intangible asset impairment charges, of which \$96.9 million were recognized in cost of revenues impairment charges and \$192.8 million were recognized in in-process research and development impairment charges on the Company's consolidated statement of operations.

The \$192.8 million in-process research and development impairment charge was attributable to four products, most of which were acquired in the Teva Transaction. The Company incurred a full impairment charge of \$149.7 million during the fourth quarter of 2017 related to the Company's AB-rated methylphenidate hydrochloride (generic equivalent to Concerta) product. The validation efforts for the product, produced by the Company's third party manufacturer, were not immediately successful and will require additional time and effort which is anticipated to result in a delay in the launch of up to 12 - 15 months. The delayed launch is currently expected to result in reduced volume and lower pricing than originally anticipated due to increased competition, resulting in significantly lower expected future cash flows. The Company also reduced the forecasted market share for another IPR&D product due to the introduction of a similar product by a competitor which administers the same active drug ingredient but with a different mode of delivery resulting in a \$37.0 million impairment charge incurred during the fourth quarter of 2017. The remainder of the impairment charges were primarily related to the delayed launch of two products which are currently expected to result in reduced volume after launch due to increased competition.

The \$96.9 million cost of revenue impairment charge for currently marketed products was attributable to eight currently marketed products. The Company experienced even further price and volume erosion throughout the year without an offsetting increase in customer demand, resulting in significantly lower expected future cash flows. The impairment charge was related to six of the products acquired as part of the Teva Transaction and two products acquired as part of the Tower Acquisition.

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 statement 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 statement of operations.

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 for the third quarter of 2016 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 15. 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.

During the fourth quarter of 2016, the Company recognized a total of \$253.9 million of intangible asset impairment charges, of which \$230.6 million were recognized in cost of revenues impairment charges and \$23.3 million were recognized in in-process research and development impairment charges on the Company's consolidated statement of operations. More than half of the total impairment charges incurred during the fourth quarter of 2016 was attributable to the Company's epinephrine auto-injector product, which was acquired as part of the Tower Acquisition. The impairment charge on the epinephrine auto-injector product was triggered by current and projected price degradation as a result of changes in the pricing environment and additional competition. The Company also experienced even further price reductions on certain of the products acquired as part of the Teva Transaction during the fourth quarter of 2016, resulting in \$57.4 million of additional intangible asset impairment charges, of which \$53.7 million was recorded to cost of revenues impairment charges and \$3.7 million was recorded to in-process research and development impairment charges. In addition, the Company recognized \$36.3 million of intangible asset impairment related to its anthelmintic product franchise, of which \$24.3 million was recorded to cost of revenues impairment charges and \$12.0 million was recorded to in-process research and development impairment charges. The \$24.3 million charge was attributable to lower than expected script volume for Emverm®. The \$12.0 million charge recorded to in-process research and development during the fourth quarter of 2016 was attributable to a decision by the Company's management during the fourth quarter of 2016 to cease development on a next-generation version of Albenza® as a result of continued difficulties sourcing the API. The remainder of the fourth quarter of 2016 impairment charges were primarily attributable to the products acquired as part of the Tower Acquisition and resulted from lower current and/or forecasted pricing amid highly competitive market conditions, resulting in lower forecasted future cash flows.

- (4) During the second quarter of 2017, the Company divested 29 ANDAs and one NDA for non-strategic approved generic products, the vast majority of which were not marketed, and all acquired as part of the Tower Acquisition, for gross proceeds of \$12.0 million. These intangible assets had a fully amortized gross carrying value of \$2.4 million at the time of the sale. The Company incurred \$0.1 million of legal expense in connection with the divestiture, resulting in a net gain on sale of \$11.9 million recognized as gain on sale of assets on the Company's consolidated statement of operations.

Amortization

The Company recognized amortization expense of \$68.4 million, \$56.5 million and \$40.2 million for the years ended December 31, 2017, 2016 and 2015, respectively, in cost of revenues in the consolidated statements of operations presented.

The following table shows the expected future amortization of the Company's finite lived intangible assets as of December 31, 2017 (in thousands):

For the years ending December 31,	Amortization Expense	
2018	\$	56,431
2019		46,771
2020		36,140
2021		23,778
2022		19,701
Thereafter		41,643
Total	\$	224,464

Sale of Daraprim® to Turing

In July 2015, the Company received an unsolicited offer from 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. The sale closed on August 7, 2015, and the Company received proceeds of \$55.5 million at closing. The net book value of the Daraprim® product rights at the time of sale was \$9.3 million, and the Company recognized a gain on the sale of the intangible asset of \$45.6 million, net of expenses. 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.

In accordance with the terms of the Turing APA and in accordance with federal laws and regulations, the Company received and was 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®.

Goodwill

Goodwill had a carrying value on the Company's consolidated balance sheets of \$207.3 million and \$207.3 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017, the Company attributed \$147.6 million and \$59.7 million to the Impax Generics division and the Impax Specialty Pharma division, respectively. The Company concluded based on the results of the annual testing performed that the carrying value of goodwill was not impaired as of December 31, 2017 or 2016.

9. ACCRUED EXPENSES

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

	December 31, 2017	December 31, 2016
Payroll-related expenses	\$ 38,415	\$ 37,986
Product returns	76,293	72,888
Accrued shelf stock	7,525	7,032
Government rebates	73,970	72,063
Legal and professional fees	14,005	8,395
Estimated Teva and Allergan chargebacks and rebates ⁽¹⁾	13,277	14,813
Accrued profit sharing and royalty expenses	8,373	13,642
Other	16,269	17,834
Total accrued expenses	\$ 248,127	\$ 244,653

- (1) As discussed in "Note 3. Business Acquisitions," in connection with 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 Company's acquisition of the products. On August 18, 2016, the Company received a payment totaling \$42.4 million from Teva and Allergan, which represented their combined estimate of the amount of commercial chargebacks and rebates to be paid by the Company on their behalf to wholesalers who purchased products from Teva and Allergan prior to the closing. Pursuant to the agreed upon transition services, Teva and Allergan are obligated to reimburse the Company for additional payments related to chargebacks and rebates for products they sold into the channel prior to the closing and made on their behalf in excess of the \$42.4 million. If the total payments made by the Company on behalf of Teva and Allergan are less than \$42.4 million, the Company is obligated to refund the difference to Teva and/or Allergan. As of December 31, 2017, the Company had paid \$29.1 million related to chargebacks and rebates as described above and \$13.3 million remained in accrued expenses on the Company's consolidated balance sheet.

Product Returns

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

A rollforward of the return reserve activity for the years ended December 31, 2017, 2016 and 2015 is as follows (in thousands):

	Years Ended December 31,		
	2017	2016	2015
<u>Returns reserve</u>			
Beginning balance	\$ 72,888	\$ 48,950	\$ 27,174
Acquired balances	—	—	11,364
Provision related to sales recorded in the period	47,709	52,383	43,967
Credits issued during the period	(44,304)	(28,445)	(33,555)
Ending balance	\$ 76,293	\$ 72,888	\$ 48,950

10. DEBT

Royal Bank of Canada Credit Facilities

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

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

The Amended and Restated Credit Agreement contains certain negative covenants (subject to exceptions, materiality thresholds and other allowances) including, without limitation, negative covenants that limit the Company's and its restricted subsidiaries' ability to incur additional debt, guarantee other obligations, grant liens on assets, make loans, acquisitions or other investments, dispose of assets, make optional payments in connection with or modify certain debt instruments, pay dividends or make other payments on capital stock, engage in mergers or consolidations, enter into arrangements that restrict the Company's and its restricted subsidiaries' ability to pay dividends or grant liens, engage in transactions with affiliates, or change its fiscal year. Prior to the effective date of the Amendment on March 27, 2017, the Amended and Restated Credit Agreement also included a financial maintenance covenant whereby the Company must not permit its total net leverage ratio in any 12 -month period to exceed 5.00 :1.00, as tested at the end of each fiscal quarter. Effective as of March 27, 2017 and pursuant to the Amendment, the total net leverage ratio financial covenant was replaced with a new senior secured net leverage ratio financial covenant. Pursuant to the Amendment, the Company must not permit its senior secured net leverage ratio to exceed 2.50 :1.00 and the interest coverage ratio to be less than 3.00 :1.00, in each case in any 12 -month period, as tested at the end of each fiscal quarter. The Company was in compliance with all of its covenants under the Amended and Restated Credit Agreement as of December 31, 2017.

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

The full amount of proceeds from the Term Loan Facility of \$400.0 million , along with \$196.4 million of cash were used to finance the Teva Transaction (including transaction costs) at closing on August 3, 2016. As of December 31, 2017, \$199.7 million Revolving Credit Facility remains available to the Company for working capital and other general corporate purposes.

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

For the year ended December 31, 2017, the Company recognized \$17.7 million of interest expense related to the Term Loan Facility, of which \$15.5 million was cash and \$2.2 million was non-cash accretion of the debt discount recorded for deferred debt issuance costs. For the period of August 3, 2016 through December 31, 2016, the Company recognized \$6.9 million of interest expense related to the Term Loan Facility, of which \$6.0 million was cash and \$0.9 million was non-cash accretion of the debt discount recorded for deferred debt issuance costs. As of December 31, 2017, the Term Loan Facility had a carrying value of \$317.5 million, of which \$17.8 million is classified as current debt and \$299.7 million is classified as long-term debt on the Company's consolidated balance sheets. The Term Loan Facility requires the Company to make quarterly principal payments of \$5.0 million beginning from December 2016 through June 2021, and the remaining principal balance is payable in August 2021. As of December 31, 2017, the outstanding principal amount for the Term Loan Facility was \$325.0 million.

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

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

2% Convertible Senior Notes due June 2022

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

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

Contracts in Entity's Own Equity ("ASC 815-40").

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

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

- (ii) If during the five business day period after any 10 consecutive trading day period (the “measurement period”) in which the trading price per \$1,000 of principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last report sale price of the Company’s common stock and the conversion rate on each such trading day; or
- (iii) Upon the occurrence of corporate events specified in the Indenture.

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

Concurrently with the offering of the Notes and using a portion of the proceeds from the sale of the Notes, the Company entered into a series of convertible note hedge and warrant transactions (the “Note Hedge Transactions” and “Warrant Transactions”) which are designed to reduce the potential dilution to the Company’s stockholders and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the Notes. The Note Hedge Transactions and Warrant Transactions are separate transactions, in each case, entered into by the Company with a financial institution and are not part of the terms of the Notes. These transactions will not affect any holder’s rights under the Notes, and the holders of the Notes have no rights with respect to the Note Hedge Transactions and Warrant Transactions. See “Note 11. 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 available to share-settle the conversion option of the Notes. Therefore, in accordance with guidance found in FASB ASC 470-20, *Debt with Conversion and Other Options*, and FASB 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 remained and continues to be accreted to interest expense. See “Note 11. 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 years ended December 31, 2017 and 2016, the Company recognized \$35.5 million and \$33.8 million, respectively, of interest expense related to the Notes, of which \$12.0 million and \$12.0 million, respectively, was cash and \$23.5 million and \$21.8 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 \$469.9 million and \$446.4 million as of December 31, 2017 and 2016, respectively.

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. In addition, included in interest expense for 2015 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.

Future principal maturities of December 31, 2017 are as follows (in thousands):

Years ending December 31,	
2018 \$	20,000
2019	20,000
2020	20,000
2021	265,000
2022	600,000
Total \$	925,000

11. STOCKHOLDERS' EQUITY

Preferred Stock

Pursuant to its Restated Certificate of Incorporation (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 December 31, 2017 or 2016.

Common Stock

Pursuant to its Certificate of Incorporation, the Company is authorized to issue 150,000,000 shares of common stock, \$0.01 par value per share, of which 74,234,076 shares have been issued and 73,990,347 shares were outstanding as of December 31, 2017. In addition, the Company had reserved for issuance the following amounts of shares of its common stock for the purposes described below as of December 31, 2017 (in thousands):

Shares issued	74,234
Stock options outstanding ⁽¹⁾	3,175
Conversion of Notes payable ⁽²⁾	9,471
Warrants outstanding (see below)	9,471
Total shares of common stock issued and reserved for issuance	96,351

(1) See "Note 13. Share-Based Compensation"

(2) See "Note 10. Debt"

Warrants

As discussed in "Note 10. 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 FASB ASC Topic 815-40, *Derivatives and Hedging* 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 year ended December 31, 2015, the Company recognized in its consolidated statement of operations \$13.0 million of net expense related to the change in the fair value of the former derivative asset and liability. There was no comparable expense recognized in 2016 or 2017.

12. EARNINGS PER SHARE

The Company's basic earnings per common share ("EPS") is computed by dividing net (loss) income 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 years ended December 31, 2017, 2016 and 2015 (in thousands, except per share amounts):

	Years Ended December 31,		
	2017	2016	2015
Basic (Loss) Earnings Per Common Share:			
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Weighted-average common shares outstanding	71,857	71,147	69,640
Basic (loss) earnings per share	\$ (6.53)	\$ (6.63)	\$ 0.56
Diluted (Loss) Earnings Per Common Share:			
Net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Add-back of interest expense on outstanding convertible notes payable, net of tax	— ⁽¹⁾	— ⁽¹⁾	— ⁽²⁾
Adjusted net (loss) income	\$ (469,287)	\$ (472,031)	\$ 38,997
Weighted-average common shares outstanding	71,857	71,147	69,640
Weighted-average incremental shares related to assumed exercise of warrants, stock options, vesting of non-vested shares and ESPP share issuance	— ⁽³⁾	— ⁽⁴⁾	2,387 ⁽⁵⁾
Weighted-average incremental shares assuming conversion of outstanding notes payable	— ⁽¹⁾	— ⁽¹⁾	— ⁽²⁾
Diluted weighted-average common shares outstanding	71,857 ⁽³⁾	71,147 ⁽⁴⁾	72,027 ⁽⁶⁾
Diluted net (loss) income per share	\$ (6.53)	\$ (6.63)	\$ 0.54

- (1) For the years ended December 31, 2017 and 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 numerator and denominator adjustments related to the Company's convertible notes payable were excluded from the computation because the add-back of interest expense, net of tax, to the numerator had a greater effect on the quotient than the inclusion of the incremental shares assuming conversion of the convertible notes payable in the denominator, resulting in anti-dilution.
- (3) For the year ended December 31, 2017, the Company incurred a net loss, which cannot be diluted, so basic and diluted loss per common share were the same. As of December 31, 2017, 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, 3.2 million stock options outstanding and 1.9 million non-vested restricted stock awards.
- (4) For the year ended December 31, 2016, the Company incurred a net loss, which cannot be diluted, so basic and diluted loss per common share were the same. As of December 31, 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, 2.2 million stock options outstanding and 2.2 million non-vested restricted stock awards.
- (5) As of December 31, 2015, the approximately 9.47 million warrants outstanding have been excluded from the denominator of the diluted EPS computation under the treasury stock method because the exercise price of the warrants exceeds the average market price of the Company's common stock for the period, so inclusion in the calculation would be anti-dilutive.
- (6) As of December 31, 2015, shares issuable but not included in the Company's calculation of diluted EPS, which could potentially dilute future earnings, included 9.47 million for warrants outstanding, 9.47 million for conversion of outstanding Notes payable, 1.7 million stock options outstanding and 1.5 million non-vested restricted stock awards.

13. SHARE-BASED COMPENSATION

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

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

The aggregate number of shares of common stock authorized for issuance pursuant to the Company's 2002 Plan is 18,050,000 shares. There were 2,324,997, 2,233,393 and 2,394,433 stock options outstanding as of December 31, 2017, 2016 and 2015, respectively, and 1,861,489, 2,160,127 and 2,146,498 non-vested restricted stock awards outstanding as of December 31, 2017, 2016 and 2015, respectively, under the 2002 Plan.

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

The aggregate number of shares of common stock authorized for issuance pursuant to the Company's 1999 Plan is 5,000,000 shares. There were 0, 938 and 10,938 stock options outstanding as of December 31, 2017, 2016 and 2015, respectively, under the 1999 Plan. The Company has ceased granting equity awards under the 1999 Plan.

Awards Granted Out of Plan - CEO Inducement

On March 27, 2017, the Company granted Paul M. Bisaro, its new President and Chief Executive Officer, an option to purchase 850,000 shares of the Company's common stock pursuant to the terms of his Employment Agreement dated as of March 24, 2017 with the Company. The grant was made in accordance with NASDAQ's employment inducement grant exemption and therefore was not granted under a stockholder approved plan. The grant is subject to the terms of an option agreement with Mr. Bisaro to evidence the award. There were 850,000 stock options outstanding related to this grant as of December 31, 2017.

The following table summarizes all of the Company's stock option activity for the years ended December 31, 2017, 2016, and 2015:

Stock Options	Number of Shares Under Option	Weighted-Average Exercise Price per Share
Outstanding at December 31, 2014	3,042,180	\$ 14.78
Options granted	406,950	41.27
Options exercised	(1,042,198)	9.87
Options forfeited	(1,561)	16.70
Outstanding at December 31, 2015	2,405,371	21.39
Options granted	572,625	12.27
Options exercised	(477,910)	19.09
Options forfeited	(265,755)	35.88
Outstanding at December 31, 2016	2,234,331	22.67
Options granted	1,198,726	12.21
Options exercised	(74,643)	10.22
Options forfeited	(183,417)	33.07
Outstanding at December 31, 2017	3,174,997	18.36
Options exercisable at December 31, 2017	1,634,133	\$ 19.63

In May 2016, a retiring member of the Company's Board of Directors exercised vested stock options on a cashless basis, whereby the Company withheld 19,022 shares to cover the \$0.6 million of proceeds due to the Company, representing the aggregate exercise price of the options.

As of December 31, 2017, stock options outstanding and exercisable had average remaining contractual lives of 6.70 years and 5.20 years, respectively. Also, as of December 31, 2017, stock options outstanding and exercisable each had aggregate intrinsic values of \$9.9 million and \$4.6 million, respectively, and restricted stock awards outstanding had an aggregate intrinsic value of \$31.0 million.

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	Non-Vested Restricted Stock Awards	Weighted- Average Grant Date Fair Value
Non-vested at December 31, 2014	2,327,176	\$ 23.61
Granted	973,742	45.40
Vested	(930,159)	22.64
Forfeited	(224,261)	29.01
Non-vested at December 31, 2015	2,146,498	33.20
Granted	1,245,184	31.77
Vested	(893,190)	28.97
Forfeited	(338,365)	33.87
Non-vested at December 31, 2016	2,160,127	34.02
Granted	980,419	13.89
Vested	(730,160)	31.99
Forfeited	(548,897)	30.27
Non-vested at December 31, 2017	1,861,489	\$ 25.36

Included in the 730,160 shares of restricted stock vested during the year ended December 31, 2017 are 268,512 shares with a weighted-average fair value of \$15.77 per share that were withheld for tax withholding obligations upon vesting of such awards from stockholders who elected to net share settle such tax withholding obligation. Included in the 893,190 shares of restricted stock vested during the year ended December 31, 2016 are 335,423 shares with a weighted-average fair value of \$27.69 per share that were withheld for tax withholding purposes upon vesting of such awards from stockholders who elected to net share settle such tax withholding obligation. Included in the 930,159 shares of restricted stock vested during the year ended December 31, 2015 are 370,449 shares with a weighted-average fair value of \$40.48 per share that were withheld for tax withholding purposes upon vesting of such awards from stockholders who elected to net share settle such tax withholding obligation.

As of December 31, 2017, the Company had 1,932,375 shares available for issuance for either stock options or restricted stock awards under the 2002 Plan. Although there were also 296,921 shares available for issuance under the 1999 Plan, the Company has ceased granting equity awards under this plan. Additionally, the Company had 1,501,351 shares available for issuance under its 2001 Non-Qualified Employee Stock Purchase Plan, as amended ("ESPP"). The Company's Board of Directors has determined that the final purchase period prior to December 31, 2017 would be the final purchase period under the ESPP, and the ESPP was terminated thereafter.

As of December 31, 2017, the Company had total unrecognized share-based compensation expense of \$41.8 million related to all of its share-based awards, which is expected to be recognized over a weighted average period of 1.75 years. The intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was \$0.5 million, \$5.8 million and \$33.0 million, respectively. The total fair value of restricted stock which vested during the years ended December 31, 2017, 2016 and 2015 was \$23.4 million, \$25.9 million and \$21.1 million, respectively.

The Company estimated the fair value of each stock option award on the grant date using the Black-Scholes option pricing model with the following assumptions:

	Years Ended December 31,								
	2017			2016			2015		
Volatility (range)	46.5%	-	49.2%	38.1%	-	40.3%	39.9%	-	40.1%
Volatility (weighted average)	48.1%			38.3%			40.0%		
Risk-free interest rate (range)	1.9%	-	2.2%	1.2%	-	1.9%	0.8%	-	1.8%
Risk-free interest rate (weighted average)	2.1%			1.4%			1.7%		
Dividend yield	—%			—%			—%		
Weighted-average expected life (years)	6.18			6.14			6.18		
Weighted average grant date fair value	\$5.93			\$12.27			\$17.08		

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 over four years and have a term of 10 years.

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

	Years Ended December 31,					
	2017		2016		2015	
Manufacturing expenses	\$	4,975	\$	6,364	\$	4,479
Research and development		16,174		5,697		5,996
Selling, general and administrative		5,109		20,119		18,138
Total	\$	26,258	\$	32,180	\$	28,613

The after tax impact of recognizing the share-based compensation expense related to FASB ASC Topic 718 on basic earnings per common share was \$0.30, \$0.31 and \$0.20 for the years ended December 31, 2017, 2016 and 2015, respectively, and diluted earnings per common share was \$0.30, \$0.31 and \$0.20 for the years ended December 31, 2017, 2016 and 2015, respectively. The Company recognized a deferred tax benefit, before consideration of tax valuation allowances, of \$4.8 million, \$9.6 million and \$9.2 million in the years ended December 31, 2017, 2016 and 2015, respectively, related to share-based compensation expense recorded for non-qualified employee stock options and restricted stock awards.

The Company's policy is to issue new shares to satisfy stock option exercises and to grant restricted stock awards.

Share based Compensation Expense related to Former Executives

In December 2016, the Company announced that G. Frederick Wilkinson and the Company mutually agreed that Mr. Wilkinson would separate from his positions as President and Chief Executive Officer of Impax and resign as a member of the Board of Directors of the Company, effective December 19, 2016. In connection with his separation from the Company, Mr. Wilkinson and the Company entered into a General Release and Waiver dated as of December 19, 2016 (the "General Release and Waiver"). The General Release and Waiver provided for 12 month accelerated vesting of certain of Mr. Wilkinson's stock options and shares of restricted stock in accordance with the terms therein. As a result, during the year ended December 31, 2016, the Company recorded \$0.5 million of accelerated expense related to the accelerated vesting of certain of Mr. Wilkinson's outstanding stock options and restricted stock.

The Company appointed Mr. Wilkinson as its President and Chief Executive Officer effective as of April 29, 2014. In accordance with Mr. Wilkinson's appointment and pursuant to Mr. Wilkinson's employment agreement with the Company, the Company granted to Mr. Wilkinson 150,000 shares of the Company's restricted stock with a grant date fair value of \$3.9 million, which vested as to one-third of the underlying shares on each of the six, 12 and 18 month anniversaries of April 29, 2014. Mr. Wilkinson also received pursuant to his employment agreement with the Company an award of 375,000 shares of restricted stock. The performance goals were achieved during fiscal year 2015 and pursuant to the terms of the employment agreement, 50% of Mr. Wilkinson's performance-based restricted stock vested in 2015 and 50% vested in 2016. The Company valued these restricted stock awards subject to performance-based vesting using a Monte Carlo simulation and recognized the \$7.6 million value of these awards over the longer of the derived or explicit service period, which was two years.

14. EMPLOYEE BENEFIT PLANS

401(k) Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan covering all employees. Participants are permitted to contribute up to 25% of their eligible annual pre-tax compensation up to established federal limits on aggregate participant contributions. The Company matches 100% of the employee contributions up to a maximum of 5% of employee compensation. Discretionary profit-sharing contributions made by the Company, if any, are determined annually by the Board of Directors. Participants are 100% vested in discretionary profit-sharing and matching contributions made by the Company after three years of service, and are 25% and 50% vested after one and two years of service, respectively. There were \$6.1 million, \$7.4 million and \$3.7 million in matching contributions and no discretionary profit-sharing contributions made under this plan for the years ended December 31, 2017, 2016 and 2015, respectively.

Employee Stock Purchase Plan

In February 2001, the Board of Directors approved the 2001 Non-Qualified Employee Stock Purchase Plan ("ESPP"), with a 500,000 share reservation. The purpose of the ESPP was to enhance employee interest in the success and progress of the Company by encouraging employee ownership of common stock of the Company. The ESPP provided the opportunity to purchase the Company's common stock at a 15% discount to the market price through payroll deductions or lump sum cash investments. Under the ESPP plan, for the years ended December 31, 2017, 2016 and 2015, the Company sold shares of its common stock to its employees in the amount of 50,185, 29,612 and 35,275, respectively, for net proceeds of \$0.6 million, \$0.7 million and \$1.2 million, respectively. The Company's Board of Directors determined that the final purchase period prior to December 31, 2017 would be the final purchase period under the ESPP, and the ESPP was terminated thereafter.

Deferred Compensation Plan

In February 2002, the Board of Directors approved the Executive Non-Qualified Deferred Compensation Plan ("ENQDCP") effective August 15, 2002 covering executive level employees of the Company as designated by the Board of Directors. Participants can defer up to 75% of their base salary and quarterly sales bonus and up to 100% of their annual performance based bonus. The Company matches 50% of employee deferrals up to 10% of base salary and bonus compensation. The maximum total match by the Company cannot exceed 5% of total base and bonus compensation. Participants are vested in the employer match contribution at 20% each year, with 100% vesting after five years of employment. Participants can earn a return on their deferred compensation based on hypothetical investments in investment funds. Changes in the market value of the participant deferrals and earnings thereon are reflected as an adjustment to the liability for deferred compensation with an offset to compensation expense. There were \$1.0 million, \$1.0 million and \$1.1 million in matching contributions under the ENQDCP for the years ended December 31, 2017, 2016 and 2015, respectively.

The deferred compensation liability is a non-current liability recorded at the value of the amount owed to the ENQDCP participants, with changes in the value of such amounts recognized as compensation expense in the consolidated statements of operations. The calculation of the deferred compensation obligation is derived from observable market data by references to hypothetical investments selected by the participants and is included in the line item captioned "Other liabilities" on the consolidated balance sheets. The Company invests in corporate owned life insurance ("COLI") policies, of which the cash surrender value is included in the line item captioned "Other assets" on the consolidated balance sheets. As of December 31, 2017 and 2016, the Company had a cash surrender value asset of \$43.0 million and \$37.4 million, respectively, and a deferred compensation liability of \$33.4 million and \$28.6 million, respectively, which approximated fair value. The asset representing the cash surrender value of the corporate owned life insurance and the deferred compensation liability are both Level 2 fair value measurements.

15. RESTRUCTURINGS

Consolidation and Improvement Plan

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

- Consolidating all of Generic R&D and U.S. manufacturing and packing operations to the Company's Hayward, California facility;
- Continuing the previously announced closure of the Middlesex, New Jersey manufacturing site, which will now include the closure of the Middlesex Generic R&D site as further discussed below under "Middlesex, New Jersey Manufacturing and Packaging Operations" and "Middlesex, New Jersey Generic R&D";
- Reorganizing certain functions including quality, engineering and supply chain operations as further described below under "Technical Operations Reduction-in-Force";
- Reviewing strategic alternatives for the Company's Taiwan facility, including a sale of the facility as further described below under "Sale of Impax Laboratories (Taiwan), Inc." and
- Rationalizing the generic portfolio to eliminate low-value products and streamline operations such as the Company's divestment during the second quarter of 2017 of 29 ANDAs and one NDA for approved non-strategic generic products, the vast majority of which were not marketed, and all acquired as part of the Tower Acquisition, as described in "Note 8. Intangible Assets and Goodwill."

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

Middlesex, New Jersey Manufacturing and Packaging Operations

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

The Company incurred aggregate pre-tax charges of \$43.4 million in connection with this plan through the year ended 2017 and does not anticipate any significant future charges. The following is a summary of the cumulative charges incurred by major type of cost (in thousands):

Type of Cost	Cumulative Amount Incurred
Employee retention and severance payments	\$ 12,725
Technical transfer of products	9,544
Asset impairment and accelerated depreciation charges	20,900
Facilities lease terminations and asset retirement obligations	209
Legal and professional fees	12
Total estimated restructuring charges	<u>\$ 43,390</u>

Employee retention and severance payments are being accrued over the estimated service period. For the years ended December 31, 2017 and 2016, the Company recorded expense of \$16.3 million and \$27.1 million, respectively, to general and administrative expense in the Corporate and Other segment on the consolidated statements of operations.

A rollforward of the charges incurred to general and administrative expense for the year ended December 31, 2016 is as follows (in thousands):

	Balance as of December 31, 2015	Expensed /Accrued Expense	Cash Payments	Non-Cash Items	Balance as of December 31, 2016
Employee retention and severance payments	\$ —	\$ 6,636	\$ (691)	\$ —	\$ 5,945
Technical transfer of products	—	6,573	(6,573)	—	—
Asset impairment and accelerated depreciation charges	—	13,678	—	(13,678)	—
Facilities lease terminations and asset retirement obligations	—	209	—	—	209
Legal and professional fees	—	12	(12)	—	—
Total	\$ —	\$ 27,108	\$ (7,276)	\$ (13,678)	\$ 6,154

A rollforward of the charges incurred to general and administrative expense for the year ended December 31, 2017 is as follows (in thousands):

	Balance as of December 31, 2016	Expensed /Accrued Expense	Cash Payments	Non-Cash Items	Balance as of December 31, 2017
Employee retention and severance payments	\$ 5,945	\$ 6,089	\$ (4,648)	\$ —	\$ 7,386
Technical transfer of products	—	2,671	(2,671)	—	—
Asset impairment and accelerated depreciation charges	—	7,525	—	(7,525)	—
Facilities lease terminations and asset retirement obligations	209	—	—	—	209
Total	\$ 6,154	\$ 16,285	\$ (7,319)	\$ (7,525)	\$ 7,595

For the years ended December 31, 2017 and 2016, the Company recognized a liability of \$7.6 and \$6.2 million, respectively, in accrued expenses on the Company's consolidated balance sheet and anticipates remaining payments to be made through early 2018.

Middlesex, New Jersey Generic R&D

In May 2017, as part of its Consolidation and Improvement Plan, the Company announced its plan to close its Middlesex, New Jersey Generic R&D site and consolidate all Generic R&D activities to its Hayward, California facility. As a result, the Company eliminated a total of 31 positions in Middlesex. In connection with this Generic R&D consolidation, the Company incurred aggregate pre-tax charges for employee termination benefits, program termination costs and accelerated depreciation charges of \$3.4 million through the end of 2017. For the year ended December 31, 2017, the Company recorded \$3.0 million of employee termination benefits and program termination costs and \$0.4 million for accelerated depreciation charges, all to research and development on the consolidated statement of operations. As of December 31, 2017, \$3.0 million of employee termination benefits and program termination costs had been paid.

Sale of Middlesex, New Jersey Assets

In the fourth quarter of 2017, management completed an evaluation of the assets located at the Company's Middlesex, New Jersey facilities in accordance with ASC 360 - Property, Plant and Equipment ("ASC 360") to determine whether all of the "held for sale" criteria under subsection 360-10-45-9 had been met. Based upon management's evaluation of the criteria under ASC 360, the Middlesex, New Jersey assets were determined to meet all of the "held for sale" criteria. As a result, the Company completed an impairment assessment related to the net book value of the assets of \$5.6 million and based upon the estimated fair value less estimated costs to sell the assets the Company recorded a fixed asset impairment charges of \$3.3 million in the Generic segment of its consolidated statement of operations for the year ended December 31, 2017.

On January 16, 2018, the Company sold all of its outstanding membership interests in CorePharma LLC, its wholly owned subsidiary, including certain specified assets within the entity, to a third party for a purchase price of \$2.2 million .

Technical Operations Reduction-in-Force

In March 2017, the Company's management determined that a reduction-in-force was necessary in the Company's technical operations group in order to achieve greater operational efficiencies and to further streamline the organization. The Company identified 48 positions for elimination as of December 31, 2017. In connection with this reduction-in-force, the Company incurred aggregate pre-tax charges for employee termination benefits and other associated costs of \$3.7 million through the end of 2017. For the year ended December 31, 2017, the Company recorded \$3.7 million of employee termination benefits and other associated costs to cost of revenues in the Impax Generics segment on the consolidated statement of operations. As of December 31, 2017, \$2.0 million had been paid and \$1.7 million of employee termination benefits were included in accrued expenses on the Company's consolidated balance sheet and the Company estimates that all payments will be made by early 2018.

Sale of Impax Laboratories (Taiwan), Inc.

In May 2017, as part of its Consolidation and Improvement Plan, the Company announced that it was reviewing strategic alternatives for its Taiwan facility, including a sale of the facility to a qualified buyer capable of reliably producing Rytary® in accordance with FDA requirements as the Company's third party contract manufacturer ("CMO") or, in the alternative, a closure of the facility following the completion of the technology transfer process to allow Rytary® to be manufactured either in the Company's Hayward, California facility or at a CMO. Following this announcement, management completed an evaluation of the Taiwan facility in accordance with ASC 360 to determine whether all of the "held for sale" criteria under subsection 360-10-45-9 had been met. Based upon the evaluation of the criteria, including management's assessment of whether it was probable that a sale to a qualified buyer could be completed within one year, the Taiwan facility was determined to be "held and used" as of May 31, 2017.

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

As of May 31, 2017, the remaining useful life of the Taiwan facility was estimated to be two years , which was based on the estimated time required to complete the technology transfer process for Rytary® and reflected the new pattern of consumption of the expected benefits of the facility. The Company will recognize accelerated depreciation expense on a straight-line basis through May 31, 2019 to write the building and equipment associated with the Taiwan facility down to their estimated salvage values. For the year ended December 31, 2017 the Company recorded accelerated depreciation of \$9.1 million .

After May 31, 2017 the Company continued to assess whether the Taiwan facility met the ASC 360 criteria. In the fourth quarter of 2017 based upon management's valuation of the criteria the Taiwan facility was determined to meet all of the "held for sale" criteria. As a result, excluding assets and liabilities subject to customary working capital adjustment, the Company completed an impairment assessment of the net book value of \$91.7 million related to the net assets to be sold, and based upon an estimated fair value less estimated costs to sell for the net assets, the Company recorded an asset impairment charge of \$74.1 million in the Company's consolidated statement of operations, of which \$73.6 million related to property, plant and equipment. The remaining assets and liabilities associated with the Taiwan entity, which were part of the Impax Specialty Pharma segment, were reclassified as held for sale.

The following table provides the components of assets and liabilities of the Taiwan operations held for sale as of December 31, 2017 (in thousands):

	December 31, 2017	
Current assets	\$	11,527
Property, plant and equipment		18,500
Assets held for sale	\$	30,027
<hr/>		
Current liabilities	\$	7,170
Liabilities held for sale	\$	7,170

On December 19, 2017, the Company entered into a stock and asset purchase agreement with Bora Pharmaceuticals Co., Ltd. (“Bora”) pursuant to which Bora agreed to acquire the outstanding shares of Impax Laboratories (Taiwan), Inc. for \$18.5 million in cash plus reimbursement for the closing working capital, subject to adjustment as defined in the agreement. The closing of the sale was completed on February 6, 2018.

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 in the Impax Generics segment for severance and related employee termination benefits of \$2.5 million during the quarter ended December 31, 2015. As of December 31, 2017, \$2.3 million has been paid, and the Company currently expects the remainder of this balance to be paid by early 2018.

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.

16. INCOME TAXES

The Company is subject to federal, state and local income taxes in the United States, and income taxes in Taiwan, R.O.C., the Republic of Ireland and the Netherlands. The provision for (benefit from) income taxes is comprised of the following (in thousands):

	Years Ended December 31,		
	2017	2016	2015
Current:			
Federal taxes	\$ (55,844)	\$ 21,386	\$ 48,078
State taxes	(372)	266	2,286
Foreign taxes	639	1,377	(442)
Total current tax (benefit) expense	<u>(55,577)</u>	<u>23,029</u>	<u>49,922</u>
Deferred:			
Federal taxes	\$ 73,357	\$ (133,387)	\$ (23,605)
State taxes	(371)	5,502	(5,733)
Foreign taxes	917	562	(213)
Total deferred tax expense (benefit)	<u>73,903</u>	<u>(127,323)</u>	<u>(29,551)</u>
Provision for (benefit from) income taxes	<u>\$ 18,326</u>	<u>\$ (104,294)</u>	<u>\$ 20,371</u>

A reconciliation of the difference between the tax provision (benefit) at the federal statutory rate and actual income taxes on income before income taxes, which includes federal, state, and other income taxes, is as follows (in thousands):

	Years Ended December 31,					
	2017		2016		2015	
(Loss) income before income taxes	\$ (450,961)		\$ (576,325)		\$ 59,368	
Tax (benefit) provision at the federal statutory rate	(157,836)	35.0 %	(201,714)	35.0 %	20,779	35.0 %
Increase (decrease) in tax rate resulting from:						
Tax rate differential and permanent items on foreign income	662	(0.2)%	186	— %	412	0.7 %
State income taxes, net of federal benefit	(8,291)	1.8 %	(7,394)	1.3 %	365	0.6 %
State research and development credits	(1,324)	0.3 %	(1,767)	0.3 %	(2,357)	(4.0)%
Federal research and development credits	(1,243)	0.3 %	(2,213)	0.4 %	(2,672)	(4.5)%
Share-based compensation	5,471	(1.2)%	1,768	(0.3)%	968	1.6 %
Executive compensation	543	(0.1)%	(761)	0.1 %	3,140	5.3 %
Domestic manufacturing deduction	—	— %	(1,286)	0.2 %	(1,422)	(2.4)%
Other permanent book/tax differences	(1,846)	0.4 %	(258)	— %	2,003	3.4 %
Provision for uncertain tax positions	(807)	0.2 %	337	— %	184	0.3 %
Revision of prior years' estimates	1,371	(0.3)%	(792)	0.1 %	859	1.5 %
Taiwan rural area investment tax credit	—	— %	—	— %	(2,134)	(3.6)%
Impact on gross deferred net assets from 2017 Tax Reform Act	100,065	(22.2)%	—	— %	—	— %
Foreign withholding tax	1,534	(0.3)%	—	— %	—	— %
Other, net	2,888	(0.7)%	842	(0.1)%	246	0.4 %
Valuation allowance	77,139	(17.1)%	108,758	(18.9)%	—	— %
Provision for (benefit from) income taxes	\$ 18,326	(4.1)%	\$ (104,294)	18.1 %	\$ 20,371	34.3 %

Deferred income taxes result from temporary differences between the financial statement carrying values and the tax bases of the Company's assets and liabilities. Deferred tax assets principally result from certain accruals and reserves currently not deductible for tax purposes, acquired product rights and intangibles, capitalized legal and share based compensation expense. Deferred tax liabilities principally result from acquired product rights and intangibles and the use of accelerated depreciation methods for income tax purposes.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, the Company assesses all available positive and negative evidence. This evidence includes, but is not limited to, scheduled reversal of deferred tax liabilities, prior earnings history, projected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income (exclusive of reversing taxable temporary differences and carryforwards) to outweigh objective negative evidence of recent financial reporting losses for the years ended December 31, 2017 and 2016.

Based on an evaluation of both the positive and negative evidence available, the Company determined that it was necessary to establish a valuation allowance against all of the net deferred tax assets for the year ended December 31, 2017 and against a significant portion of the net deferred tax assets for the year ended December 31, 2016. Given the objectively verifiable negative evidence of a three-year cumulative loss which, under the provisions of FASB ASC Topic 740 is a significant element of negative evidence that is difficult to overcome, and the weighting of all available positive evidence, the Company excluded projected taxable income from the assessment of income that could be used as a source of taxable income to realize the deferred tax assets. The valuation allowance recorded against the consolidated net deferred tax asset in 2017 and 2016 were \$185.9 million and \$108.8 million, respectively.

The components of the Company's deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2017	2016
Deferred tax assets:		
Accrued expenses	\$ 60,069	\$ 114,825
Inventory reserves	17,602	15,873
Net operating loss carryforwards	2,518	2,302
Depreciation and amortization	2,657	651
Acquired product rights and intangibles	118,168	128,401
Capitalized legal fees	6,695	10,231
Credit carryforwards	11,205	8,453
Share based compensation expense	3,535	6,371
Sale of subsidiary	7,794	—
Other	495	525
Deferred tax assets	230,738	287,632
Deferred tax liabilities:		
Tax depreciation and amortization in excess of book amounts	3,808	5,428
Acquired product rights and intangibles	35,698	95,517
Derivative	3,411	6,192
Foreign withholding tax	1,824	—
Other	3,326	1,871
Deferred tax liabilities	48,067	109,008
Deferred tax assets (liabilities), net	182,671	178,624
Valuation allowance	(185,897)	(108,758)
Deferred tax assets (liabilities), net after valuation allowance	\$ (3,226)	\$ 69,866

A rollforward of unrecognized tax benefits for the years ended December 31, 2017, 2016 and 2015 is as follows (in thousands):

	Years Ended December 31,		
	2017	2016	2015
Unrecognized tax benefits beginning of year	\$ 6,425	\$ 5,680	\$ 6,517
Gross change for current year positions	328	549	1,079
Gross change for prior period positions	(105)	1,318	(673)
Gross change due to Tower Acquisition	—	—	1,037
Decrease due to expiration of statutes of limitations	(972)	—	—
Decrease due to settlements and payments	—	(1,122)	(2,280)
Unrecognized tax benefits end of year	\$ 5,676	\$ 6,425	\$ 5,680

The amount of unrecognized tax benefits at December 31, 2017, 2016 and 2015 was \$5.7 million, \$6.4 million and \$5.7 million, respectively, of which \$5.0 million, \$5.3 million and \$4.3 million would impact the Company's effective tax rate, respectively, if recognized. The Company currently does not believe that the total amount of unrecognized tax benefits will increase or decrease significantly over the next 12 months. Interest expense related to income taxes is included in "Interest expense, net" on the consolidated statements of operations. Net interest expense related to unrecognized tax benefits for the year ended December 31, 2017 was \$(24,000), compared to \$125,000 in 2016. Accrued interest expense as of December 31, 2017 and 2016 was \$0.3 million and \$0.4 million, respectively. Income tax penalties are included in "Other income (expense)" on the consolidated statements of operations. Accrued tax penalties of \$0.6 million were booked in 2015 related to the 2010-2011 California audit and were paid in 2016.

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

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

As of June 30, 2017, following management's announcement in May 2017 that it was reviewing potential options to either sell or close the Taiwan manufacturing facility and dissolve operations at Impax Taiwan, the Company changed its assertion related to the accumulated unremitted foreign earnings of its Taiwan subsidiary. The Company was no longer able to assert under ASC 740-30-25 that the unremitted foreign earnings are indefinitely reinvested outside the United States. Accordingly, the Company has recorded a deferred tax liability associated with remitting these earnings back to the United States.

Effect of 2017 Tax Reform Act

On December 22, 2017, the 2017 Tax Reform Act was signed into law. Among other things, the 2017 Tax Reform Act permanently lowers the corporate tax rate to 21% from the existing maximum rate of 35%, effective for tax years including or commencing January 1, 2018. As a result of the reduction of the corporate tax rate to 21%, U.S. GAAP require companies to re-value their deferred tax assets and liabilities as of the date of enactment, with resulting tax effects accounted for in the reporting period of enactment.

In connection with the Company's initial analysis of the impact of the 2017 Tax Reform Act, the Company recorded a discrete net tax benefit of \$0.4 million in the period ending December 31, 2017. This net tax benefit primarily consisted of the corporate rate reduction of \$0.5 million and a net expense for the Transition Tax (as described below) of \$0.1 million.

Although the Company is able to make a reasonable estimate of the impact of the reduction in its corporate tax rate, due to the 2017 Tax Reform Act, the Company's estimate may be affected by other analyses related to the 2017 Tax Reform Act, including, but not limited to, the Company's calculation of deemed repatriation of deferred foreign income and the state tax effect of adjustments made to federal temporary differences. The deemed repatriation transition tax, also referred to as the "Transition Tax", is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of a company's foreign subsidiaries. To determine the amount of the Transition Tax, the Company determined, in addition to other factors, the amount of post-1986 E&P of the Company's relevant subsidiaries - including Impax Laboratories (Netherlands) CV, Impax (Netherlands) BV, Impax Laboratories Ireland Limited, and Impax Taiwan Inc, - as well as the amount of non-U.S. income taxes paid on such earnings. As such, the Company has made a reasonable estimate of the Transition Tax and recorded a Transition Tax obligation of \$0.1 million, however, the Company continues to gather additional information to more precisely compute the amount of the Transition Tax. The Company continues to evaluate legislative changes, regulations, and notices regarding the applicable mechanics of the relevant rules impacting the estimate of the Transition Tax, and, the Company continues to evaluate cash versus non-cash earnings and profits, as the rates differ for the two different categories of earnings and profits.

17. ALLIANCE AND COLLABORATION AGREEMENTS

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

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

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

Clinical Milestone Events:

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

Regulatory Milestone Events:

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

Commercialization 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. Pursuant to the terms of the Amended and Restated Shire Agreement, the Company is required to pay to Shire a specified profit share based on sales of the AG Product and a specified profit share based on sales of our generic Adderall XR® product. The Company began selling our generic Adderall XR® product during the second quarter of 2016. The Company accrued a profit share payable to Shire of \$2.2 million during the year ended December 31, 2017 , based on sales of its generic Adderall XR® product and reflecting adjustments for returns and government rebates from its previous sales of the AG Product and of \$7.5 million and \$19.5 million during the years ended December 31, 2016 and 2015 , respectively, based on sales of the AG Product and the Company's generic Adderall XR® product, in each case with a corresponding charge included in the cost of revenues line in the consolidated statements of operations.

Development, Supply and Distribution Agreement with Tolmar, Inc.

In June 2012, the Company entered into the Tolmar Agreement with Tolmar. Under the terms of the Tolmar Agreement, Tolmar granted to the Company an exclusive license to commercialize up to 11 generic topical prescription drug products, including 10 currently approved products in the United States and its territories; the parties agreed in 2015 to terminate development efforts of one product under the Tolmar Agreement that had been pending approval at the FDA. Under the terms of the Tolmar Agreement, Tolmar is responsible for developing and manufacturing the products, and the Company is responsible for marketing and sale of the products. As of December 31, 2017, the Company was currently marketing and selling four approved products. The Company is required to pay a profit share to Tolmar on sales of each product commercialized pursuant to the terms of the Tolmar Agreement.

The Company paid Tolmar a \$21.0 million upfront payment upon signing of the agreement and, pursuant to the terms of the agreement, is also required to make payments to Tolmar up to an aggregate amount of \$25.0 million upon the achievement of certain specified milestone events. As of December 31, 2017, the Company had paid a total of \$20.0 million to Tolmar upon the achievement of certain specified milestone events, including \$12.0 million upon the achievement of a regulatory milestone event and \$5.0 million upon the achievement of a commercialization event, and does not currently expect to make any additional milestone payments under the agreement. The Company is required to pay a profit share to Tolmar on sales of the topical products, of which it accrued a profit share payable to Tolmar of \$10.0 million, \$36.4 million and \$77.7 million during the years ended December 31, 2017, 2016 and 2015, respectively, with a corresponding charge included in the cost of revenues line in the Company's consolidated statement of operations.

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

Strategic Alliance Agreement with Teva

The Company is a party to a Strategic Alliance Agreement dated as of June 27, 2001 with Teva Pharmaceuticals USA, Inc. ("Teva USA"), an affiliate of Teva, which was subsequently amended ("Teva Agreement"). The Teva Agreement commits the Company to develop and manufacture, and Teva to distribute, a specified number of controlled release generic pharmaceutical products ("generic products"), each for a 10-year period. As of December 31, 2017, the Company was supplying Teva with oxybutynin extended release tablets (Ditropan XL® 5 mg, 10 mg and 15 mg extended release tablets); the other products under the Teva Agreement have either been returned to the Company, are being manufactured by Teva at its election, were voluntarily withdrawn from the market or the Company's obligations to supply such product had expired or were terminated in accordance with the Teva Agreement.

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. Under the terms of the AZ Amendment, under certain conditions and depending on the nature and terms of the study agreed to with the FDA, the Company agreed to conduct, at its own expense, the juvenile toxicity study and pediatric study required by the FDA under the Pediatric Research Equity Act ("PREA") for approval of the nasal formulation of Zomig® for the acute treatment of migraine in pediatric patients ages six through eleven years old, as further described in the study protocol mutually agreed to by the parties (the "PREA Study"). In consideration for the Company conducting the PREA Study at its own expense, the AZ Amendment provides for the total royalty payments payable by the Company to AstraZeneca on net sales of Zomig® products under the AZ Agreement to be reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of \$30.0 million. In the event the royalty reduction amounts exceed the royalty payments payable by the Company to AstraZeneca pursuant to the AZ Agreement in any given quarter, AstraZeneca will be required to pay the Company an amount equal to the difference between the royalty reduction amount and the royalty payment payable by the Company to AstraZeneca. The Company's commitment to perform the PREA Study may be terminated, without penalty, under certain circumstances as set forth in the AZ Amendment.

In May 2013, the Company's exclusivity period for branded Zomig® tablets and orally disintegrating tablets expired and the Company launched authorized generic versions of those products in the United States. As discussed above, pursuant to the AZ Amendment, the total royalty payments payable by the Company to AstraZeneca on net sales of Zomig® products under the AZ Agreement is reduced by certain specified amounts beginning from the quarter ended June 30, 2016 and through the quarter ended December 31, 2020, with such reduced royalty amounts totaling an aggregate amount of \$30.0 million. The Company accrued a royalty payable to AstraZeneca of \$17.8 million, \$17.2 million and \$16.8 million for the years ended December 31, 2017, 2016 and 2015, respectively, with a corresponding charge included in the cost of revenues line on the consolidated statements of operations.

Mebendazole Product Acquisition Agreement with Teva Pharmaceuticals USA, Inc.

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

18. 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 between January 2018 and December 2027. Rent expense for the years ended December 31, 2017, 2016 and 2015 was \$5.2 million, \$4.9 million and \$4.1 million, respectively. The Company recognizes rent expense on a straight-line basis over the lease period. The Company also leases certain equipment under various non-cancelable operating leases with various expiration dates between April 2018 and July 2022. Future minimum lease payments under the non-cancelable operating leases are as follows (in thousands):

<u>Years ending December 31,</u>	
2018	\$ 5,575
2019	3,740
2020	2,578
2021	2,551
2022	2,585
Thereafter	11,113
Total minimum lease payments	<u>\$ 28,142</u>

Purchase Order Commitments

As of December 31, 2017, the Company had \$108.1 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.

19. 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 day period, the FDA can review and approve the ANDA, but is prevented from granting final marketing approval of the product until a final judgment in the action has been rendered in favor of the generic drug developer, or 30 months from the date the notice was received, whichever is sooner. The Company's generic products division is typically subject to patent infringement litigation brought by branded pharmaceutical manufacturers in connection with the Company's Paragraph IV certifications seeking an order delaying the approval of the Company's ANDA until expiration of the patent(s) at issue in the litigation. Likewise, the Company's branded products division is currently involved in patent infringement litigation against generic drug manufacturers who have filed Paragraph IV certifications to market their generic drugs prior to expiration of the Company's patents at issue in the litigation.

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

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

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

Patent Infringement Litigation

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

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

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

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

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

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

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

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

In September 2015, the Company filed suit against Actavis Laboratories, Inc. and Actavis Pharma Inc. (collectively, “Actavis”) in the United States District Court for the District of New Jersey, alleging patent infringement of U.S. Patent Nos. 7,094,427; 8,377,474; 8,454,998; 8,557,283; 9,089,607; 9,089,608, based on the filing of the Actavis ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary®. The Company filed related actions alleging infringement of later-issued U.S. Patent No. 9,463,246 in December 2016 and of later-issued U.S. Patent No. 9,533,046 in May 2017. Both related actions were consolidated with the lead action. On December 15, 2017, the Patent and Trademark Office issued an Ex Parte Reexamination Certificate canceling all claims of the '427 patent; the parties subsequently stipulated to dismiss with prejudice all claims and counterclaims relating to the '427 patent. Fact discovery and claim construction briefing have concluded and a claim construction hearing was held on April 26, 2017. On May 9, 2017, the District Court issued a decision interpreting certain claim terms in dispute in the litigation. Subject to reservation of all rights to appeal the Court’s May 9, 2017 decision, the parties stipulated to dismiss without prejudice all claims and counterclaims relating to the '474, '998, and '607 patents, and the Court entered an order recognizing this stipulation on June 8, 2017. The parties have completed expert discovery and Actavis filed a summary judgment motion on October 23, 2017. Briefing on the summary judgment motion is complete and an oral hearing was scheduled for February 27, 2018. On February 20, 2018, the Court issued an order setting trial for March 6, 2018. On February 23, 2018, the parties filed a joint letter requesting a trial date in the first two weeks of May 2018. The Court has not yet responded to the parties’ letter.

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

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

Impax Laboratories, Inc. v. Zydus Pharmaceuticals USA, Inc. and Cadila Healthcare Ltd. (Rytary®)

On December 21, 2017, the Company filed suit against Zydus Pharmaceuticals USA, Inc. and Cadila Healthcare Ltd. (collectively, “Zydus”) in the United States District Court for the District of New Jersey, alleging infringement of U.S. Patent No. 9,089,608, based on the filing of Zydus’s ANDA relating to carbidopa and levodopa extended release capsules, generic to Rytary®. Zydus has not yet answered or otherwise responded to the Complaint.

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

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

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

On June 26, 2017, Biogen MA Inc. filed suit against the Company in the U.S. District Court for the District of Delaware alleging patent infringement based on the filing of the Company’s ANDA relating to Dimethyl Fumarate 120 and 240 mg capsules, generic to Tecfidera®. The Company answered the complaint on October 16, 2017. On February 2, 2017, the Court consolidated the related cases and set the case schedule. Trial is scheduled for December 9, 2019.

Other Litigation Related to the Company’s Business

Solodyn® Antitrust Class Actions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The consolidated amended complaints allege that Medicis engaged in anticompetitive schemes by, among other things, filing frivolous patent litigation lawsuits, submitting frivolous Citizen Petitions, and entering into anticompetitive settlement agreements with several generic manufacturers, including the Company, to delay generic competition of Solodyn® and in violation of state and federal antitrust laws. Plaintiffs seek, among other things, unspecified monetary damages and equitable relief, including disgorgement and restitution. On August 14, 2015, the District Court granted in part and denied in part defendants' motion to dismiss the consolidated amended complaints. On October 16, 2017, the Court certified the Direct Purchaser Plaintiffs' and End-Payor Plaintiffs' classes. On October 30, 2017, the Company filed a petition for interlocutor appeal challenging the Court's certification of the End-Payor Plaintiffs' class. On January 25, 2018, the Court denied Plaintiffs' and the Company's summary judgment motions. Trial is currently set for March 12, 2018.

Opana ER® FTC Antitrust Suit

On February 25, 2014, the Company received a Civil Investigative Demand ("CID") from the FTC concerning its investigation into the drug Opana® ER and its generic equivalents. On March 30, 2016, the FTC filed a complaint against the Company, Endo, and others in the United States District Court for the Eastern District of Pennsylvania, alleging that the Company and Endo violated antitrust laws when they entered into a June 2010 co-promotion and development agreement and a June 2010 settlement agreement that resolved patent litigation in connection with the submission of the Company's ANDA for generic original Opana® ER. In July 2016, the defendants filed a motion to dismiss the complaint, and a motion to sever the claims regarding Opana® ER from claims with respect to a separate settlement agreement that was challenged by the FTC. On October 20, 2016, the Court granted the motion to sever, formally terminating the suit against the Company, with an order that the FTC re-file no later than November 3, 2016 and dismissed the motion to dismiss as moot. On October 25, 2016, the FTC filed a notice of voluntary dismissal. On January 19, 2017, the FTC filed a Part 3 Administrative complaint against the Company with similar allegations regarding the Company's June 2010 settlement agreement with Endo that resolved patent litigation in connection with the submission of the Company's ANDA for generic original Opana® ER. The Company filed its answer to the Administrative Complaint on February 7, 2017. Trial concluded on November 15, 2017. Post-trial briefing is complete and closing arguments were held February 15, 2018. A decision is pending.

Opana ER® Antitrust Class Actions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discovery is ongoing. No trial date has been scheduled.

United States Department of Justice Investigations

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

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

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

In re Generic Pharmaceuticals Pricing Antitrust Litigation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 19, 2018, Plaintiffs The Kroger Co., Albertsons Companies, LLC, and H.E. Butt Grocery Company L.P., opt-outs, filed a complaint in the United States District Court for the Eastern District of Pennsylvania against 35 companies, including the Company, alleging a conspiracy to fix, maintain and/or stabilize prices of thirty drugs and specifically digoxin and lidocaine/prilocaine with respect to the Company. No schedule has been set.

AWP Litigation

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

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.

Impax Laboratories, Inc. v. Turing Pharmaceuticals AG

On May 2, 2016, the Company filed suit against Turing Pharmaceuticals AG ("Turing") in the United States District Court for the Southern District of New York alleging breach of the terms of the contract by which Turing purchased from the Company the right to sell the drug Daraprim®, as well as the right to sell certain Daraprim® inventory (the "Purchase Agreement"). Specifically, the Company seeks (i) a declaratory judgment that the Company may revoke Turing's right to sell Daraprim® under the Company's labeler code and national drug codes; (ii) specific performance to require Turing to comply with its obligations under the Purchase Agreement for past due reports and for reports going forward; and (iii) money damages to remedy Turing's failure to reimburse the Company for chargebacks and Medicaid rebate liability when due, currently in excess of \$40.9 million, and for future amounts that may be due. Turing has filed its answer and a counterclaim against the Company alleging breach of contract and breach of the duty of good faith and fair dealing. Discovery is closed. On October 14, 2016, the Company filed a motion for summary judgment. The District Court issued its order on September 29, 2017. The Court found that Turing breached the Purchase Agreement by failing to reimburse the Company for Medicaid rebate liability, however, the Court also found that the Company breached the Purchase Agreement by not filing a restatement with the Centers for Medicare and Medicaid Services at Turing's request. Therefore, the Company was not entitled to damages. On October 13, 2017, the Company filed a Motion for Clarification / Reconsideration of the Summary Judgment Order. Briefing on the motion is complete and a decision is pending.

Telephone Consumer Protection Act Cases

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

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

Securities Class Action

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

Shareholder Derivative Action

On February 22, 2017, Plaintiff Ed Lippman filed a shareholder derivative complaint in the Superior Court for the State of California in the County of Alameda on behalf of the Company against former executives, a current executive, and certain current members of the board of directors alleging breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and corporate waste. This matter has been stayed pending the securities class action referenced above.

Teva v. Impax Laboratories, Inc.

On February 15, 2017, Plaintiffs Teva Pharmaceuticals USA, Inc. and Teva Pharmaceuticals Curacao N.V. ("Teva") filed a Praecipe to Issue Writ of Summons and Writ of Summons (precursor to a complaint) in the Philadelphia County Court of Common Pleas against the Company alleging that the Company breached the Strategic Alliance Agreement between the parties by not indemnifying Teva in its two litigations with GlaxoSmithKline LLC regarding Wellbutrin® XL. The Company filed a Motion to Disqualify Teva's counsel related to the matter, and on August 23, 2017, the Court denied the Company's motion. Following the Court's order, Teva filed its complaint. The Company has filed its appeal regarding the disqualification order, and oral argument will be held on April 10, 2018. The matter is currently stayed.

California Wage and Hour Class Action

On August 3, 2017, Plaintiff Emielou Williams filed a class action complaint in the Superior Court for the State of California in the County of Alameda on behalf of herself and others similarly situated against the Company alleging violation of California Business and Professions Code section 17200 by violating various California wage and hour laws. On October 10, 2017, the Company filed a Demurrer and Motion to Strike Class Allegations. On December 12, 2017, the Court overruled the Company's Demurrer to Plaintiff's individual claims, however, it struck all of Plaintiff's class allegations. Discovery is ongoing.

Securities Class Actions

On December 12, 2017 and December 14, 2017, Plaintiffs Susan Vana and David Stone, respectively, filed class action complaints in the United States District Court for the Northern District of California on behalf of themselves and others similarly situated against the Company alleging violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 generally alleging that the Registration Statement on Form S-4 related to the proposed business combination with Amneal Pharmaceuticals, LLC ("Amneal") contains false and misleading statements and/or omissions concerning the financial projections of the Company, Amneal, and New Amneal; Morgan Stanley & Co. LLC's valuation analyses and Fairness Opinions relating to the Company and Amneal; potential conflicts of interest associated with one of the Company's financial advisors and the proposed business combination with Amneal; and background information of the proposed business combination, including confidentiality agreements entered into by the Company in connection with the proposed business combination. No schedule has been set.

20. SEGMENT INFORMATION

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

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

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

The Company's chief operating decision maker evaluates the financial performance of the Company's segments based upon segment income (loss) before income taxes. Items below income (loss) from operations are not reported by segment, since they are excluded from the measure of segment profitability reviewed by the Company's chief operating decision maker. Additionally, general and administrative expenses, certain selling expenses, certain litigation settlements, and non-operating income and expenses are included in "Corporate and Other." The Company does not report balance sheet information by segment since it is not reviewed by the Company's chief operating decision maker. The accounting policies for the Company's segments are the same as those described above in the discussion of "Revenue Recognition" and in "Note 2. 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):

Year Ended December 31, 2017	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	\$ 549,077	\$ 226,710	\$ —	\$ 775,787
Cost of revenues	454,911	80,212	—	535,123
Cost of revenues impairment charges	96,865	—	—	96,865
Selling, general and administrative	28,294	67,949	120,027	216,270
Research and development	63,245	17,602	—	80,847
In-process research and development impairment charges	192,809	—	—	192,809
Fixed assets impairment charges	8,380	74,128	—	82,508
Change in fair value of contingent consideration	(31,048)	—	—	(31,048)
Patent litigation	827	4,278	—	5,105
(Loss) before income taxes	(265,206)	(17,459)	(168,296)	(450,961)

Year Ended December 31, 2016	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	\$ 606,320	\$ 218,109	\$ —	\$ 824,429
Cost of revenues	417,316	69,583	—	486,899
Cost of revenues impairment charges	464,319	24,313	—	488,632
Selling, general and administrative	20,508	61,448	119,874	201,830
Research and development	61,980	18,486	—	80,466
In-process research and development impairment charges	27,765	25,200	—	52,965
Patent litigation	829	6,990	—	7,819
(Loss) income before income taxes	(386,397)	12,089	(202,017)	(576,325)

Year Ended December 31, 2015	Impax Generics	Impax Specialty Pharma	Corporate and Other	Total Company
Revenues, net	\$ 710,932	\$ 149,537	\$ —	\$ 860,469
Cost of revenues	442,742	58,020	—	500,762
Cost of revenues impairment charges	7,303	—	—	7,303
Selling, general and administrative	29,641	52,427	119,219	201,287
Research and development	52,478	18,144	—	70,622
In-process research and development impairment charges	6,360	—	—	6,360
Patent litigation	2,942	1,625	—	4,567
Income (loss) before income taxes	169,466	19,321	(129,419)	59,368

Significant Products

The Company generally consolidates net revenue by “product family,” meaning that it consolidates net revenue from products containing the same active ingredient(s) irrespective of dosage strength, delivery method or packaging size. The Company’s significant product families, as determined based on net revenue, and their percentage of the Company’s consolidated net revenue for each of the years ended December 31, 2017, 2016 and 2015 are set forth in the tables below (in thousands):

Segment	Product Family	2017	
		\$	%
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	\$ 113,931	15% (1)
Impax Specialty Pharma	Rytary® family	\$ 91,637	12% (2)
Impax Generics	Oxymorphone HCl ER family	\$ 68,587	9% (3)
Impax Generics	Budesonide family	\$ 51,548	7% (4)
Impax Generics	Zomig family	\$ 51,115	7% (5)

Segment	Product Family	2016	
		\$	%
Impax Generics	Epinephrine Auto-Injector family (generic Adrenaclick®)	\$ 91,572	11% (1)
Impax Specialty Pharma	Rytary® family	\$ 73,833	9% (2)
Impax Generics	Oxymorphone HCl ER family	\$ 72,661	9% (3)
Impax Generics	Diclofenac Sodium Gel family (generic Solaraze®)	\$ 69,035	8% (6)
Impax Generics	Fenofibrate family	\$ 64,001	8% (7)

Segment	Product Family	2015	
		\$	%
Impax Generics	Diclofenac Sodium Gel family (generic Solaraze®)	\$ 148,610	17% (6)
Impax Generics	Amphetamine Salts ER (CII) family (generic Adderall®)	\$ 106,252	12% (8)
Impax Generics	Fenofibrate family	\$ 93,458	11% (7)
Impax Generics	Metaxalone family (generic Skelaxin)	\$ 69,876	8% (9)
Impax Generics	Oxymorphone HCl ER family	\$ 59,175	7% (3)

- (1) Epinephrine Auto-Injector (generic Adrenaclick®) product family consists of the injector product in two different strengths and is indicated in the emergency treatment of allergic reactions (Type 1) including anaphylaxis.
- (2) Rytary® product family consists of the capsules product in four different strengths and is indicated for the treatment of Parkinson’s disease, post-encephalitic parkinsonism, and parkinsonism that may follow carbon monoxide intoxication or manganese intoxication.
- (3) Oxymorphone Hydrochloride Extended Release product family consists of the oxymorphone hydrochloride extended release tablet formulation of the product in seven different strengths and is indicated for the management of pain severe enough to require daily, around-the-clock, long-term opioid treatment and for which alternative treatment options are inadequate.
- (4) Budesonide Inhalation Suspension (generic Pulmicort Respules®) product family consists of two products strengths and is indicated for the maintenance treatment of asthma.
- (5) Zomig® product family consists of products in tablet, orally disintegrating tablet, and nasal spray dosage forms in six different strengths and is indicated for the acute treatment of migraine with or without aura in adults and pediatric patients 12 years of age or older.

- (6) Diclofenac Sodium Gel (generic Solaraze®) product family consists of one product strength and is indicated for the topical treatment of actinic keratosis.
- (7) Fenofibrate product family consists of products in both capsule and tablet dosage forms in seven different strengths and is indicated as adjunctive therapy to diet to reduce elevated LDL-C, Total-C, Triglycerides and Apo B, and to increase HDL-C in adult patients with primary hypercholesterolemia or mixed dyslipidemia (Fredrickson Types IIa and IIb); and also indicated as adjunctive therapy to diet for treatment of adult patients with hypertriglyceridemia (Fredrickson Types IV and V hyperlipidemia).
- (8) Amphetamine Salts extended release capsules, CII (generic Adderall XR®) product family consists of the capsules product in six different strengths and is indicated for the treatment of attention deficit hyperactivity disorder.
- (9) Metaxalone (generic Skelaxin®) product family consists of the tablet product in two different strengths and is indicated as an adjunct to rest, physical therapy, and other measures for the relief of discomforts associated with acute, painful musculoskeletal conditions.

Foreign Operations

The Company's wholly-owned subsidiary, Impax Laboratories (Taiwan), Inc., constructed a manufacturing facility in Taiwan which was utilized for manufacturing, warehouse, and administrative functions, as well as some limited research and development activities. On the Company's consolidated balance sheet as of December 31, 2017, Impax Laboratories (Taiwan), Inc. represented \$22.9 million of net carrying value of assets, which are included in assets and liabilities held for sale. See "Note 15. Restructurings" for additional information related to the sale of the Taiwan operations in the first quarter of 2018.

21. SUPPLEMENTARY FINANCIAL INFORMATION (Unaudited)

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

(in thousands, except share and per share amounts)	2017 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue:				
Impax Generics sales, gross	\$ 635,897	\$ 663,167	\$ 622,252	\$ 584,374
Less:				
Chargebacks	298,744	286,092	281,835	302,394
Rebates	164,792	170,398	162,914	144,344
Product returns	9,733	15,210	7,003	4,657
Other credits	28,481	40,578	19,402	20,036
Impax Generics sales, net	134,147	150,889	151,098	112,943
Impax Specialty Pharma sales, gross				
	84,133	84,238	107,407	111,918
Less:				
Chargebacks	9,828	8,967	14,121	10,058
Rebates	4,483	4,682	5,914	6,198
Product returns	1,844	1,416	3,614	4,234
Other credits	17,722	17,980	28,464	21,461
Impax Specialty Pharma revenues, net	50,256	51,193	55,294	69,967
Total revenues				
	184,403	202,082	206,392	182,910
Gross profit				
	24,891	72,406	34,033	12,469
Net loss				
	\$ (98,431)	\$ (20,417)	\$ (49,369)	\$ (301,070)
Net loss per common share:				
Basic	\$ (1.37)	\$ (0.28)	\$ (0.69)	\$ (4.18)
Diluted	\$ (1.37)	\$ (0.28)	\$ (0.69)	\$ (4.18)
Weighted-average common shares outstanding:				
Basic	71,594,472	71,803,920	71,924,592	72,098,533
Diluted	71,594,472	71,803,920	71,924,592	72,098,533

Quarterly computations of net loss per share amounts are made independently for each quarterly reporting period, and the sum of the per share amounts for the quarterly reporting periods may not equal the per share amounts for the year-to-date reporting period.

(in thousands, except share and per share amounts)	2016 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenue:				
Impax Generics sales, gross	\$ 614,176	\$ 532,968	\$ 658,099	\$ 690,674
Less:				
Chargebacks	217,354	197,864	252,303	308,253
Rebates	185,476	178,097	183,347	211,359
Product returns	11,913	10,237	16,151	7,920
Other credits	29,354	25,075	30,978	23,916
Impax Generics revenues, net	170,079	121,695	175,320	139,226
Impax Specialty Pharma sales, gross	82,073	81,254	77,841	108,121
Less:				
Chargebacks	6,111	8,826	5,439	15,253
Rebates	2,853	2,430	3,556	3,016
Product returns	1,508	1,279	574	2,802
Other credits	16,172	17,824	15,683	27,854
Impax Specialty Pharma revenues, net	55,429	50,895	52,589	59,196
Total revenues	225,508	172,590	227,909	198,422
Gross profit (loss)	102,590	72,984	(165,426)	(161,250)
Net loss	\$ (10,408)	\$ (2,701)	\$ (179,337)	\$ (279,585)
Net loss per common share:				
Basic	\$ (0.15)	\$ (0.04)	\$ (2.51)	\$ (3.91)
Diluted	\$ (0.15)	\$ (0.04)	\$ (2.51)	\$ (3.91)
Weighted-average common shares outstanding:				
Basic	70,665,394	71,100,123	71,331,247	71,487,071
Diluted	70,665,394	71,100,123	71,331,247	71,487,071

Quarterly computations of net loss per share amounts are made independently for each quarterly reporting period, and the sum of the per share amounts for the quarterly reporting periods may not equal the per share amounts for the year-to-date reporting period.

SCHEDULE II, VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Charge to Costs and Expenses	Charge to Other Accounts	Deductions	Balance at End of Period
<u>For the Year Ended December 31, 2015:</u>					
Reserve for bad debts	\$ 515	5,122	9,550 *	—	\$ 15,187
<u>For the Year Ended December 31, 2016:</u>					
Reserve for bad debts	\$ 15,187	41,213	—	(1,664)	\$ 54,736
<u>For the Year Ended December 31, 2017:</u>					
Reserve for bad debts	\$ 54,736	3,804	—	(9,117)	\$ 49,423

* Represents reserve for bad debts acquired.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

IMPAX LABORATORIES, INC.

By: /s/ Paul M. Bisaro

Name: Paul M. Bisaro

Title: President and
Chief Executive Officer

Date: March 1, 2018

Each person whose signature appears below constitutes and appoints each of Paul M. Bisaro and Bryan M. Reasons, acting alone or together with another attorney-in-fact, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities, to sign any or all further amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul M. Bisaro</u> Paul M. Bisaro	President, Chief Executive Officer (Principal Executive Officer) and Director	March 1, 2018
<u>/s/ Bryan M. Reasons</u> Bryan M. Reasons	Senior Vice President, Finance and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 1, 2018
<u>/s/ Robert L. Burr</u> Robert L. Burr	Chairman of the Board	March 1, 2018
<u>/s/ Leslie Z. Benet, Ph.D.</u> Leslie Z. Benet, Ph.D.	Director	March 1, 2018
<u>/s/ J. Kevin Buchi</u> J. Kevin Buchi	Director	March 1, 2018
<u>/s/ Allen Chao, Ph.D.</u> Allen Chao, Ph.D.	Director	March 1, 2018
<u>/s/ Mary K. Pendergast</u> Mary K. Pendergast	Director	March 1, 2018
<u>/s/ Peter R. Terreri</u> Peter R. Terreri	Director	March 1, 2018
<u>/s/ Janet S. Vergis</u> Janet S. Vergis	Director	March 1, 2018

EXHIBIT INDEX

Exhibit No.	Description of Document	
2.1.1	Business Combination Agreement, dated as of October 17, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation, and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 17, 2017).†	Incorporated by Reference
2.1.2	Amendment No. 1 to the Business Combination Agreement, dated as of November 21, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on November 21, 2017).	Incorporated by Reference
2.1.3	Amendment No. 2 to the Business Combination Agreement, dated as of December 16, 2017, by and among the Company, Atlas Holdings, Inc., K2 Merger Sub Corporation and Amneal Pharmaceuticals LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 20, 2017).	Incorporated by Reference
2.2	Stock Purchase Agreement, dated as of October 8, 2014, by and among the Company, Tower Holdings, Inc. ("Tower"), Lineage Therapeutics Inc. ("Lineage"), Roundtable Healthcare Partners II, L.P., Roundtable Healthcare Investors II, L.P., the other stockholders of Tower and Lineage, the holders of options to purchase shares of Tower common stock and options to purchase shares of Lineage common stock, the holders of warrants to acquire shares of Tower common stock and warrants to acquire shares of Lineage common stock and, solely with respect to Section 8.3, Roundtable Healthcare Management II, LLC. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 10, 2014).†	Incorporated by Reference
3.1.1	Restated Certificate of Incorporation of the Company dated as of August 30, 2004 (incorporated by reference to Exhibit 3.1 to Amendment No. 5 to the Company's Registration Statement on Form 10 filed on December 23, 2008).	Incorporated by Reference
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 Company's Current Report on Form 8-K filed on December 9, 2015).	Incorporated by Reference
3.1.3	Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of Delaware on January 21, 2009 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on January 22, 2009).	Incorporated by Reference
3.2.1	Amended and Restated Bylaws of the Company, effective as of May 14, 2014.	Filed Herewith
3.2.2	Amendment No. 1 to Amended and Restated Bylaws of the Company, effective as of March 24, 2015.	Filed Herewith
3.2.3	Amendment No. 2 to Amended and Restated Bylaws of the Company, effective as of July 7, 2015.	Filed Herewith
3.2.4	Amendment No. 3 to Amended and Restated Bylaws of the Company, effective as of October 7, 2015.	Filed Herewith
3.2.5	Amendment No. 4 to Amended and Restated Bylaws of the Company, effective as of May 17, 2016.	Filed Herewith
3.2.6	Amendment No. 5 to Amended and Restated Bylaws of the Company, effective as of August 19, 2016.	Filed Herewith
3.2.7	Amendment No. 6 to Amended and Restated Bylaws of the Company, effective as of November 23, 2016.	Filed Herewith
3.2.8	Amendment No. 7 to Amended and Restated Bylaws of the Company, effective as of December 19, 2016.	Filed Herewith
3.2.9	Amendment No. 8 to Amended and Restated Bylaws of the Company, effective as of March 24, 2017.	Filed Herewith
3.2.10	Amendment No. 9 to Amended and Restated Bylaws of the Company, effective as of November 10, 2017.	Filed Herewith

4.1	Specimen of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 10 filed on October 10, 2008).	Incorporated by Reference
4.2	Preferred Stock Rights Agreement, dated as of January 20, 2009, by and between the Company and StockTrans, Inc., as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 22, 2009).	Incorporated by Reference
4.3.1	Indenture, dated as of June 30, 2015, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
4.3.2	Supplemental Indenture, dated as of November 6, 2017, between the Company and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 7, 2017).	Incorporated by Reference
10.1	Letter Agreement, dated as of June 25, 2015, between RBC Capital Markets LLC and the Company regarding the Base Warrants (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.2	Letter Agreement, dated as of June 25, 2015, between RBC Capital Markets LLC and the Company regarding the Base Call Option Transaction (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.3	Letter Agreement, dated as of June 26, 2015, between RBC Capital Markets LLC and the Company regarding the Additional Warrants (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.4	Letter Agreement, dated as of June 26, 2015, between RBC Capital Markets LLC and the Company regarding the Additional Call Option Transaction (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on June 30, 2015).	Incorporated by Reference
10.5.1	Credit Agreement, dated as of August 4, 2015, by and among the Company, the lenders party thereto from time to time and Royal Bank of Canada, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 5, 2015).	Incorporated by Reference
10.5.2	Restatement Agreement, dated as of August 3, 2016, by and among the Company, the guarantors party thereto, Royal Bank of Canada, as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).	Incorporated by Reference
10.5.3	Amendment No. 1, dated as of March 27, 2017, to the Credit Agreement, dated as of August 4, 2015, as amended and restated as of August 3, 2016, among the Company, as borrower, Royal Bank of Canada, as administrative agent and collateral agent, the lenders party thereto and the other agents and parties thereto (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).	Incorporated by Reference
10.6.1	Distribution, License, Development and Supply Agreement, dated as of January 31, 2012, between the Company and AstraZeneca UK Limited (incorporated by reference to Exhibit 10.1 to Amendment No. 1 to the Company's Current Report on Form 8-K filed on April 2, 2012)**.	Incorporated by Reference
10.6.2	First Amendment, dated as of May 31, 2016, to the Distribution, License, Development and Supply Agreement by and between AstraZeneca UK Limited and the Company dated as of January 31, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).**	Incorporated by Reference
10.7	Stock and Asset Purchase Agreement, dated as of December 19, 2017, by and between the Company and Bora Pharmaceuticals Co., Ltd. †	Filed Herewith
10.8	Master Supply Agreement, dated as of December 19, 2017, between the Company, Bora Pharmaceuticals Co., Ltd. and Impax Laboratories (Taiwan), Inc.***	Filed Herewith
10.9.1	Asset Purchase Agreement, dated as of June 20, 2016, between Teva Pharmaceutical Industries Ltd. and the Company (incorporated by reference to Exhibit 10.2.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).†**	Incorporated by Reference

10.9.2	Amendment No. 1, dated as of June 30, 2016, to the Asset Purchase Agreement between Teva Pharmaceutical Industries Ltd. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.2.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).	Incorporated by Reference
10.10.1	Asset Purchase Agreement, dated as of June 20, 2016, by and among 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., Watson Laboratories, Inc. and the Company (incorporated by reference to Exhibit 10.3.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).†**	Incorporated by Reference
10.10.2	Amendment No. 1, dated as of June 30, 2016, to the Asset Purchase Agreement by and among 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., Watson Laboratories, Inc. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).**	Incorporated by Reference
10.11.1	Supply Agreement, dated as of June 20, 2016, between Teva Pharmaceutical Industries Ltd. and the Company (incorporated by reference to Exhibit 10.4.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.11.2	Amendment No. 1, dated as of June 30, 2016, to the Supply Agreement between Teva Pharmaceutical Industries Ltd. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.4.2 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.12.1	Supply Agreement, dated as of June 20, 2016, by and among 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., Watson Laboratories, Inc. and the Company (incorporated by reference to Exhibit 10.5.1 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.12.2	Amendment No. 1, dated as of June 30, 2016, to the Supply Agreement by and among 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., Watson Laboratories, Inc. and the Company dated as of June 20, 2016 (incorporated by reference to Exhibit 10.5.2 to Amendment No. 1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on January 6, 2017).**	Incorporated by Reference
10.13.1	Impax Laboratories, Inc. 1999 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 12, 2009).*	Incorporated by Reference
10.13.2	Form of Stock Option Grant under the Impax Laboratories, Inc. 1999 Equity Incentive Plan (incorporated by reference to Exhibit 10.4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 12, 2009).*	Incorporated by Reference
10.14.1	Impax Laboratories, Inc. 2001 Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form 10 filed on October 10, 2008).*	Incorporated by Reference
10.14.2	Impax Laboratories, Inc. Amended and Restated Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.13 to the Company's Registration Statement on Form S-8 filed on August 29, 2017).*	Incorporated by Reference
10.15.1	Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A filed on April 5, 2017).*	Incorporated by Reference
10.15.2	Form of Stock Option Agreement under the Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on August 9, 2017).*	Incorporated by Reference

10.15.3	Form of Restricted Stock (Stock Bonus) Award Agreement under the Impax Laboratories, Inc. Fourth Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on August 9, 2017).*	Incorporated by Reference
10.16.1	Impax Laboratories, Inc. Executive Non-Qualified Deferred Compensation Plan, amended and restated effective January 1, 2008 (incorporated by reference to Exhibit 10.1.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 6, 2010).*	Incorporated by Reference
10.16.2	Amendment to Impax Laboratories, Inc. Executive Non-Qualified Deferred Compensation Plan, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.1.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 6, 2010).*	Incorporated by Reference
10.17	Employment Agreement, dated as of March 24, 2017, between the Company and Paul M. Bisaro (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).*	Incorporated by Reference
10.18	Stock Option Agreement with Paul M. Bisaro (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on May 10, 2017).*	Incorporated by Reference
10.19	Employment Agreement, dated as of December 16, 2017, by and among Amneal Pharmaceuticals LLC, Atlas Holdings, Inc., a wholly owned subsidiary of the Company, and Robert A. Stewart (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 20, 2017).*	Incorporated by Reference
10.20	Memorandum of Understanding, dated as of December 16, 2017, by and among Amneal Pharmaceuticals LLC, Paul M. Bisaro, the Company and Atlas Holdings, Inc., a wholly owned subsidiary of the Company (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 20, 2017).*	Incorporated by Reference
10.21	Letter Agreement, dated as of December 19, 2016, between the Company and J. Kevin Buchi (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 1, 2017).*	Incorporated by Reference
10.22.1	Employment Agreement, dated as of April 21, 2014, by and between the Company and G. Frederick Wilkinson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 24, 2014).*	Incorporated by Reference
10.22.2	General Release and Waiver, dated as of December 19, 2016, by and between the Company and G. Frederick Wilkinson (incorporated by reference to Exhibit 10.20.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 1, 2017).*	Incorporated by Reference
10.23.1	Employment Agreement, dated as of January 1, 2010, between the Company and Michael J. Nestor (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on January 14, 2010).*	Incorporated by Reference
10.23.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of January 1, 2014, between the Company and Michael Nestor (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.23.3	Separation Agreement, dated as of January 8, 2018, between the Company and Michael J. Nestor (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 9, 2018).*	Incorporated by Reference
10.24	Employment Agreement, dated as of July 14, 2016, between the Company and Douglas S. Boothe (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed on August 9, 2016).*	Incorporated by Reference
10.25.1	Offer of Employment Letter, dated as of March 17, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.13.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 28, 2012).*	Incorporated by Reference
10.25.2	Employment Agreement, dated as of May 2, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.13.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed on February 28, 2012).*	Incorporated by Reference

10.25.3	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of May 2, 2011, between the Company and Mark A. Schlossberg (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.26.1	Employment Agreement, dated as of December 12, 2012, between the Company and Bryan M. Reasons (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 13, 2012).*	Incorporated by Reference
10.26.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of December 12, 2012 between the Company and Bryan M. Reasons (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2014).*	Incorporated by Reference
10.27.1	Employment Agreement, dated as of November 28, 2011, by and between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
10.27.2	Amendment, dated as of April 1, 2014, to the Employment Agreement, dated as of November 28, 2011, by and between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
10.27.3	Letter Agreement, dated as of April 1, 2014, between the Company and Jeffrey Nornhold (incorporated by reference to Exhibit 10.6.3 of the Company's Quarterly Report on Form 10-Q to the quarter ended June 30, 2014 filed on August 6, 2014).*	Incorporated by Reference
11.1	Statement re computation of per share earnings (incorporated by reference to Note 12 to the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K).	
21.1	Subsidiaries of the registrant.	Filed Herewith
23.1	Consent of Independent Registered Public Accounting Firm.	Filed Herewith
24.1	Powers of Attorney (included on the signature page of this Annual Report on Form 10-K)	
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed Herewith
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.	Filed Herewith
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.	Filed Herewith
101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and 2016, (ii) Consolidated Statements of Operations for each of the three years in the period ended December 31, 2017, (iii) Consolidated Statements of Comprehensive (Loss) Income for each of the three years in the period ended December 31, 2017, (iv) Consolidated Statements of Changes in Stockholders' Equity for each of the three years in the period ended December 31, 2017, (v) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2017 and (vi) Notes to Consolidated Financial Statements for each of the three years in the period ended December 31, 2017.	
*	Management contract, compensatory plan or arrangement.	
**	Confidential treatment granted for certain portions of this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which portions are omitted and filed separately with the SEC.	
***	Confidential treatment requested for certain portions of the exhibit pursuant to Rule 24b-2 under the Exchange Act, which portions are omitted and filed separately with the SEC.	
†	Schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any omitted schedule to the SEC upon request.	

**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 (120th) calendar day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90th) 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.

(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 (120th) calendar day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90th) 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 (10th) 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 (120th) calendar day prior to the date of such special meeting and not later than the close of business on the later of the ninetieth (90th) calendar day prior to the date of such special meeting or, if the first public 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 (10th) 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, "cause" 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 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 “ servicing 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. 9 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. 9 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective November 10, 2017.

/s/ Mark A. Schlossberg

Name: Mark A. Schlossberg

Title: Senior VP, General Counsel and Corporate Secretary

**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 is 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

**AMENDMENT NO. 6 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. 6 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective November 23, 2016.

/s/ Mark A. Schlossberg

Name: Mark A. Schlossberg

Title: Senior VP, General Counsel and Corporate Secretary

**AMENDMENT NO. 7 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. 7 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective December 19, 2016.

/s/ Mark A. Schlossberg

Name: Mark A. Schlossberg

Title: Senior VP, General Counsel and Corporate Secretary

**AMENDMENT NO. 8 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. 8 to the Bylaws was adopted by the Board of Directors of Impax Laboratories, Inc., effective March 24, 2017.

/s/ Mark A. Schlossberg

Name: Mark A. Schlossberg

Title: Senior VP, General Counsel and Corporate Secretary

STOCK AND ASSET PURCHASE AGREEMENT

by and among

IMPAX LABORATORIES, INC.

and

BORA PHARMACEUTICALS CO., LTD.

Dated as of December 19, 2017

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STOCK AND ASSET PURCHASE AGREEMENT

THIS STOCK AND ASSET PURCHASE AGREEMENT (including the exhibits hereto, each as amended or restated from time to time, this “**Agreement**”), dated as of December 19, 2017 (the “**Execution Date**”), is made by and among Bora Pharmaceuticals Co., Ltd., a corporation organized under the Laws of the Republic of China (“**Buyer**”), and Impax Laboratories, Inc., a Delaware corporation (the “**Seller**”). All of the signatories to this Agreement are collectively referred to as the “**Parties**”, and each of them individually is referred to as a “**Party**”.

RECITALS

WHEREAS, as of the date hereof, the Seller owns all of the issued share capital of Impax Laboratories (Taiwan), Inc., a company organized under the Laws of the Republic of China (the “**Company**”), which consists of 125,000,000 common shares, having a par value of NT\$10.00 per share, of the Company (collectively, the “**Shares**”);

WHEREAS, as of the date hereof, the Seller owns all right, title and interest in, to and under, the Transferred Loans (as defined herein);

WHEREAS, the Seller desires to sell to Buyer, and Buyer desires to purchase from the Seller, the Shares and the Transferred Loans, in each case subject to the terms and conditions set forth in this Agreement;

WHEREAS, concurrently with the execution of this Agreement, the Parties (or one or more of their Affiliates) are entering into (i) a Master Supply Agreement (the “**MSA**”), pursuant to which the Company shall manufacture and supply the Products (as such term is defined in the MSA) to the Seller and (ii) a License Agreement (the “**License Agreement**”), pursuant to which the Seller shall grant to Buyer the exclusive right to commercialize the Numient® pharmaceutical product in the Republic of China, provided that each of the MSA and the License Agreement shall be effective as of the Closing; and

WHEREAS, Buyer and the Seller desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the Parties agree as follows:

ARTICLE I

DEFINED TERMS

1.1 Interpretation; Construction.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to an Exhibit, Article or Section, such reference shall be to an Exhibit, Article or Section to this Agreement unless otherwise indicated. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(b) The Parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement.

1.2 Certain Definitions. As used in this Agreement, the following terms have the meanings set forth below:

“**Accountant**” has the meaning set forth in **Section 2.4(b)(ii)** .

“**Accrued Bonuses**” has the meaning set forth in **Section 7.5(a)** .

“**Acquisition**” means the purchase and sale of the Shares in accordance with this Agreement.

“**Affiliate**” means, with respect to an entity, any other entity controlling, controlled by or under common control with, such entity. The term “control”, including the correlative terms “controlling,” “controlled by” and “under common control with”, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by contract or otherwise.

“**Affiliate Contract**” has the meaning set forth in **Section 5.18(b)** .

“**Agreed Principles**” has the meaning set forth in **Section 2.4(a)(i)** .

“**Agreement**” has the meaning set forth in the Preamble.

“**Ancillary Agreements**” means the Assignment and Assumption Agreement, the Bill of Sale, the MSA, the License Agreement, the Transition Services Agreement, the Quality Agreement and the Pharmacovigilance Agreement.

“**Anti-Trust Clearance Certificate**” means the certificate issued by each of the Seller and Buyer, dated as of the date hereof, with respect to the Company’s or Buyer’s, as the case may be, good faith estimate of its market share and revenue data in the Republic of China.

“**Assignment and Assumption Agreement**” means the assignment and assumption agreement between the Seller and Buyer, attached as **Exhibit A** .

“**Assumed Liabilities**” has the meaning set forth in **Section 2.2** .

“ **Bankruptcy and Equity Exception** ” has the meaning set forth in **Section 4.2** .

“ **Benefit Plans** ” has the meaning set forth in **Section 5.6(a)** .

“ **Bill of Sale** ” means the bill of sale between the Seller and Buyer, attached as **Exhibit B** .

“ **Business Day** ” means any day except Saturday, Sunday or any other day on which commercial banks located in New York, California, Hong Kong or the Republic of China are authorized or required by Law to be closed for business.

“ **Buyer** ” has the meaning set forth in the Preamble.

“ **Buyer Indemnified Parties** ” has the meaning set forth in **Section 10.2(a)** .

“ **Buyer Shareholder Approval** ” means the approval of this Agreement and the transactions contemplated hereunder by the holders of a majority of the outstanding shares of Buyer entitled to vote on such matter at a shareholders’ meeting duly called and held for such purpose.

“ **Buyer Shareholder Meeting** ” means a duly called meeting of the holders of the shares of Buyer who are entitled to vote on this Agreement and the transactions contemplated hereunder.

“ **Business IT** ” means all Information Technology which is owned by the Company.

“ **Cause** ” means the occurrence of any one of the following events:

(i) any act or omission by an employee resulting or intended to result in personal gain at the expense of the Company (or its Affiliates);

(ii) the improper disclosure by an employee of proprietary, privileged or confidential information of the Company (or its Affiliates) that the Company (or its Affiliates or an employee are under a duty to protect or an employee’s breach of a fiduciary duty owed to the Company (or its Affiliates);

(iii) the violation by an employee of any agreement to which such employee is party with the Company (or its Affiliates) including, without limitation, any confidentiality agreement or nondisclosure agreement;

(iv) misconduct by an employee, including, but not limited to, unethical conduct, fraud, falsification of the Company’s records, intentional violation of or negligent disregard for the policies, rules and procedures of the Company (including but not limited to policies, rules of and procedures set forth in the Company’s employee handbook or the Company code of conduct), insubordination, theft, violent acts or threats of violence, failure of a drug

screening, or the use of the property, facilities or services of the Company (or its Affiliates) for illegal purposes; or

(v) the commission of any criminal act by an employees, whether or not performed in the workplace, that subjects, or if generally known would subject, the Company (or an Affiliate) to public ridicule or embarrassment.

“ **Claim Notice** ” has the meaning set forth in **Section 10.4(a)** .

“ **Closing** ” has the meaning set forth in **Section 3.1** .

“ **Closing Date** ” has the meaning set forth in **Section 3.1** .

“ **Closing Date Payment** ” means an amount equal to the Purchase Price *minus* the Holdback Amount *plus* the Estimated Buyer Working Capital Payment (if any) *minus* the Estimated Seller Working Capital Payment (if any).

“ **Company** ” has the meaning set forth in the Preamble.

“ **Company Approval** ” means (x) the Foreign Investment Approval of the sale and purchase of the Shares from the Science and Industry Park Administration and (y) the cancellation of the Foreign Investment Approval in respect of the loan described in clause (ii) of the definition of “Transferred Loans”.

“ **Confidential Information** ” has the meaning set forth in **Section 7.6** .

“ **Confidentiality Agreement** ” has the meaning set forth in **Section 11.7** .

“ **Contract** ” means any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other binding understanding, in each case other than any Benefit Plan.

“ **Current Assets** ” means, as of the Closing, the aggregate amount of the current assets of the Company included in the line items set forth on **Exhibit F** , as determined in accordance with the Agreed Principles; provided that Work-in-Process (as such term is defined in the MSA) shall be included as part of the calculation of Current Assets in an amount up to and not exceeding \$250,000.00 in the aggregate.

“ **Current Liabilities** ” means, as of the Closing, the aggregate amount of the current liabilities of the Company included in the line items set forth on **Exhibit F** , as determined in accordance with the Agreed Principles.

“ **Data Room** ” means the virtual data room maintained by ShareVault® containing documents and information relating to the Seller and the Company and made available in electronic form to Buyer, its Affiliates and their respective Representatives.

“ **Direct Claim** ” has the meaning set forth in **Section 10.5(c)** .

Exhibit H .

“ **Disclosure Letter** ” means the disclosure letter delivered by the Company and the Seller, attached hereto as

“ **EAS** ” means the Enterprise Accounting Standard in the Republic of China.

“ **Environmental Law** ” means any Law concerning the protection of the environment or the handling, use, disposal or release of any Hazardous Substance.

“ **Estimated Closing Date Balance Sheet** ” has the meaning set forth in **Section 2.4(a)(i)** .

“ **Estimated Buyer Working Capital Payment** ” has the meaning set forth in **Section 2.4(a)(ii)** .

“ **Estimated Seller Working Capital Payment** ” has the meaning set forth in **Section 2.4(a)(ii)** .

“ **Estimated Net Working Capital** ” has the meaning set forth in **Section 2.4(a)(i)** .

“ **Execution Date** ” has the meaning set forth in the Preamble.

“ **FDA** ” means the United States Food and Drug Administration.

“ **Final Closing Date Balance Sheet** ” has the meaning set forth in **Section 2.4(b)(i)** .

“ **Final Determination** ” or “ **Finally Determined** ” has the meaning set forth in **Section 10.6(b)** .

“ **Final Net Working Capital** ” has the meaning set forth in **Section 2.4(b)(i)** .

“ **Financial Statements** ” has the meaning set forth in **Section 5.4(a)** .

“ **Financing** ” has the meaning set forth in **Section 7.11(a)** .

“ **Financing Agreements** ” means the facility agreement by and between the Buyer and Chang Hwa Commercial Bank in connection with a commercial loan in the principal amount of NT\$580,000,000.

“ **Financing Commitment** ” has the meaning set forth in **Section 7.11(a)** .

“ **Financing Source** ” has the meaning set forth in **Section 7.11(a)** .

“ **Fraud** ” means a knowingly and willfully false (a) representation of a fact, matter or circumstance; or (b) act or omission, in each case with the intent to deceive the other party to its detriment, or induce the other party to act or refrain from acting to its detriment in a manner that would be different than how the other party would act or refrain from acting if such party were aware of such fact, matter or circumstance.

“ **Governmental Entity** ” means any domestic or foreign governmental or regulatory authority (including the TFDA, FDA and MHRA), securities exchange (including the Taipei Exchange where the Buyer is listed), agency, commission, body, court or other legislative, executive or judicial governmental entity.

“ **Hazardous Substance** ” means any substance that is listed, classified or regulated as a hazardous substance, a hazardous waste or pollutant pursuant to any Environmental Law.

“ **Holdback Amount** ” means \$2,000,000.00.

“ **Indemnified Party** ” has the meaning set forth in **Section 10.3(a)** .

“ **Indemnifying Party** ” has the meaning set forth in **Section 10.4(a)** .

“ **Indemnity Cap** ” has the meaning set forth in **Section 10.2(b)(i)** .

“ **Information** ” has the meaning set forth in the License Agreement.

“ **Information Technology** ” means computer systems, communication systems and software.

“ **Insurance Policies** ” has the meaning set forth in **Section 5.14** .

“ **Intellectual Property** ” means (i) trademarks, service marks, trade dress and trade names, registrations and applications for registration of the foregoing, and the goodwill associated therewith and symbolized thereby (“ **Trademarks** ”), (ii) patents and patent applications, (iii) trade secrets, as such term is defined in the Uniform Trade Secrets Act, published in 1979 and amended in 1985 and (iv) copyrights (including copyrights in computer software and Internet websites) and registrations and applications for registration of the foregoing.

“ **Inter-Company Payables** ” means the aggregate of the amounts owing, including in respect of interest accrued on all such amounts, from the Company to the Seller or its Affiliates (other than the Company).

“ **Inventory** ” means Raw Materials (as such term is defined in the MSA), Intermediate Product (as such term is defined in the MSA), Finished Product (as such term is defined in the MSA), Bulk Product (as such term is defined in the MSA), Components (as such term is defined in the MSA), Labeling (as such term is defined in the MSA), Containers (as such term is defined in the MSA) and other supplies related thereto, in each case, related to the business of the Company, while and to the extent under the ownership of the Company.

“ **Key Executives** ” has the meaning set forth in **Section 5.6(e)** .

“ **Knowledge** ”, as to the Seller, means the actual knowledge of Tom Chang and Ingrid Li. “Knowledge” does not require the Seller to conduct, have conducted, obtain or have

obtained any non-infringement, inventorship, invalidity, freedom-to-operate or any other opinions of counsel of any nature, formal or informal, or any searches regarding Intellectual Property, including any subject matter, ownership, competitive intelligence or other searches, and no knowledge of any third-party Intellectual Property rights that would have been revealed by such inquiries, opinions or searches will be imputed to the Seller.

“ **Law** ” or “ **Laws** ” has the meaning set forth in **Section 5.7** .

“ **Legal Proceedings** ” means any judicial, administrative or arbitral actions, suits, proceedings (public, private, civil or criminal), complaints, disputes, investigations or similar actions.

“ **License Agreement** ” has the meaning set forth in the Recitals.

“ **Lien** ” means any lien, charge, pledge, security interest, claim or other encumbrance.

“ **Losses** ” means, subject to **Section 10.5** , any and all damages, losses, charges, liabilities (excluding contingent liabilities), claims, fines, deficiencies, obligations, payments (including those arising out of any settlement, judgment or compromise relating to any Legal Proceeding), and reasonable and documented costs and expenses (including interest and penalties due and payable with respect thereto and reasonable and documented attorneys’ and accountants’ fees and any other reasonable and documented out-of-pocket expenses incurred in investigating, preparing, defending, avoiding or settling any Legal Proceeding), in each case that are due and payable.

“ **Material Adverse Effect** ” means any change, event, effect, development or circumstance that, individually or in the aggregate, would: (I) prevent, materially delay or materially impair the consummation of the Acquisition or (II) have a material adverse effect on the financial condition, assets, liabilities, or business of the Company, taken as a whole; provided, however, that in the case of clause (II), none of the following, in and of itself or themselves, shall constitute a Material Adverse Effect:

- (i) changes in the economy or financial markets generally in the Republic of China, the United States or other countries in which the Company conducts its business;
- (ii) general economic or political conditions;
- (iii) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof;
- (iv) changes that are the result of factors generally affecting the industry in which the Company operates;
- (v) any natural or man-made disaster or act of God;

(vi) the announcement, pendency or completion of the transactions contemplated by this Agreement or any Ancillary Agreement, including any loss of, or adverse change in, the relationship of the Company with its customers, employees or suppliers;

(vii) changes in EAS or in any Law or the enforcement, implementation or interpretation thereof;

(viii) any failure by the Company to meet any estimates of revenues or earnings;

(ix) any action or inaction by the Company taken or omitted to be taken with the consent of Buyer; and

(x) compliance by the Seller or the Company with the terms of, or the taking of any action required or permitted by, this Agreement or any Ancillary Agreement.

“ **Material Contract** ” has the meaning set forth in **Section 5.8** .

“ **MHRA** ” means the Medicines and Healthcare products Regulatory Agency in the United Kingdom.

“ **Minimum Claim Amount** ” has the meaning set forth in **Section 10.2(b)(ii)** .

“ **Most Recent Balance Sheet** ” means the Company’s audited balance sheet as of December 31, 2016.

“ **MSA** ” has the meaning set forth in the Recitals.

“ **Net Working Capital** ” means an amount equal to, as of the Closing, (A) Current Assets, *minus* (B) Current Liabilities, in each case determined in accordance with the Agreed Principles. An illustrative example of Net Working Capital is attached hereto as **Exhibit F** .

“ **Net Working Capital Threshold** ” means \$0.00.

“ **Notice Period** ” has the meaning set forth in **Section 10.4(a)** .

“ **Order** ” has the meaning set forth in **Section 8.1(a)** .

“ **Organizational Documents** ” means the Company’s articles of incorporation, as amended to the Execution Date.

“ **Party** ” or “ **Parties** ” has the meaning set forth in the Preamble.

“ **Permits** ” has the meaning set forth in **Section 5.7** .

“ **Permitted Liens** ” means (i) Liens reflected or reserved against or otherwise disclosed in the Most Recent Balance Sheet, (ii) mechanics’, materialmen’s, warehousemen’s, carriers’, workers’, or repairmen’s liens or other similar common law or statutory Liens arising or incurred in the ordinary course of business consistent with past practice, (iii) liens for Taxes, assessments and other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, (iv) with respect to real property, (A) easements, quasi-easements, licenses, covenants, rights-of-way, rights of re-entry or other similar restrictions, including any other agreements, conditions or restrictions that would be shown by a current title report or other similar report or listing, (B) any conditions that may be shown by a current survey or physical inspection and (C) zoning, building, subdivision or other similar requirements or restrictions, (v) licenses, covenants and similar rights with respect to Intellectual Property, (vi) Liens incurred in the ordinary course of business consistent with past practice since the date of the Most Recent Balance Sheet, (vii) Liens that have been Previously Disclosed and (viii) Liens that would not have a Material Adverse Effect.

“ **Person** ” means any natural person, corporation, company, partnership (general or limited), limited liability company, trust or other entity.

“ **Pharmacovigilance Agreement** ” has the meaning set forth in the MSA.

“ **Previously Disclosed** ” means, as applicable, information contained in this Agreement or any Ancillary Agreement and (i) all information contained in the Data Room; (ii) all information contained in the public filings of the Seller; (iii) all information contained in any diligence report prepared by Buyer, any of its Affiliates or any of their respective Representatives; (iv) all information disclosed in the Disclosure Letter; (v) all information disclosed in good faith to Buyer, any of its Affiliates or any of their respective Representatives in diligence sessions or management discussions; (vi) all information contained in the company registry of the Company and has been disclosed publicly; or (vii) any other information and records of or relating to the Company which are publicly disclosed.

“ **Purchase Price** ” has the meaning set forth in **Section 2.1** .

“ **Quality Agreement** ” has the meaning set forth in the MSA.

“ **Release Date** ” has the meaning set forth in **Section 2.5(b)** .

“ **Representatives** ” means employees, directors, officers, financial advisors, legal advisors, accountants and other advisors or representatives.

“ **Resolutions** ” has the meaning set forth in **Section 7.11(c)** .

“ **Retention Plan** ” means the retention or transaction bonus plans or arrangements established by the Seller and/or the Company for the retention of any employees prior to the Closing of this Agreement and for which execution of this Agreement or the consummation of the Acquisition would accelerate the timing of payment or vesting or result in any payment of

compensation or benefits, increase the amount payable or result in any other material obligation, as set forth in Section 5.6(d) of the Disclosure Letter.

“ **Seller** ” has the meaning set forth in the Preamble.

“ **Seller Fundamental Representations** ” has the meaning set forth in **Section 10.1** .

“ **Seller Indemnified Parties** ” has the meaning set forth in **Section 10.3(a)** .

“ **Seller Mark** ” has the meaning set forth in **Section 7.8(a)** .

“ **Shared Agreements** ” means agreements between the Seller or any of its Affiliates (other than the Company) on the one hand, and one or more third parties, on the other hand, pursuant to which the Company has any direct or indirect economic, commercial or other benefits, rights or liabilities.

“ **Shares** ” has the meaning set forth in the Recitals.

“ **Straddle Periods** ” has the meaning set forth in **Section 7.7(a)** .

“ **Subsidiary** ” means, with respect to any Person, any other Person of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions is directly or indirectly owned or controlled by such Person and/or by one or more of its Subsidiaries.

“ **Tax** ” (including, with correlative meaning, the term “ **Taxes** ”) means all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value-added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions.

“ **Tax Claim** ” has the meaning set forth in **Section 7.7(f)** .

“ **Tax Return** ” means all returns and reports (including elections, declarations, disclosures, schedules, estimates and information returns) required to be supplied to a Taxing Authority relating to Taxes.

“ **Taxing Authority** ” means any federal, regional, state, provincial or local judicial, legislative or administrative body or other Governmental Entity with competent jurisdiction to impose Tax.

“ **Termination Date** ” has the meaning set forth in **Section 9.1(b)** .

“ **TFDA** ” means the Taiwan Food and Drug Administration.

“ **Third Party Claim** ” has the meaning set forth in **Section 10.4(a)** .

“ **Trademarks** ” has the meaning set forth in clause (i) of the definition of “ **Intellectual Property** ”.

“ **Transferred Loans** ” means (i) the Term Loan Agreement, by and between the Seller and the Company, dated as of September 30, 2011; (ii) the Term Loan Agreement, by and between the Seller and the Company, dated as of November 16, 2011; and (iii) the Term Loan Agreement, by and between the Seller and the Company, dated as of December 14, 2011.

“ **Transfer Taxes** ” has the meaning set forth in **Section 7.7(e)** .

“ **Transition Services Agreement** ” means that certain Transition Services Agreement in the form attached hereto as **Exhibit E** , to be executed contemporaneously with the Closing by the Seller, the Company and Buyer.

“ **Unreleased Amount** ” has the meaning set forth in **Section 2.5(b)** .

“ **Working Capital Difference** ” has the meaning set forth in **Section 2.4(b)(iii)** .

“ **YB Mark** ” means the registered trademark set forth in item 1 of Section 5.13(a) of the Disclosure Letter.

1.3 **Other Definitional Provisions** . Unless the express context otherwise requires:

- (a) the words “hereof”, “herein”, and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement;
- (b) the terms defined in the singular have a comparable meaning when used in the plural, and vice versa;
- (c) the terms “Dollars” and “\$” mean United States Dollars, and the term “NT\$” means New Taiwan dollars;
- (d) references herein to a specific Article, Section, subsection shall refer, respectively, to Articles, Sections or subsections of this Agreement;
- (e) wherever the word “include,” “includes,” or “including” is used in this Agreement, it shall be deemed to be followed by the words “without limitation”;
- (f) references herein to any gender includes each other gender; and
- (g) the term “days” shall refer to calendar days.

ARTICLE II

PURCHASE AND SALE

2.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, and in reliance on the representations, warranties and covenants contained herein, at the Closing, the Seller agrees to sell, assign, convey, transfer and deliver to Buyer, and Buyer agrees to purchase and accept from the Seller, (a) the Shares and (b) all of the Seller's right, title, interest in, to and under the Transferred Loans, in each case as of the Closing, for (i) an aggregate purchase price of \$18,500,000 in cash (the "**Purchase Price**") and (ii) the assumption by Buyer of the Assumed Liabilities. For the avoidance of doubt, the Parties acknowledge and agree that (x) the Purchase Price reflects a reduction of \$500,000.00 to account for severance related payments and liabilities and (y) such payments and liabilities, notwithstanding anything to the contrary herein, shall be the sole responsibility of Buyer after the Closing (other than, for the avoidance of doubt, in respect of Buyer's right to indemnification by the Seller in accordance with the terms of **Article X**).

2.2 Transferred Loans. Upon the terms and subject to the conditions of this Agreement, Buyer shall assume, effective as of the Closing, and shall pay, perform and discharge when due, any and all obligations, liabilities and commitments of the Seller of any nature, whether known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, absolute, accrued, contingent or otherwise and whether due or to become due, in each case to the extent arising out of and relating to the Transferred Loans, on and after the Closing (collectively, the "**Assumed Liabilities**").

2.3 Purchase Price Allocation. The Purchase Price (including the Assumed Liabilities) shall be allocated among (i) the Shares and (ii) the Transferred Loans, as set forth on **Exhibit G**. In the event an adjustment to the Purchase Price is made pursuant to **Section 2.4** or otherwise under this Agreement, the allocation of the Purchase Price (including Assumed Liabilities) shall be revised to allocate such adjustment to the Shares, or the Transferred Loans, as the case may be, based upon the item to which such adjustment is attributable.

2.4 Purchase Price and Payment at the Closing.

(a) Estimated Net Working Capital Procedures.

(i) No later than five (5) Business Days prior to the Closing Date, the Seller shall prepare and deliver, or cause to be prepared and delivered, to Buyer an estimated balance sheet of the Company as of the Closing Date, which balance sheet will be prepared in accordance with EAS, applied consistent with the Company's past accounting methods, policies, practices and procedures and in the same manner, with consistent classification and estimation methodology, as the Most Recent Balance Sheet was prepared (the "**Agreed Principles**"). The balance sheet prepared in accordance with the foregoing is referred to as the "**Estimated Closing Date Balance Sheet**." The Seller shall also prepare and deliver, or cause to be prepared and delivered, to Buyer a worksheet showing the

difference, if any, between the Net Working Capital shown on the Estimated Closing Date Balance Sheet (the “**Estimated Net Working Capital**”) and the Net Working Capital Threshold.

(ii) The amount, if any, by which the Estimated Net Working Capital exceeds the Net Working Capital Threshold is referred to herein as the “**Estimated Buyer Working Capital Payment**”. The amount, if any, by which the Net Working Capital Threshold exceeds the Estimated Net Working Capital is referred to herein as the “**Estimated Seller Working Capital Payment**”.

(b) Final Net Working Capital Adjustment Procedures.

(i) Buyer shall prepare and deliver, or cause to be prepared and delivered, no later than sixty (60) days after the Closing Date, a balance sheet of the Company as of the Closing Date, which balance sheet will be prepared in the same manner as the Estimated Closing Date Balance Sheet (the “**Final Closing Date Balance Sheet**”), together with a worksheet showing the difference, if any, between the Net Working Capital shown on the Final Closing Date Balance Sheet (the “**Final Net Working Capital**”) and the Estimated Net Working Capital; provided that Buyer shall be entitled to take into account in its preparation of the Final Closing Balance Sheet any Inventory that has expired or is missing based on any stock counts performed in good faith by Buyer. From and after delivery of the Final Closing Date Balance Sheet, Buyer shall provide the Seller and its authorized representatives with reasonable access during normal business hours to the facilities, books and records, personnel and accountants of the Company.

(ii) For thirty (30) days following its receipt of the Final Closing Date Balance Sheet, the Seller shall have the right to object thereto. Any such objection made by the Seller shall be accompanied by materials showing in reasonable detail the Seller’s support for its position. The Seller shall be deemed to have waived any rights to object to the Final Closing Date Balance Sheet unless the Seller furnishes its written objections, together with supporting materials, to Buyer within such thirty (30) day period. Buyer and the Seller shall meet to resolve any differences in their respective positions with respect to the Final Closing Date Balance Sheet. If Buyer and the Seller are unable to agree on the Final Closing Date Balance Sheet within thirty (30) days of Buyer’s receipt of the Seller’s written objections, then PricewaterhouseCoopers (or such other independent accounting firm of recognized international standing as may be mutually selected by Buyer and the Seller) shall resolve any remaining disagreements. If neither PricewaterhouseCoopers nor any such mutually selected accounting firm is willing and able to serve in such capacity, then each of the Seller and the Buyer shall select an accounting firm of recognized national standing in the United States and such two accounting firms shall mutually agree and select the third accounting firm of recognized international standing (such firm as is ultimately selected pursuant to the aforementioned procedures being the

“ **Accountant** ”). The Seller and Buyer shall execute any agreement reasonably required by the Accountant for its engagement hereunder. The Accountant shall be charged with determining as promptly as practicable, but in any event within thirty (30) days after the date on which such dispute is referred to the Accountant, whether Final Net Working Capital and the Final Closing Date Balance Sheet were prepared in accordance with this Agreement and (only with respect to the disagreements as to the items set forth in the notice of disagreement and submitted to the Accountant and any other items affected by the resolution of those disputed items) whether and to what extent, if any, Final Net Working Capital and the Final Closing Date Balance Sheet require adjustment. The Accountant shall allocate its costs and expenses between Buyer and the Seller based upon the percentage of the contested amount submitted to the Accountant that is ultimately awarded to Buyer on the one hand or the Seller on the other hand, such that Buyer bears a percentage of such costs and expenses equal to the percentage of the contested amount awarded to the Seller and the Seller bears a percentage of such costs and expenses equal to the percentage of the contested amount awarded to Buyer. If there is no timely objection as provided above, the Final Closing Date Balance Sheet as determined by Buyer shall be binding and final for purposes of this Agreement. If there is a timely objection as provided above, the determination of the Accountant, acting as an expert and not an arbitrator, shall be binding and final for purposes of this Agreement.

(iii) The difference between the Final Net Working Capital and the Estimated Net Working Capital shall be referred to as the “ **Working Capital Difference** ”. Within five (5) Business Days following the final determination of the Final Closing Date Balance Sheet as set forth in this **Section 2.4(b)(iii)** , Buyer shall pay to the Seller an amount equal to the Working Capital Difference, if the Working Capital Difference is a positive number, and the Seller shall pay an amount to Buyer equal to the Working Capital Difference, if the Working Capital Difference is a negative number. Such amounts shall be paid, in immediately available funds, pursuant to the instructions previously delivered by Buyer or the Seller, as applicable. Any payment made pursuant to this **Section 2.4(b)(iii)** shall, for tax purposes, be deemed to be an adjustment to the consideration payable to the Seller. The Seller and Buyer understand that the original currency of the Working Capital Difference is in NT\$ and have agreed that such amount shall be paid in United States dollars using the agreed foreign exchange rate of 0.03333 United States dollars per NT\$ 1.00.

2.5 Holdback.

(a) The Holdback Amount shall be available to satisfy any indemnity claims made by, and Finally Determined in favor of, the Buyer Indemnified Parties prior to the Release Date pursuant to **Article X** .

(b) On the date that is fifteen months after the Closing Date (the “**Release Date**”), Buyer shall release the then remaining Holdback Amount, if any, to the Seller in immediately available funds to an account designated by the Seller; provided, that, to the extent there are any pending and unresolved claims for indemnification under **Article X** for which written notice has been timely provided to the Seller in accordance with **Section 10.5(i)** and Buyer has filed a claim with the appropriate court in accordance with **Section 11.4(b)** in respect of such claim, a portion of the Holdback Amount in an amount equal to such pending and unresolved claims, which amount shall be estimated and determined in good faith by Buyer (such amount, the “**Unreleased Amount**”), shall be retained by Buyer in accordance with this Agreement until a Final Determination of the amount of Loss relating to such claims. If any such pending and unresolved claim is resolved in favor of the Seller, then Buyer shall pay to the Seller, as hereinabove provided, an amount equal to the Unreleased Amount plus the interest accrued on such Unreleased Amount from and including the Release Date to and including the date such payment has been made at a rate per annum equal to ten percent (10%). Such interest shall be calculated daily on the basis of a 365 day year and the actual number of days elapsed. In the event that Buyer and the Seller have agreed in writing that (i) a specified amount shall be retained by Buyer in connection with a pending and unresolved claim and (ii) the Seller waives the requirement in this **Section 2.5(b)** that Buyer is obligated to file a claim with the appropriate court in accordance with **Section 11.4(b)** in respect of such claim, then such retained amount shall not be subject to the aforementioned interest payment.

(c) If Buyer fails to release the remaining Holdback Amount on the Release Date (other than pursuant to a claim in accordance with the procedures set forth in **Section 2.5(b)**), then notwithstanding anything to the contrary in the MSA, the Seller shall have the right to terminate the MSA in Contract Years 2 and/or 3 without the payment of any termination fee (including the termination fee set forth in Section 11.4(b) or 11.4(c) of the MSA), and such termination shall be effective immediately upon the date of such termination notice.

ARTICLE III

CLOSING

3.1 Time and Place of Closing. Subject to the terms and conditions of this Agreement, the closing of the transactions contemplated by this agreement (the “**Closing**”) will take place at 10:00 a.m., Hong Kong time, at the offices of Baker & McKenzie, 15/F, 168 Dunhua North Road, Taipei, Republic of China, on the fifth Business Day following the satisfaction or waiver of the last condition in **Article VIII** to be satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions) or at such other time and place as Buyer and the Seller mutually agree (the “**Closing Date**”).

3.2 Deliveries at Closing.

(a) By the Seller. Subject to the terms and conditions of this Agreement, at the Closing, the Seller shall deliver (or cause to be delivered):

- (i) the stock certificates representing ownership of the Shares, duly endorsed in blank by the record holder thereof or accompanied by duly executed stock power endorsed in blank by the record holder thereof (which stock certificates shall be duly certified by the Financing Sources as of the Closing Date);
- (ii) the certificate, signed by the Seller, required by **Sections 8.1(b), 8.1(c) and 8.1(d)** ;
- (iii) the Assignment and Assumption Agreement, dated as of the Closing Date, duly executed by the Seller;
- (iv) the Bill of Sale, dated as of the Closing Date, duly executed by the Seller;
- (v) the Quality Agreement, dated as of the Closing Date, duly executed by the Seller and the Company;
- (vi) the Pharmacovigilance Agreement, dated as of the Closing Date, duly executed by the Seller and the Company;
- (vii) the Transition Services Agreement, dated as of the Closing Date, duly executed by the Seller and the Company;
- (viii) the Company Approval in connection with the Seller's sale of the Shares;
- (ix) the title deed of the Company's factory located at No. 1, Kedong 3rd Road, Jhunan Science Park, Jhunan, Miaoli County, 35053, Taiwan; and
- (x) such other customary documents and instruments reasonably necessary to consummate the transactions contemplated by this Agreement upon the terms and conditions set forth herein.

(b) By Buyer. Subject to the terms and conditions of this Agreement, at the Closing, Buyer shall deliver:

- (i) the Closing Date Payment, by wire transfer of immediately available funds, to an account specified by the Seller to Buyer in writing no later than two (2) Business Days prior to the Closing Date;
- (ii) the certificate, signed by an authorized officer of Buyer, required by **Sections 8.2(b) and 8.2(c)** ;
- (iii) the Assignment and Assumption Agreement, dated as of the Closing Date, duly executed by Buyer;

- (iv) the Bill of Sale, dated as of the Closing Date, duly executed by Buyer;
- (v) the Quality Agreement, dated as of the Closing Date, duly executed by Buyer;
- (vi) the Pharmacovigilance Agreement, dated as of the Closing Date, duly executed by Buyer;
- (vii) the Transition Services Agreement, dated as of the Closing Date, duly executed by Buyer;
- (viii) the Company Approval in connection with Buyer's acquisition of the Shares; and
- (ix) such other customary documents and instruments reasonably necessary to consummate the transactions contemplated by this Agreement upon the terms and conditions set forth herein.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES RELATING TO THE SELLER

Except as Previously Disclosed, the Seller hereby represents and warrants to Buyer, as of the date hereof and as of the Closing (except to the extent any such representation or warranty relates to a specific date, in which case the Seller hereby makes to Buyer such representation or warranty only as of such date), as follows:

4.1 Ownership.

(a) The Seller is the sole record and beneficial owner of the Shares. The Seller has good title to the Shares, free and clear of all Liens (other than any transfer restrictions imposed by applicable securities Laws).

(b) The Seller has good and valid title to the Transferred Loans, free and clear of all Liens (other than Permitted Liens).

4.2 Authority; Approval. This Agreement has been duly executed and delivered by the Seller and constitutes a valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles (the "**Bankruptcy and Equity Exception**").

4.3 No Violations. Other than the Company Approval, the execution, delivery and performance of this Agreement by the Seller does not, and the consummation of the Acquisition will not, constitute or result in, conflict with, breach or violate any Law, Order or

Permit to which the Seller is a party or by which it or its properties or assets is subject or bound, except for any such breach, violation or default which would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of the Seller to consummate the Acquisition.

4.4 Transferred Loans. Section 4.4 of the Disclosure Letter sets forth the amounts outstanding under the Transferred Loans as of the Execution Date.

ARTICLE V

REPRESENTATIONS AND WARRANTIES RELATING TO THE COMPANY

Except (x) as Previously Disclosed or (y) arising from or relating to the taking of any action required or permitted by this Agreement or any Ancillary Agreement, the Seller, on behalf of the Company, hereby represents and warrants to Buyer, as of the date hereof and as of the Closing (except to the extent any such representation or warranty relates to a specific date, in which case the Seller hereby makes to Buyer such representation or warranty only as of such date), as follows:

5.1 Organization, Good Standing and Qualification. The Company (a) is a corporation duly organized, validly existing and in good standing under the Laws of the Republic of China, (b) has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (c) is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except in the case of clause (b) or (c) where the failure to be so qualified or in good standing, or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or prevent, materially delay or materially impair the consummation of the Acquisition.

5.2 Capital Structure.

(a) The authorized capital stock of the Company consists of 125,000,000 shares of common stock, par value NT\$10.00, of which all such shares are issued and outstanding. The Shares constitute the only issued and outstanding shares of capital stock of the Company, have been duly authorized and are validly issued, fully paid and nonassessable. There are no issued and outstanding securities which are convertible into, or exercisable or exchangeable for, any capital stock or other equity securities of the Company.

(b) The Company has no Subsidiaries and does not own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, association or other entity.

5.3 Governmental Filings; No Violations.

(a) Other than the Company Approval, no notices, reports or other filings are required to be made by the Company with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company from, any Governmental Entity in connection with the consummation of the Acquisition, except those that the failure to make or obtain would not reasonably be expected to have a Material Adverse Effect.

(b) The consummation of the Acquisition will not (i) violate the Organizational Documents of the Company, (ii) subject to obtaining the Company Approval, conflict with, breach or violate any Law, Order or Permit to which the Company is a party or by which it or its properties or assets are subject or bound, (iii) conflict with, result in the breach or violation of, constitute a default under, or result in the termination, amendment, cancellation, suspension or acceleration of any rights, obligations or penalties under, or result in a loss of any benefit under, any Material Contract or (iv) result in the creation or imposition of any Liens other than (x) Liens created by or resulting from the actions of Buyer or any of its respective Affiliates or (y) in connection with the transactions contemplated by this Agreement or any Ancillary Agreement, except in the case of the foregoing clause (ii), (iii) or (iv) for such conflicts, breaches, violations, defaults, terminations, amendments, cancellations, suspensions, accelerations or Liens that would not reasonably be expected to have or result in a Material Adverse Effect.

5.4 Financial Statements.

(a) Set forth in the Data Room are the following financial statements (collectively, the “**Financial Statements**”): (i) the Most Recent Balance Sheet; and (ii) the related audited statements of comprehensive income, statements of changes in equity and statements of cash flows.

(b) Each of the Financial Statements (including the related notes and schedules thereto) fairly presents in all material respects the financial position of the Company as of its date and the balance sheets and statements of income (loss) included in the Financial Statements (including any related notes and schedules thereto) fairly present in all material respects the financial condition or results of operations, as the case may be, of the Company for the dates or time periods set forth therein, in each case in accordance the Agreed Principles, except as may be noted therein.

5.5 Litigation and Liabilities. Since December 31, 2016, there have been no, and as of the Execution Date there are no, Legal Proceedings pending or, to the Seller’s Knowledge, threatened, against the Company that have had or if determined adversely to the Company would reasonably be expected to have a Material Adverse Effect.

5.6 Employee Benefits.

(a) The Data Room contains a list of all material incentive, profit-sharing, stock option, stock purchase, other equity-based, employment, consulting, compensation, vacation or other leave, change in control, retention, supplemental retirement, severance, health, medical, disability, life insurance, deferred compensation and other employee compensation and

benefit plans, programs and agreements, in each case established or maintained by the Company or to which the Company contributes or is obligated to contribute or in respect of which the Company bears any liability, for the benefit of any of their employees or other service providers (collectively, the “**Benefit Plans**”). With respect to each Benefit Plan, the Company has made available to Buyer, to the extent applicable, accurate and complete copies of (1) the Benefit Plan document, including any amendments thereto, and (2) a written description of such Benefit Plan if such plan is not set forth in a written document.

(b) Except as would not reasonably be expected to have a Material Adverse Effect, (i) each Benefit Plan has been operated and administered in compliance with its terms and with applicable Law, (ii) there are no pending claims (other than routine claims for benefits) or proceedings by a Governmental Entity by, on behalf of or against any Benefit Plan and (iii) all Benefit Plans that are intended to be funded and/or book-reserved are funded and/or book-reserve, as appropriate, based upon reasonable actuarial assumptions.

(c) The Company does not have any obligations for retiree welfare benefits other than coverage mandated by applicable Law.

(d) Section 5.6(d) of the Disclosure Letter lists the retention payment and compensation under the Retention Plan for the employees listed therein. Other than as set forth in Section 5.6(d) of the Disclosure Letter, there is no other Retention Plan that would result in any liability to the Company and/or the Buyer after the Closing. Neither the execution of this Agreement nor the consummation of the Acquisition will, either alone or together with any other event, (i) entitle any employees of the Company to severance pay or any increase in severance pay (other than severance pay required by any applicable Law), (ii) accelerate the time of payment or vesting or result in any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Benefit Plans, or (iii) limit or restrict the right of the Company or, after the consummation of the Acquisition, Buyer, to merge, amend or terminate any of the Benefit Plans.

(e) (i) As of the Execution Date, to the Seller’s Knowledge, no Key Executive of the Company has given, or been given, notice of termination, resigned or been terminated. (ii) “**Key Executives**” means the employees set forth on Section 5.6(f)(ii) of the Disclosure Letter.

(f) The Company is in compliance in all material respects with all applicable employment and social security Laws, including, without limitation and in all material respects, with respect to withholding and paying in full to the appropriate Governmental Entity all amounts required by applicable Laws to be withheld with respect to any of its employees and/or to be paid in full by the Company, including the withholding and payment of all individual income Taxes, health insurance premiums, labor insurance premiums and contributions to pension fund required by applicable Laws.

5.7 Compliance with Laws; Permits. The Company is not currently being, and since December 31, 2016, has not been, conducted in violation of any federal, state, local or foreign law, statute or ordinance, common law, or any rule, regulation, standard, judgment, order,

writ, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, “**Laws**”), except for violations that would not reasonably be expected to have a Material Adverse Effect. Except with respect to regulatory matters covered by **Section 7.2(a)**, no investigation or review by any Governmental Entity with respect to the Company is pending or, to the Seller’s Knowledge, threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for such investigations or reviews the outcome of which would not reasonably be expected to have a Material Adverse Effect. The Company has obtained and is in compliance with all permits, licenses, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Governmental Entity necessary to conduct its business as presently conducted (“**Permits**”), except those the absence of which would not reasonably be expected to have a Material Adverse Effect. The Company has filed all reports, notifications and filings with, and has paid all regulatory fees to, the applicable Governmental Entity necessary to maintain all of its Permits in full force and effect, except in each case for any Permits the failure of which to be in full force and effect has not had and would not reasonably be expected to have a Material Adverse Effect.

5.8 Material Contracts.

(a) The Data Room contains each of the following Contracts to which the Company is a party or by which the Company or any of its assets is bound as of the Execution Date (other than the Organizational Documents, Benefit Plans and agreements related to labor matters, Affiliate Contracts, Shared Agreements and agreements related to the Transferred Loans) (each, a “**Material Contract**”):

- (i) any Contract pursuant to which the Company currently leases or subleases real property to or from any Person;
- (ii) any Contract that cannot be terminated without a monetary penalty on less than ninety (90) days’ notice and involves future payments, performance or services or delivery of goods or materials to or by the Company of any amount or value reasonably expected to exceed \$1,000,000.00 in any future twelve (12) month period;
- (iii) any Contract providing for material indemnification by the Company of any Person, except for Contracts entered into in the ordinary course of business consistent with past practice;
- (iv) any Contract pursuant to which the Company receives or is obligated to pay annual fees, royalties or other amounts exceeding \$500,000.00 on an annual basis in exchange for granting or receiving rights with respect to Intellectual Property; and
- (v) any Contract that limits the freedom of the Company to compete in any line of business or within any geographic area.

(b) Each of the Material Contracts is valid and binding on the Company and, to the Seller's Knowledge, each other party thereto, and is in full force and effect, except for such failures to be valid and binding or to be in full force and effect as would not reasonably be expected to have a Material Adverse Effect. To the Seller's Knowledge, there is no default under any such Contract by the Company and no event has occurred that would constitute a default thereunder by the Company, in each case except as would not reasonably be expected to have a Material Adverse Effect.

5.9 Leased Real Property. The Company does not own any real property, other than the facility located in the Hsinchu Science Park. With respect to the real property leased or subleased to the Company, the lease or sublease for such property is valid, legally binding, enforceable and in full force and effect, and the Company is not in breach of or default under such lease or sublease, and no event has occurred which would constitute a breach or default by any of the Company or permit termination, modification or acceleration by any third party thereunder, except in each case, for such invalidity, failure to be binding, unenforceability, ineffectiveness, breaches, defaults, terminations, modifications or accelerations that would not reasonably be expected to have a Material Adverse Effect.

5.10 Environmental Matters. (a) Except for such matters that would not reasonably be expected to have a Material Adverse Effect, (i) the Company is in compliance with all applicable Environmental Laws, (ii) to the Seller's Knowledge, the Company possesses all permits, licenses, registrations, identification numbers, authorizations and approvals required under applicable Environmental Laws for the operation of the business as presently conducted, (iii) to the Seller's Knowledge, the Company has not received any written claim, notice of violation or citation concerning any violation or alleged violation of any applicable Environmental Law during the past three (3) years except for matters that have been resolved and are no longer outstanding, and (iv) to the Seller's Knowledge, there are no writs, injunctions, decrees, orders or judgments outstanding, or any actions, suits or proceeding pending or threatened concerning compliance by the Company with any Environmental Law except for matters that have been resolved.

(b) Notwithstanding any other representation and warranty in this **Article V**, the representations and warranties contained in this **Section 5.10** constitute the sole representations and warranties relating to the Company with respect to any Environmental Law.

5.11 Taxes.

(a) Other than in respect of any matters relating to the Tax periods for which the statute of limitations for an audit by a Taxing Authority has expired, the Company (i) has prepared in good faith and duly and timely filed (taking into account any extension of time within which to file) all material Tax Returns required to be filed by it and all such filed Tax Returns are complete and accurate in all material respects, (ii) has paid all material Taxes that are shown as due on such filed Tax Returns and withheld all material Taxes that it is obligated to withhold from amounts owing to any employee, the Company's Affiliates, creditor or third party, except in each case with respect to matters contested in good faith and (iii) has not waived any

statute of limitations with respect to material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.

(b) As of the Execution Date, there are no pending audits, examinations, investigations or other proceedings against the Company by a Taxing Authority in respect of material Taxes or Tax matters. As of the Execution Date, the Company has not received any written notice of any Taxing Authority's intent to conduct any investigation, visit, enquiry or audit, which remains unsolved.

(c) The Company has, within applicable time limits, kept and maintained records, invoices and other information in relation to Tax in accordance with applicable Law, which records, invoices and other information are complete and accurate in all material respects. Such records, invoices and information form part of Tax accounting arrangements that enable the Company's liabilities of Tax to be calculated in accordance with applicable Laws in all material respects.

(d) Other than Tax in respect of normal trading income or receipts of the Company arising from transactions entered into by it in the ordinary course of its business, the Company has not been involved in any transaction which has given or reasonably may be expected to give rise to a liability to Tax (or would have given or might give rise to such a liability but for the availability of any relief, loss, allowance, credit, set off, deduction or exemption for any Tax purpose), in each case except as would not reasonably be expected to have a Material Adverse Effect.

(e) There are no mortgage, charge, lien, pledge or other encumbrances with respect to any Tax upon any material tangible personal property and other material tangible assets of the Company reflected in the Financial Statements, other than Permitted Liens.

(f) As of the Execution Date, the Company is not a party to any scheme, transaction or arrangement where the main purpose of which, or one of the main purposes of which, is securing, obtaining or achieving a material Tax advantage (including the production of a Tax loss with no corresponding commercial loss) or the avoidance of material Tax and is reportable to the relevant Taxing Authority.

(g) Notwithstanding anything to the contrary in this Agreement (including, without limitation, **Section 10.1**), the Seller shall not be obligated to indemnify any Buyer Indemnified Party in respect of any matters relating to the Tax periods for which the statute of limitations for an audit by a Taxing Authority has expired.

5.12 Labor Matters. The Company is not a party to or otherwise bound by any collective bargaining agreement or other Contract with a labor union or labor organization, nor the subject of any material proceeding that asserts that the Company has committed an unfair labor practice or that seeks to compel it to bargain with any labor union or labor organization, nor is there pending or to the Seller's Knowledge, threatened, any labor strike, dispute, walk-out, work stoppage, slow-down or lockout involving the Company, in each case, except as would not be reasonably likely to have a Material Adverse Effect.

5.13 Intellectual Property.

(a) Details of all registered Intellectual Property (and application of such Intellectual Property) owned by the Company are set out in Section 5.13(a) of the Disclosure Letter, all of which are owned exclusively by the Company free and clear of any Liens other than Permitted Liens.

(b) The Company has neither granted any licenses nor entered into any other agreements in respect of any registered Intellectual Property owned by the Company, other than any such licenses which would not materially affect the continued use by the Company of such registered Intellectual Property.

(c) To the Seller's Knowledge and except as would not be reasonably likely to have a Material Adverse Effect, the operation of the business of the Company, as currently conducted, does not infringe or misappropriate the Intellectual Property of any third party, no Person has asserted in a writing received by the Company that the Company has infringed or misappropriated the Intellectual Property of any third party and no third party has infringed or misappropriated any Intellectual Property owned by the Company. Notwithstanding any other representation and warranty in this **Article V**, the representations and warranties contained in **Section 5.8(a)(iv)** and in this **Section 5.13** constitute the sole representations and warranties with respect to Intellectual Property.

5.14 Insurance. All material insurance policies maintained by the Company or by the Seller on behalf of the Company ("**Insurance Policies**") provide full and adequate coverage for all normal risks incident to the business of the Company and its properties and assets, and are in character and amount at least equivalent to that carried by Persons engaged in similar businesses and subject to the same or similar perils or hazards, except for any such failures to maintain insurance policies that would not reasonably be expected to have a Material Adverse Effect. Each Insurance Policy is in full force and effect and all premiums due with respect to all Insurance Policies have been paid, with such exceptions that would not reasonably be expected to have a Material Adverse Effect.

5.15 Brokers and Finders. Neither the Company nor any of its directors, officers or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Acquisition.

5.16 Assets.

(a) The Company has good and valid title to all material tangible personal property and other material tangible assets reflected in the Financial Statements other than properties and assets (x) depleted, sold, or otherwise disposed of in the ordinary course of business consistent with past practice or (y) that are leased or licensed assets. This **Section 5.16(a)** does not relate to real property or interest in real property, Inventory, Intellectual Property, Contracts, Permits, Insurance Policies, Business IT or the Transferred Loans.

(b) All material plant, machinery, vehicles and other items of tangible personal property of the Company are, to the Seller's Knowledge, in reasonable repair and condition and capable of being used in connection with the Company's business as it is being currently conducted.

(c) The properties, rights and other assets owned by, leased or licensed to or otherwise held for use by the Company, when utilized by a labor force substantially similar to the employees of the Company as of the Closing, when taken together with the Ancillary Agreements (including any Intellectual Property licensed to the Company pursuant to the Ancillary Agreements), are sufficient properties, rights and other assets to carry on the Company's business immediately after the Closing in the same manner as it is currently being conducted, except for (x) the benefits and services provided to the Company as set forth in **Section 7.9** hereof, (y) third party shrink wrap or similar software that is generally commercially available and (z) Inventory.

5.17 Information Technology.

(a) Except as would not be reasonably likely to have a Material Adverse Effect, the Business IT (i) is virus-free, bug-free and (ii) is in good working order, functions in accordance with all applicable specifications in all material respects and has been regularly and properly maintained and supported.

(b) Except as would not be reasonably likely to have a Material Adverse Effect, commercially reasonable disaster recovery plans are in place that are intended to ensure that the Business IT and the data stored on it can be replaced or substituted without material disruption to the business of the Company in the event of a failure of any part of the Business IT (whether due to natural disaster, power failure or otherwise).

5.18 Certain Business Relationships with Affiliates.

(a) Except for (i) the services and benefits provided to the Company set forth in **Section 7.9** hereof and (ii) any services provided by the Seller or its Affiliates pursuant to any Ancillary Agreement, neither the Seller nor any of its Affiliates (other than the Company) (x) owns any material property or right, tangible or intangible, which is used solely by the Company, (y) has any claim or cause of action against the Company or (z) owes any money to, or is owed any money by, the Company, other than pursuant to commercial relationships or services.

(b) Section 5.18 of the Disclosure Letter sets forth a list of any Contract between the Company, on the one hand, and the Seller or any Affiliate of the Seller (other than the Company), on the other hand (any such Contract, an "**Affiliate Contract**"), which (i) is currently in effect and (ii) is reasonably expected to continue in effect after the Closing.

5.19 Inventory; Bulk.

(a) As of the Closing, the Inventory is of quality usable by Manufacturer (as such term is defined in the MSA) in performance of its obligations under the MSA; provided that

any claims for missing or expired Inventory based on any stock counts performed by Buyer shall be resolved through **Section 2.4** and disregarded for the purposes of this **Section 5.19** and **Section 10.2** .

(b) As of the Closing, Bulk Product (as described in the MSA) (i) has been Processed (as such term is defined in the MSA) in accordance with applicable Laws and in conformance with the specific Product Specifications (to the extent applicable), and shall not be adulterated, misbranded or mislabeled within the meaning of the applicable Laws, (ii) shall be conveyed free and clear of all Liens (other than Permitted Liens) and (iii) has the minimum shelf life provided for in Section 5.5 of the MSA.

5.20 No Other Representations or Warranties . Except for the representations and warranties expressly set forth in **Article IV** or this **Article V** (in each case, as modified by any matters that have been Previously Disclosed), neither the Seller nor any of its directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, makes any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Seller, the Company, the Shares, the Transferred Loans, this Agreement or the transactions contemplated by this Agreement. The representations and warranties made in **Article IV** or this **Article V** (in each case, as modified by any matters that have been Previously Disclosed) with respect to the Seller, the Company, the Shares, the Transferred Loans and the transactions contemplated by this Agreement are in lieu of all statements which may have been made or provided to Buyer, its Affiliates or any of their respective Representatives, including any implied warranties of merchantability and implied warranties of fitness for a particular purpose. Except for the representations and warranties expressly set forth in **Article IV** or this **Article V** (in each case, as modified by any matters that have been Previously Disclosed), (a) the Seller disclaims, on behalf of itself and its Affiliates, any other representations or warranties, whether made by any of the Seller or the Company, any of their respective directors, officers, employees, Affiliates, advisors, agents or representatives or any other Person and (b) the Seller disclaims, on behalf of itself and its Affiliates, all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished (orally or in writing). Neither the Seller nor any of its Affiliates, nor any of their respective directors, officers, employees, Affiliates, advisors, agents or representatives or any other Person, will have or be subject to any liability or indemnification obligation to Buyer or any other Person resulting from the delivery, dissemination or any other distribution to Buyer or any other Person, or the use by Buyer or any other Person, of any such information provided or made available to them, including any information, documents, estimates, projections, forecasts or other forward-looking information, business plans, advice or other material provided or made available to Buyer or any other Person in the Data Room or any other “data room” (electronic or physical), confidential information memoranda or management presentations in anticipation or contemplation of any transaction contemplated by this Agreement unless such information is not prepared, produced, provided, delivered, disseminated or distributed by the Seller, any of its Affiliates, any of their respective directors, officers, employees, Affiliates, advisors, agents or representatives or any other Person in good faith. For the avoidance of doubt, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers, employees, Affiliates, advisors, agents or representatives or

any other Person, has made or is making any representations or warranties to Buyer or any other Person regarding the probable success or profitability of the Company (whether before, on or after the Closing).

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Seller, as of the date hereof, as follows:

6.1 Organization, Good Standing and Qualification. Buyer (a) is a legal entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, (b) has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and (c) is qualified to do business and is in good standing as a foreign corporation or other legal entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except in the case of clause (b) or (c) where the failure to be so qualified or in good standing or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the consummation of the Acquisition.

6.2 Authority; Approval. Except for Buyer Shareholder Approval, (i) Buyer has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement; (ii) The execution, delivery and performance by Buyer of this Agreement and the performance by Buyer of its obligations hereunder have been duly authorized by all necessary corporate action of Buyer, and this Agreement has been duly executed and delivered by Buyer and, assuming the due authorization, execution and delivery of this Agreement by the other parties hereto, constitutes a valid and binding agreement of Buyer enforceable against Buyer in accordance with its terms, subject to the Bankruptcy and Equity Exception.

6.3 Governmental Filings; No Violations.

(a) Except for the Company Approval, no notices, reports or other filings are required to be made by Buyer with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Buyer from, any Governmental Entity in connection with the execution, delivery and performance of this Agreement by Buyer or the consummation of the Acquisition, except those that the failure to make or obtain would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the consummation of the Acquisition.

(b) Except for the Company Approval, the execution, delivery and performance of this Agreement by Buyer does not, and the consummation of the Acquisition will not, (i) violate the organizational documents of Buyer or (ii) conflict with, breach or violate any Law, Order or Permit to which Buyer is a party or by which it or its properties or assets are

subject or bound, except in the case of the foregoing clause (ii) for such conflicts, breaches or violations that would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the ability of Buyer to consummate the Acquisition.

6.4 Litigation. There are no Legal Proceedings pending or, to Buyer's knowledge, threatened against Buyer that seek to enjoin or would reasonably be expected to have the effect of preventing, making illegal, or otherwise interfering with, the consummation of the Acquisition.

6.5 Available Funds. Buyer has available, or as of the Closing will have available, all funds necessary to satisfy all of its obligations under this Agreement.

6.6 Brokers. Neither Buyer nor any of its stockholders, directors, officers or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Acquisition.

6.7 Independent Investigation. Notwithstanding anything contained in this Agreement to the contrary, Buyer acknowledges and agrees that none of the Seller or any of its Affiliates or any of their respective Representatives is making any representations or warranties whatsoever, express or implied, beyond those expressly given by the Seller in **Article IV** and **Article V** (in each case, as modified by any matters that have been Previously Disclosed), and Buyer acknowledges and agrees that, except for the representations and warranties expressly contained therein, the Company and the business are being transferred on a "where is", "as is" basis. Any claims Buyer or any Buyer Indemnified Party may have for breach of representation or warranty shall be based solely on the representations and warranties of the Seller in **Article IV** and **Article V**, in each case as modified by any matters that have been Previously Disclosed). Buyer acknowledges that it has conducted to its satisfaction its own independent investigation of the Company and, in making the determination to proceed with the transactions contemplated by this Agreement, Buyer has relied on the results of its own independent investigation. Neither Buyer nor any of its Affiliates or any of their respective Representatives is aware of any facts, events or circumstances that would cause any of the representations or warranties in **Article IV** or the **Article V** to be untrue or incorrect in any respect.

ARTICLE VII

COVENANTS

7.1 Interim Operations of the Company. From the Execution Date until the Closing, except (x) as otherwise permitted or contemplated by this Agreement, (y) as Buyer may approve in writing (such approval not to be unreasonably withheld or delayed) or (z) as Previously Disclosed, the Seller will cause the Company not to:

- (i) adopt or propose any change in the Organizational Documents;

- (ii) issue, sell, pledge, dispose of, grant, transfer, encumber, dispose of or otherwise distribute or cause to be granted to any Person any shares of common stock or other equity securities of the Company;
- (iii) create, incur, assume or modify any financial indebtedness (other than in respect of Inter-Company Payables);
- (iv) transfer, sell, lease, mortgage, pledge, surrender, encumber, divest, cancel, abandon or allow to lapse or expire or otherwise dispose of any material assets or Permits of the Company, except (A) in connection with services provided in the ordinary course of business consistent with past practice or sales or other dispositions of obsolete assets, (B) pursuant to Contracts in effect prior to the Execution Date, (C) as Previously Disclosed, (D) as permitted or contemplated by this Agreement or any Ancillary Agreement or (E) the Seller shall have the right to purchase from the Company any and all API (as such term is defined in the MSA) and Bulk Product (as such term is defined in the MSA) under the ownership of the Company, in each case at a price not exceeding the book value thereof as of the date on which such API or Bulk Product, as applicable, was purchased by the Company;
- (v) terminate or materially breach the terms of the Contract Manufacturing & Supply Agreement, dated December 9, 2013, by and between the Seller and the Company;
- (vi) except as required by Law or any Benefit Plan in effect as of the Execution Date or involving changes or increases in the ordinary course of business, (A) grant, increase or accelerate the payment of any wages, salaries, bonuses, severance pay or other compensation or benefits payable or potentially available to any employee of the Company or (B) establish, adopt, materially amend or terminate any Benefit Plan;
- (vii) terminate, cancel, fail to renew or reduce the coverage under any material policy of insurance of the Company;
- (viii) terminate the employment of any Key Executive other than for Cause or in accordance with the terms of such Key Executive's employment agreement; or
- (ix) agree, authorize or commit to do any of the foregoing.

7.2 Filings; Other Actions; Notification.

- (a) Each of Buyer and the Seller shall cooperate with each other and use reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, necessary, proper or advisable on its part under this Agreement and applicable Law, to consummate the transactions contemplated by this Agreement as soon as practicable, including

preparing and submitting as promptly as practicable all documentation to effect all necessary notices, reports, submissions and other filings and to obtain as promptly as practicable the Company Approval and any Permits necessary or advisable to be obtained from any third party or any Governmental Entity in order to consummate the transactions contemplated by this Agreement. Subject to (i) applicable Laws relating to the exchange of information and the direction of any Governmental Entity and (ii) matters not related to the business of the Company that the Seller or Buyer reasonably determines should not be disclosed to the other due to confidentiality concerns, Buyer, on the one hand, and the Seller, on the other hand, shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Buyer or the Seller and the Company, as the case may be, and any of their respective Subsidiaries or Affiliates, as applicable, that appears in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the Seller, the Company and Buyer shall act reasonably and as promptly as practicable. Each of Buyer, the Seller and the Company will respond promptly under the circumstances to any requests for additional information by any Governmental Entity in connection with the transactions contemplated by this Agreement.

(b) Subject to (i) applicable Laws relating to the exchange of information and the direction of any Governmental Entity and (ii) matters not related to the business of the Company that the Seller or Buyer reasonably determines should not be disclosed to the other due to confidentiality concerns, the Seller, on the one hand, and Buyer, on the other hand, shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries (where applicable), directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, submission, filing, notice or application made by or on behalf of Buyer, the Seller, the Company or any of their respective Subsidiaries or Affiliates, as applicable, to any third party or any Governmental Entity in connection with the approval of the transactions contemplated by this Agreement.

(c) Subject to applicable Laws relating to the exchange of information and the direction of any Governmental Entity, (i) the Seller, the one hand, and Buyer, on the other hand, shall keep the other apprised of the status of matters relating to completion of the transactions contemplated by this Agreement, including (A) promptly furnishing the other with copies of notices or other communications received by Buyer or the Seller and the Company, as the case may be, from any third party or any Governmental Entity and (B) promptly informing the other of any discussions with any such third party or Governmental Entity, in each case with respect to the transactions contemplated by this Agreement; (ii) the Seller shall give prompt notice to Buyer of any change that could reasonably have or result in a Material Adverse Effect or prevent, materially delay or materially impair the ability of the Seller to consummate the transactions contemplated by this Agreement; (iii) Buyer shall give prompt notice to the Seller of any change that could reasonably prevent, materially delay or materially impair the ability of Buyer to consummate the transactions contemplated by this Agreement; and (iv) neither the Seller, on the one hand, nor Buyer, on the other hand, shall permit any of its officers, directors or any other representatives or agents to participate in any meeting with any Governmental Entity in respect of any filings, investigation or other inquiry relating to the transactions contemplated by this

Agreement, unless it consults with the other Party in advance and gives the other Party the opportunity to attend and participate thereat.

(d) Each of Buyer and the Seller shall not take or permit any of its Subsidiaries (where applicable) to take any actions that would, individually or in the aggregate, reasonably be expected to prevent, materially delay or materially impair the consummation of the transactions contemplated by this Agreement.

7.3 Access and Reports.

(a) Subject to applicable Law, upon reasonable advance written notice, the Seller will cause the Company to afford Buyer's officers and other authorized representatives reasonable access throughout the period prior to the Closing, during normal business hours and in such a manner as to not interfere with the conduct of the Company's business, to its employees, properties, books, contracts and records and, during such period, the Seller will cause the Company to furnish promptly to Buyer all information concerning its business, properties and personnel as may reasonably be requested; provided, that the foregoing shall not require the Company (i) to permit any inspection, or to disclose any information, that in the reasonable judgment of the Company would result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality or if any Law applicable to the Company requires the Company to restrict or prohibit access to such information or (ii) to disclose any privileged information of the Company. All requests for information made pursuant to this **Section 7.3(a)** shall be directed to the Seller. All such information shall be governed by the terms of the Confidentiality Agreement.

(b) Subject to applicable Law, upon reasonable advance written notice, Buyer will cause the Company to afford the Seller's officers and other authorized representatives reasonable access for the period commencing on the Closing and ending on the date that is three (3) years after the Closing Date, during normal business hours and in such a manner as to not interfere with the conduct of the Company's business, to its employees, properties, books, contracts and records and, during such period, Buyer will cause the Company to furnish promptly to the Seller all information concerning its business, properties and personnel as may reasonably be requested. All requests for information made pursuant to this **Section 7.3(b)** shall be directed to Buyer.

7.4 Publicity. The initial press release regarding the transactions contemplated by this Agreement and the Ancillary Agreements shall be a joint press release and thereafter each of the Seller and Buyer shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the transactions contemplated by this Agreement or any Ancillary Agreement and prior to making any filings with any third party and/or any Governmental Entity with respect thereto, except as may be required by Law or by the request of any Governmental Entity.

7.5 Employee Benefits.

(a) The retention payments set forth in the Retention Plan shall be paid by the Company no later than 30 days after the Closing Date. In the event the actual retention payments paid or payable by the Company are more than the amount set forth in the Retention Plan, the Seller shall be liable for the excessive amount (but only to the extent that such excess amounts are required to be paid pursuant to agreements, plans or arrangements established by the Seller and/or the Company prior to the Closing of this Agreement). The accrued annual bonuses under the Company's annual cash bonus incentive plan in respect of the Company's 2017 fiscal year (the "**Accrued Bonuses**") shall be paid by the Company in the ordinary course of business consistent with past practice.

(b) The provisions of this **Section 7.5** are solely for the benefit of the Parties, and nothing in this Agreement, whether express or implied, is intended to, or shall, (i) limit the right of Buyer, the Company or their respective Affiliates to amend, terminate or otherwise modify any Benefit Plan (including any Retention Plan) or other benefit plan, agreement or arrangement following the Closing or (ii) create any third-party beneficiary or other right (x) in any Person, including any current or former employee of the Company or any Affiliate, any participant in any Benefit Plan (including any Retention Plan) or other benefit plan, agreement or arrangement (or any dependent or beneficiary thereof) or (y) to continued employment with Buyer, the Company or any of their respective Affiliates.

7.6 **Confidentiality.** The Seller hereby agrees with Buyer that the Seller will not, and that the Seller will cause its Affiliates (other than the Company) not to, at any time on or after the Closing Date, directly or indirectly, without the prior written consent of Buyer, disclose or use any confidential or proprietary information involving or relating to the Company (collectively, "**Confidential Information**"); provided, however, that the information subject to the foregoing provision of this sentence will not include any information generally available to, or known by, the public (other than as a result of disclosure in violation hereof) or that was independently developed by the Seller without use or reference to Confidential Information or was in their rightful possession before the disclosure of the applicable Confidential Information to them; provided, further, that the provisions of this **Section 7.6** will not prohibit any retention of copies of records or disclosure (a) required by applicable Law or applicable Governmental Entity or (b) made in connection with the enforcement of any right or remedy relating to this Agreement or any Ancillary Agreement; provided, further, that "Confidential Information" shall not include any Information that is owned or controlled by or otherwise in the possession of the Seller or the Company prior to the Closing, and such Information shall be deemed to be, and shall be treated for all purposes under this Agreement as, Information of the Seller regardless of whether such Information is, after the Closing, in the possession of Buyer or any of its Affiliates (including, after the Effective Date, the Company). The obligations under this **Section 7.6** shall terminate three (3) years after the Closing Date.

7.7 **Tax Matters.**

(a) Except to the extent treated as a liability in the calculation of the Final Net Working Capital, the Seller shall be liable for and indemnify Buyer for all income Taxes imposed on the Company for any taxable period that ends on or before the Closing Date and, with respect

to any taxable period beginning before and ending after the Closing Date (a “ **Straddle Period** ”), the portion of such Straddle Period ending on and including the Closing Date. Except to the extent treated as an asset in the calculation of the Final Net Working Capital, Buyer shall be liable for and indemnify the Seller for the income Taxes of the Company for any taxable period that begins after the Closing Date and, with respect to any Straddle Period, the portion of such taxable period beginning after the Closing Date. With respect to any Straddle Period, the amount of Taxes attributable to the period ending on and including the Closing Date shall be determined on an interim closing of the books basis, except for ad valorem Taxes which shall be prorated on a daily basis. Buyer shall not take any action, or allow the Company to take any action on or after the Closing Date, that would increase the liability of the Seller for Taxes for which it is liable pursuant to this **Section 7.7(a)** .

(b) The Seller shall file or cause to be filed when due all income Tax Returns of the Company required to be filed on or before the Closing Date and shall pay any income Taxes due in respect of such Tax Returns, and Buyer shall file or cause to be filed when due all other income Tax Returns of the Company and shall remit any Taxes due in respect of such Tax Returns. The Seller shall pay Buyer the income Taxes for which the Seller is liable pursuant to **Section 7.7(a)** but which are payable with Tax Returns to be filed by Buyer pursuant to this paragraph (b). Any Tax Returns with respect to any taxable period beginning before and ending after the Closing Date (“ **Straddle Period Tax Returns** ”) shall be prepared in a manner consistent with prior Tax Returns. Buyer shall deliver (or cause to be delivered) the Straddle Period Tax Returns to the Seller for its review and comment not later than twenty (20) days prior to the due date of such Straddle Period Tax Returns. Buyer shall incorporate all changes requested by the Seller at least five (5) days prior to the due date of the Straddle Period Tax Returns. Buyer shall cause such Straddle Period Tax Returns to be filed on a timely basis and shall pay all Taxes reflected on such Straddle Period Tax Returns.

(c) The Seller shall be entitled to any refunds of Taxes received by the Company in respect of any taxable period (or pre-Closing portions thereof, in the case of a Straddle Period) that begins before the Closing Date. Buyer shall cause the Company to use commercially reasonable efforts to obtain any such refunds to which they may be entitled and shall promptly deliver to the Seller for distribution to the Seller any such refunds, after deducting any reasonable costs or Taxes incurred in connection with obtaining and receiving the refund. Buyer shall be entitled to any refunds of Taxes of the Company received in respect of any taxable year or period that begins after the Closing Date (and with respect to any refunds of Taxes attributable to the post-Closing portion of any Straddle Periods, as noted above). The Seller shall use commercially reasonable efforts to obtain any such refunds to which they may be entitled and shall promptly deliver to Buyer any such refunds, after deducting any reasonable costs or Taxes incurred in connection with obtaining and receiving the refund.

(d) The Seller and Buyer shall, and Buyer shall cause the Company to, reasonably cooperate and shall cause their respective Affiliates and representatives to reasonably cooperate, in preparing and filing all Tax Returns relating to any Tax period beginning before the Closing Date, including maintaining and making available to each other, and to any taxing authority as reasonably requested, all records necessary in connection with Taxes of the

Company and in resolving all disputes and audits with respect to any Tax period beginning before the Closing Date relating to Taxes. The Seller and Buyer agree (i) to retain all books and records (or, in the alternative, to deliver such books and records to the Company) with respect to Tax matters pertinent to the Company relating to any Tax period beginning before the Closing Date until ninety (90) days after the expiration of the applicable statute of limitations and to abide by all record retention agreements entered into with any Governmental Entity, (ii) to allow the other Party and its representatives, at times and dates mutually acceptable to the Parties, to inspect, review and make copies of such records as such Party may deem necessary or appropriate from time to time, such activities to be conducted during normal business hours and at such Party's expense and (iii) to give the other Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Party so requests, the Seller or Buyer, as the case may be, shall allow the other Party to take possession of such books and records prior to such transfer, destruction or discard.

(e) Buyer hereby agrees, from and after the Closing, to pay all transfer, documentary, sales, use, stamp, recording, value added, registration and other similar Taxes and all conveyance fees, recording fees and other similar charges (all including penalties, interest and other charges with respect thereto, collectively, "**Transfer Taxes**") incurred in connection with the consummation of the transactions contemplated by this Agreement.

(f) If a claim with respect to Taxes shall be made by any Governmental Entity, which, if successful, might result in an indemnity payment to Buyer pursuant to **Section 10.2**, Buyer shall promptly and in any event no more than fifteen (15) days following Buyer's receipt of notice of such claim, give written notice to the Seller of such claim (a "**Tax Claim**"); provided, however, the failure of Buyer to give such notice shall only relieve the Seller from their indemnification obligations hereunder to the extent it is actually prejudiced by such failure. With respect to any such Tax Claim, the Seller shall, upon written notification to Buyer, control all proceedings and may make all decisions taken in connection with such Tax Claim (including selection of counsel) at its own expense. The Seller shall promptly notify Buyer if it decides not to control the defense or settlement of any Tax Claim which it is entitled to control pursuant to this Agreement, and Buyer shall thereupon be permitted to defend and settle such proceeding, provided, however, no such Tax Claim can be settled, either administratively or after the commencement of litigation, without the written consent of the Seller, which consent shall not be unreasonably withheld. Buyer, the Seller and each of their respective Affiliates shall reasonably cooperate with each other in contesting any Tax Claim.

(g) Any payment by Buyer or the Seller under this **Section 7.7** will be an adjustment to the consideration paid under this Agreement.

(h) The obligations of the Parties set forth in this **Section 7.7** shall be unconditional and absolute and shall remain in effect without limitation as to time.

(i) Notwithstanding anything to the contrary in this Agreement (including, without limitation, **Section 10.1**), the Seller shall not be obligated to indemnify any Buyer Indemnified Party in respect of any matters relating to the Tax periods for which the statute of limitations for an audit by a Taxing Authority has expired.

(j) For the avoidance of doubt, the Seller shall be responsible for all pre-Closing liabilities in respect of the Company's withholding tax payable due as a result of the service fee expense paid by the Company to the Seller or its Affiliates in the fiscal years 2016 and 2017.

7.8 Use of "Impax" Name.

(a) Except as expressly permitted under the MSA and the License Agreement, none of Buyer or any of Buyer's Affiliates (including, from and after the Closing, the Company) shall (A) use, reproduce or display the name "Impax" or any derivative or variation thereof, or any other Trademark owned by Seller or any of its Affiliates after the Closing (each, a "**Seller Mark**") as an identifier for the Buyer or any of its Affiliates, (B) make, have made, sell, transfer, distribute or market any products or services bearing any Seller Mark or (C) enter into any agreement with any third party that would require the Company or any of its Affiliates to do any of the foregoing, in each case of (A) through (C), other than with Seller's prior written consent. Except as expressly permitted under the MSA and the License Agreement, Buyer shall ensure that the Company, as soon as reasonably practicable following the Closing Date eliminates all Seller Marks from, revises, paints over or otherwise permanently obscures all Seller Marks on, all signage or other public-facing materials (including all publicly distributable documents and other digital or physical public-facing materials bearing such Seller Mark) owned or controlled by the Company after the Closing Date.

(b) Seller will retain all right, title and interest in and to the Seller Marks and all goodwill arising from the use, reproduction or display of the foregoing shall inure to the benefit of the Seller. None of Buyer or any of Buyer's Affiliates (including, from and after the Closing, the Company) shall hold itself out as having any affiliation with the Seller or any of the Seller's Affiliates.

(c) Following the Closing Date, Seller shall, at the Company's reasonable written request and to the extent required to facilitate the Company's transition away from using the Seller Marks following the Closing Date, provide written acknowledgement of the transactions contemplated by this Agreement and otherwise use commercially reasonable efforts to respond to any written inquiries from any Governmental Entity concerning this Agreement and the Company's transition away from using the Seller Marks, in each case, in a manner mutually agreed upon by Seller and Buyer.

(d) For the avoidance of doubt, the YB Mark shall not be considered a Seller Mark.

7.9 Intercompany Arrangements.

(a) Intercompany Accounts. Except pursuant to the Ancillary Agreements, all intercompany accounts relating to relationships or services as of the Closing Date between the Seller or its Affiliates (other than the Company), on the one hand, and the Company, on the other hand, shall be settled in full or, at the option of the Seller, but only to the extent permitted by Law, cancelled, in each case on or prior to the Closing.

(b) Affiliate Contracts. On or prior to the Closing Date, other than this Agreement and/or Ancillary Agreements, all Affiliate Contracts shall be terminated and all payables and receivables under such Affiliate Contracts so terminated shall have been settled. To the extent any such Affiliate Contract is not so terminated, Buyer and the Seller shall reasonably cooperate to cause the prompt termination of such Affiliate Contracts (and the settlement of amounts in connection therewith in the manner contemplated by the preceding sentence).

(c) Services from Affiliates. Buyer acknowledges that the Company currently receives or benefits from certain services and benefits provided by the Seller or its Affiliates, including operations and information technology. Other than as may be provided pursuant to the terms of an Ancillary Agreement, Buyer further acknowledges that all such services and benefits shall cease, and any agreement in respect thereof shall terminate with respect to the Company, as of the Closing Date, and thereafter, the Seller's and its Affiliates' sole obligation with respect to the provision of any services with respect to the Company shall be as set forth in the Ancillary Agreements, as applicable.

(d) Shared Agreements. The Seller, as promptly as practicable following execution of this Agreement, shall use its reasonable best efforts to, and shall cause its Affiliates to use their respective reasonable best efforts to, amend, supplement, terminate or otherwise modify each Shared Agreement in order to terminate or commute, concurrently with the Closing, all direct and indirect economic, commercial or other benefits, rights and liabilities or other obligations (other than those that accrue or relate to a period in time prior to the Closing) with respect to the Company under the Shared Agreements. For the avoidance of doubt, Buyer agrees that on and after the Closing, neither it or any of its Affiliates (including the Company) shall have any benefits or rights under any Shared Agreement.

7.10 Insurance. Buyer shall not have any rights under any Insurance Policy of the Seller covering some or all of the Company from and after the Closing and the Seller shall be entitled to remove all coverage in respect of the Company under such policies effective at, or any time following, the Closing.

7.11 Financing.

(a) Buyer has delivered to the Seller true, complete and correct copies of the commitment letters, each dated as of the date hereof, from the financial institution (the "**Financing Source**") identified therein (the "**Financing Commitment**"), pursuant to which the Financing Source has committed, subject to the terms and conditions set forth therein, to lend the amounts set forth therein for the purposes of financing the transactions contemplated by this Agreement and related fees and expenses (the "**Financing**"). Buyer shall satisfy on a timely basis all conditions to draw down under the Financing Agreements by no later than immediately prior to the Closing (including by drawing down the Financing Commitment under the Financing Agreements).

(b) Buyer shall not agree to or permit any amendment, supplement or other modification to be made to, or any waiver of any provision or remedy under, the Financing Agreements without the Seller's prior written consent, or provide for the assignment of a portion

of the loan facilities under the Financing Agreements to additional agents or arrangers or to reallocate commitments or assign or reassign titles or roles to, or between or among, any entities party thereto.

(c) On the Closing Date, the Seller shall provide to Buyer the resolutions of the Company's board of directors approving the pledge of certain of the Company's assets in connection with the Financing (the "**Resolutions**"), which approval shall be contingent on and subject to the Closing in all respects; provided that the Seller shall not be required to provide or cause the Company to take any action under or in connection with this **Section 7.11(c)** that (A) unreasonably interferes with the ongoing business of the Company, (B) causes any representation or warranty in this Agreement to be breached, (C) causes (i) any closing condition set forth in this Agreement to fail to be satisfied or otherwise causes the breach of this Agreement or (ii) any Contract to which the Seller or the Company is a party and which is not entered into for the purposes of reducing the obligations of the Seller and the Company under this **Section 7.11(c)**, (D) requires the Company or its directors, officers, managers or employees to execute, deliver or enter into, or perform any agreement, document, certificate or instrument, including any Financing Agreement, with respect to the Financing that is not contingent upon the Closing or that would be effective prior to the Closing, and the directors and managers of the Company shall not be required to adopt resolutions approving the agreements, documents and instruments pursuant to which the Financing is obtained, in each case which are effective prior to the Closing, (E) would subject the Seller or its Affiliates (including the Company) or any director, officer, manager or employee thereof to actual or potential liability, to bear any cost or expense or to pay any commitment or other similar fee or make any other payment or incur any other liability or provide or agree to provide any indemnity in connection with the Financing or any of the foregoing or (F) requires the Seller or the Company to take any action that would reasonably be expected to conflict with or violate (1) any organizational documents of the Seller or any of its Affiliates (including the Company) or (2) any applicable Law; provided that without prejudice to the foregoing the Seller agrees to notify Buyer if entering into or providing the Resolutions (or any action to be taken in connection therewith) could reasonably be expected to result in the occurrence of any event set forth in any of clause (C)(ii), (E) or (F)(1) and the Seller will not provide the Resolutions as a result thereof.

(d) Buyer hereby indemnifies and holds harmless the Seller and its Affiliates (including the Company) and its directors, officers, managers or employees from and against any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties suffered or incurred by them in connection with this **Section 7.11**. Notwithstanding anything to the contrary, the condition set forth in **Section 8.1(d)**, as it applies to the Seller's obligations under this **Section 7.11**, shall be deemed satisfied unless the Financing (or any alternative financing) has not been obtained primarily as a result of the Seller's knowing and intentional material breach of its obligations under this **Section 7.11**. Buyer shall, promptly upon request by the Seller, reimburse the Seller for all reasonable out-of-pocket costs incurred by the Seller or its Affiliates (including the Company) in connection with this **Section 7.11**. Buyer acknowledges and agrees that the obtaining of the Financing, or any alternative financing, is not a condition to Closing and reaffirms its obligation to consummate the transactions contemplated

by this Agreement irrespective and independently of the availability of the Financing or any alternative financing.

7.12 Non-solicitation. From and after the Closing Date until the date that is three (3) years after the Closing Date, the Seller shall not, and shall procure that each of its Affiliates (other than the Company) shall not, without written consent from the Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), directly or indirectly, hire or solicit for employment any person who is employed by the Company as of the Closing or induce or encourage any such person to no longer be employed by the Company; provided that (i) the Seller and its Affiliates may solicit or hire any such person who (x) was terminated by Buyer or its Affiliates (including the Company) or (y) has not been an employee of Buyer or its Affiliates (including the Company) for at least three (3) months prior to such solicitation or hiring and (ii) this **Section 7.12** shall not prohibit the Seller and its Affiliates from making general solicitations for employment.

7.13 Director Resignation. On or prior to the Closing, except as otherwise may be directed by Buyer in writing, the Seller shall obtain and deliver to Buyer resignation letters from each of the members of the board of directors of the Company, in each case with the resignation to be effective as of the Closing.

7.14 Buyer Shareholder Meeting. As soon as practicable following the date of this Agreement (and in no event later than two Business Days after the date hereof), Buyer, through its board of directors, shall, in accordance with applicable Law and the organizational documents of Buyer, duly call, give notice of, convene and hold the Buyer Shareholder Meeting and Buyer shall and shall cause its Affiliates and its and their Representatives to use its and their reasonable best efforts to obtain the Buyer Shareholder Approval as soon as practicable. Buyer shall actively solicit and recommend to its shareholders that they vote in favor of the Buyer Shareholder Approval.

7.15 Anti-Trust Clearance Certificate. Prior to the Closing, each of the Seller and Buyer shall deliver to the other Party its respective Anti-Trust Clearance Certificate. Notwithstanding anything to the contrary in this Agreement, Buyer acknowledges and agrees that such certificate is only being provided by the Seller for informational purposes and the Seller is not making any representations or warranties as to the accuracy or completeness of the information contained in such certificate.

7.16 Bank Accounts, Chops and Seals. On or prior to the Closing:

(a) the Seller will change, effective as of the Closing, the individuals authorized to draw on or have access to the bank accounts maintained by the Company to the individuals designated in writing by Buyer no less than thirty (30) days prior to the Closing Date;

(b) the Seller shall deliver to Buyer, or otherwise ensure that the Company is in possession of, the complete set of company chops and seals belonging to the Company; and

(c) the Seller shall remove from applicable registrations, including records at applicable Governmental Entities and banks, effective as of the Closing, the signatories registered in connection with the company chops and seals belonging to the Company.

7.17 Buyer Registration. The Buyer will use its best efforts, in good faith, to obtain a Data Universal Numbering System number from Dun and Bradstreet, Inc., and a Facility Establishment Identifier number from the FDA, as promptly as practicable after the Closing (and in any event no later than 30 days after the Closing Date).

7.18 Net Working Capital. Seller and Buyer acknowledge and agree that, to the extent permitted under the Agreed Principles and applicable Laws, the Estimated Closing Date Balance Sheet and the Final Closing Date Balance Sheet shall include net property, plant and equipment in value between \$17,500,000.00 and \$19,500,000.00.

ARTICLE VIII

CONDITIONS

8.1 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver by Buyer at or prior to the Closing of each of the following conditions:

(a) No Orders. No court or other Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the Acquisition (collectively, an “**Order**”).

(b) Representations and Warranties Relating to the Company. Each of the representations and warranties relating to the Company set forth in **Article V** (i) that are qualified by reference to Material Adverse Effect shall be true and correct and (ii) that are not qualified by reference to Material Adverse Effect shall be true and correct (disregarding for this purpose any qualifications or reference to materiality contained in such representations and warranties) except for failures to be true and correct that, individually or in the aggregate, have not had and would not reasonably be expected to have, a Material Adverse Effect, in each case, as of the Closing Date, with the same effect as though those representations and warranties had been made on and as of the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty need only so be true and correct as of such date. Buyer shall have received at the Closing a certificate signed on behalf of the Company by an authorized officer of the Seller to the effect that such authorized officer has read this **Section 8.1(b)** and the conditions set forth in this **Section 8.1(b)** have been satisfied.

(c) Representations and Warranties Relating to the Seller. Each of the representations and warranties relating to the Seller set forth in **Article IV** (i) that are qualified by reference to materiality shall be true and correct and (ii) that are not qualified by reference to

materiality shall be true and correct in all material respects, in each case, as of the Closing Date, with the same effect as though those representations and warranties had been made on and as of the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty need only be true and correct as of such date. Buyer shall have received at the Closing a certificate signed by an authorized officer of the Seller to the effect that such authorized officer has read this **Section 8.1(c)** and the conditions set forth in this **Section 8.1(c)** have been satisfied.

(d) Performance of Obligations of the Seller. The Seller shall have performed and complied in all material respects with all covenants required to be performed by it under this Agreement on or prior to the Closing Date, and Buyer shall have received a certificate signed by an authorized officer of the Seller to such effect.

(e) Net Working Capital. As of the Closing, (i) the Estimated Buyer Working Capital Payment shall not exceed \$16,000,000.00 and (ii) the amount of Inventory shall not exceed \$11,000,000.00, in each case as set forth in the Estimated Closing Date Balance Sheet.

8.2 Conditions to Obligations of the Seller. The obligation of the Seller to consummate the transactions contemplated by this Agreement is subject to the satisfaction or waiver by the Seller at or prior to the Closing of each of the following conditions:

(a) No Orders. No court or other Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered an Order.

(b) Representations and Warranties. Each of the representations and warranties of Buyer set forth in **Article VI** shall be true and correct, in each case, as of the date of this Agreement and as of the Closing Date, with the same effect as though those representations and warranties had been made on and as of the Closing Date, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty need only be true and correct as of such date. The Seller shall have received at the Closing a certificate signed on behalf of Buyer by an authorized officer of Buyer to the effect that such authorized officer has read this **Section 8.2(b)** and the conditions set forth in this **Section 8.2(b)** have been satisfied.

(c) Performance of Obligations of Buyer. Buyer shall have performed and complied in all material respects with all covenants required to be performed by it under this Agreement on or prior to the Closing Date, and the Seller shall have received a certificate signed on behalf of Buyer by an authorized officer of Buyer to such effect.

(d) Bulk Product. Prior to the Closing, either (i) the Parties shall agree in good faith prior to the Closing on the pricing terms of the packaging of Bulk Product (as such term is defined in the MSA) by the Manufacturer (as such term is defined in the MSA) under the MSA or (ii) any and all Bulk Product under the ownership of the Company as of the Closing shall be purchased by the Seller at a price not exceeding the book value thereof as of the date on which such Bulk Product was purchased by the Company.

ARTICLE IX

TERMINATION

9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of Buyer and the Seller;

(b) by either Buyer or the Seller, by giving written notice of such termination to the other Party, if (i) the Closing shall not have occurred on or prior to June 19, 2018 (the “**Termination Date**”) or (ii) any Order permanently restraining, enjoining or otherwise prohibiting the consummation of the Acquisition shall become final and non-appealable; provided, that the right to terminate this Agreement pursuant to this **Section 9.1(b)** shall not be available to any Party that has breached its obligations under this Agreement in any material respect that shall have proximately contributed to the occurrence of the failure of a condition to the consummation of the Acquisition;

(c) by the Seller if there has been a breach of any representation, warranty, covenant or agreement made by Buyer in this Agreement, or any such representation and warranty shall have become untrue after the Execution Date, such that **Section 8.2(b)** or **8.2(c)** would not be satisfied and such breach or condition is not curable or, if curable, is not cured by the Termination Date; or

(d) by Buyer if there has been a breach of any representation, warranty, covenant or agreement made by Seller in this Agreement, or any such representation and warranty shall have become untrue after the Execution Date, such that **Section 8.1(b)**, **8.1(c)** or **8.1(d)** would not be satisfied and such breach or condition is not curable or, if curable, is not cured by the Termination Date.

9.2 Effect of Termination and Abandonment.

(a) In the event of termination of this Agreement pursuant to this **Article IX**, this Agreement shall become void and of no effect with no liability to any Person on the part of any Party (or of any of its representatives or Affiliates); provided, however, and notwithstanding anything in the foregoing to the contrary, that (i) no such termination shall relieve any Party of any liability or damages to the other Party resulting from any willful material breach of this Agreement prior to the time of such termination and (ii) the provisions set forth in this **Section 9.2**, **Article I**, **Sections 7.4**, **7.11(d)**, **11.2**, **11.4**, **11.6** and **11.8** shall survive the termination of this Agreement.

(b) The Confidentiality Agreement shall remain in full force and effect notwithstanding any termination of this Agreement.

ARTICLE X

INDEMNIFICATION

10.1 Survival. All representations and warranties contained in this Agreement shall survive until the date that is fifteen (15) months after the Closing Date, except that the representations and warranties contained in **Sections 4.1 , 4.2 , 5.2 and 5.11** (the “**Seller Fundamental Representations**”) and **Sections 6.2 and 6.7** shall survive until the date on which the applicable statute of limitations expires. None of the covenants or agreements contained in this Agreement shall survive the Closing, other than those which by their terms apply or are to be performed in whole or in part after the Closing and such surviving covenants and agreements shall survive the Closing only until the expiration of the term of the undertaking set forth in such agreements and covenants.

10.2 Indemnification by the Seller.

(a) From and after the Closing and subject to the provisions of this **Section 10.2** , the Seller shall indemnify, defend and hold harmless Buyer, its Subsidiaries and their respective officers, directors and Affiliates, each in their capacity as such (collectively, the “**Buyer Indemnified Parties**”), from, against and in respect of any Losses suffered by any Buyer Indemnified Party, in each case net of any actual benefit, arising out of or relating to:

(i) the breach of any Seller Fundamental Representation;

(ii) the breach of any representation or warranty made by the Seller in this Agreement (other than any Seller Fundamental Representation);

(iii) the breach of any covenant or agreement made by the Seller in this Agreement; and

(iv) the failure of the Seller to pay, perform or otherwise discharge any liability relating to the Transferred Loans prior to the Closing (other than any Assumed Liability).

(b) Notwithstanding anything to the contrary contained in this Agreement:

(i) the maximum amount of indemnifiable Losses arising out of or resulting from (A) the matters described in **Section 10.2(a)(ii)** that may be recovered, in the aggregate, from the Seller shall not exceed the Holdback Amount and (B) the matters described in **Section 10.2(a)** (other than the matters described in **Section 10.2(a)(ii)**) that may be recovered, in the aggregate, from the Seller shall not exceed the Purchase Price (the “**Indemnity Cap**”), provided that the maximum amount of indemnifiable Losses arising out of or resulting from the breach of **Section 5.11** that may be recovered, in the aggregate, from the Seller shall not exceed \$8,000,000.00 (and any amount recovered for Losses shall be included for purposes of calculating the Indemnity Cap); provided, further, that

any amount of Losses that the Buyer Indemnified Parties recover from the Holdback Amount shall be deemed to have been paid by the Seller; and

(ii) no indemnification payment by the Seller with respect to any indemnifiable Losses otherwise payable under **Section 10.2(a)** shall be payable with respect to any claim for indemnifiable Losses unless such claim exceeds \$100,000.00 (the “**Minimum Claim Amount**”), in which case the Seller shall, subject to **Section 10.2(b)(i)**, be liable for such Losses.

(c) Notwithstanding anything to the contrary herein, the Seller shall not be liable to any Buyer Indemnified Party and no Buyer Indemnified Party shall be entitled to claim that any representation, warranty, covenant, agreement or obligation of the Seller has been breached on account of any fact, matter or circumstance which such Buyer Indemnified Party had knowledge of on or before the date of this Agreement, provided further that nothing in this Agreement shall be construed to prevent Buyer from asserting a claim pursuant to **Article X** after the Closing where Loss(es) are sustained by Buyer but are solely caused by the acts of Seller or the Company prior to the Closing. For the avoidance of doubt, the Parties acknowledge that this **Section 10.2(c)** has no effect on any entitlement of Buyer to indemnification pursuant to **Section 7.7(a)** and **7.7(j)** herein.

10.3 Indemnification by Buyer.

(a) From and after the Closing and subject to the provisions of this **Section 10.3**, Buyer shall indemnify, defend and hold harmless the Seller and their respective officers, directors and Affiliates, each in their capacity as such (collectively, the “**Seller Indemnified Parties**”), and each of the Buyer Indemnified Parties and the Seller Indemnified Parties, an “**Indemnified Party**”) from, against and in respect of any and all Losses suffered by any Seller Indemnified Party, in each case net of any actual benefit, arising out of or relating to:

- (i) the breach of any representation or warranty made by Buyer in this Agreement;
- (ii) the breach of any covenant or agreement made by Buyer in this Agreement; and
- (iii) the failure of Buyer to pay, perform or otherwise discharge any Assumed Liability.

10.4 Third Party Claim Indemnification Procedures.

(a) Except as provided in **Section 7.7(f)** with respect to Tax Claims, in the event that any written claim or demand for which an indemnifying party (an “**Indemnifying Party**”) is asserted against or sought to be collected from any Indemnified Party by a third party (a “**Third Party Claim**”), such Indemnified Party shall promptly, but in no event more than ten (10) days following such Indemnified Party’s receipt of any threatened Third Party Claim, notify the Indemnifying Party in writing of such Third Party Claim, the amount or the estimated amount

of damages sought thereunder to the extent then ascertainable (which estimate shall not be conclusive of the final amount of such Third Party Claim), any other remedy sought thereunder, any relevant time constraints relating thereto and, to the extent practicable, any other material details pertaining thereto (a “ **Claim Notice** ”); provided, however, that the failure timely to give a Claim Notice shall affect the rights of an Indemnified Party hereunder only to the extent that such failure has an adverse effect on the resolution or other rights available to the Indemnifying Party with respect to such Third Party Claim. The Indemnifying Party shall have thirty (30) days (or such lesser number of days set forth in the Claim Notice as may be required by court proceeding in the event of a litigated matter) after receipt of the Claim Notice (the “ **Notice Period** ”) to notify the Indemnified Party that it desires to defend the Indemnified Party against such Third Party Claim.

(b) In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against a Third Party Claim, the Indemnifying Party shall have the right to defend the Indemnified Party by appropriate proceedings and shall have the sole power to direct and control such defense at its expense. Once the Indemnifying Party has duly assumed the defense of a Third Party Claim, the Indemnified Party shall have the right, but not the obligation, to participate in any such defense and to employ separate counsel of its choosing. The Indemnified Party shall participate in any such defense at its expense unless (i) the Indemnifying Party and the Indemnified Party are both named parties to the proceedings and counsel of the Indemnifying Party has identified a non-waivable conflict or actual differing interests between the Indemnifying Party and the Indemnified Party, or (ii) the Indemnified Party assumes the defense of a Third Party Claim after the Indemnifying Party has failed to diligently pursue a Third Party Claim it has assumed, as provided in the first sentence of **Section 10.4(c)** , in which case the Indemnifying Party shall be liable for the fees and expenses of one separate counsel to the extent such Third Party Claim is subject to indemnification or reimbursement under **Sections 10.2 or 10.3** . The Indemnifying Party shall not, without the prior written consent of the Indemnified Party, settle, compromise or offer to settle or compromise any Third Party Claim on a basis that would result in (i) the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnified Party or any of its Affiliates, (ii) a finding or admission of a violation of Law or violation of the rights of any Person by the Indemnified Party or any of its Affiliates or (iii) a finding or admission that would have an adverse effect on other claims made or threatened against the Indemnified Party or any of its Affiliates.

(c) If the Indemnifying Party (i) elects not to defend the Indemnified Party against a Third Party Claim, whether by not giving the Indemnified Party timely notice of its desire to so defend or otherwise or (ii) after assuming the defense of a Third Party Claim, fails to take reasonable steps necessary to defend diligently such Third Party Claim within ten (10) days after receiving written notice from the Indemnified Party to the effect that the Indemnifying Party has so failed, the Indemnified Party shall have the right but not the obligation to assume its own defense and shall consult with the Indemnifying Party regarding the strategy for defense of such claim, including with respect to the Indemnified Party’s choice of legal counsel, it being understood that the Indemnified Party’s right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim. The Indemnifying

Party shall have no liability with respect to a Third Party Claim settled without its consent, which consent shall not be unreasonably withheld or delayed.

(d) The Indemnified Party and the Indemnifying Party shall cooperate in order to ensure the proper and adequate defense of a Third Party Claim, including by providing access to each other's relevant business records and other documents and employees, it being understood that the costs and expenses of the Indemnified Party relating thereto shall be considered Losses. The Indemnified Party and the Indemnifying Party shall keep each other fully informed with respect to the status of such Third Party Claim.

(e) The Indemnified Party and the Indemnifying Party shall use reasonable best efforts to avoid production of confidential information (consistent with applicable Law), and to cause all communications among employees, counsel and others representing any party to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privileges.

(f) Each of Buyer and the Seller hereby consents to the non-exclusive jurisdiction of any court in which a Third Party Claim is brought for purposes of any claim for indemnification or reimbursement with respect to such Third Party Claim or the matters alleged therein.

10.5 Limitations on Indemnification.

(a) Consequential Damages. Notwithstanding anything to the contrary contained in this Agreement, no Person shall be liable under this **Article X** for any consequential, punitive, special, exemplary, incidental or indirect damages, including lost profits or diminution in value. No "multiple of profits" or "multiple of cash flow" or other valuation methodology shall be used in calculating the amount of any Losses unless such Losses were awarded to a third party pursuant to a Third Party Claim.

(b) Mitigation. Each Indemnified Party shall use its reasonable best efforts to mitigate any indemnifiable Loss to the same extent as it would if such Loss were not subject to indemnification pursuant to the terms of this **Article X**. In the event an Indemnified Party fails to so mitigate an indemnifiable Loss, the Indemnifying Party shall have no liability for any portion of such Loss that reasonably could have been avoided had the Indemnified Party made such efforts.

(c) Insurance. In calculating the amount of any Loss, the proceeds received or reasonably expected to be received by the Indemnified Party or any of its Affiliates under any insurance policy or pursuant to any claim, recovery, settlement or payment by or against any other Person, in each case relating to the Third Party Claim or a claim for indemnification hereunder for a Loss that does not result from a Third Party Claim (a "**Direct Claim**"), shall be deducted; it being understood that the Indemnified Party shall seek to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement. In the event that an Indemnified Party has any rights against a third party with respect to any occurrence, claim or loss that results in a payment by an

Indemnifying Party under this **Article X** , such Indemnifying Party shall be subrogated to such rights to the extent of such payment; provided, that until the Indemnified Party recovers full payment of the Loss related to any such Direct Claim, any and all claims of the Indemnifying Party against any such third party on account of said indemnity payment is hereby expressly made subordinate and subject in right of payment to the Indemnified Party's rights against such third party. Without limiting the generality or effect of any other provision hereof, each Indemnified Party and Indemnifying Party shall duly execute upon request all instruments reasonably necessary to evidence and perfect the subrogation and subordination rights detailed herein, and otherwise cooperate in the prosecution of such claims.

(d) Financial Statements . No Buyer Indemnified Party shall be entitled to indemnification hereunder for any Losses arising from a breach of any representation, warranty, covenant or agreement set forth herein (and the amount of any Losses incurred in respect of such breach shall not be included in the calculation of any limitations on indemnification set forth herein) to the extent such Losses are specifically accrued or reserved for in the Financial Statements.

(e) Taxes . In calculating the amount of any Loss, there shall be deducted an amount equal to any Tax benefit actually realized (including the utilization of a Tax loss or Tax credit carried forward) as a result of such Loss by the Party claiming such Loss.

(f) Reimbursement . If an Indemnified Party recovers an amount from a third party in respect of a Loss that is the subject of indemnification hereunder after all or a portion of such Loss has been paid by an Indemnifying Party pursuant to this **Article X** , the Indemnified Party shall promptly remit to the Indemnifying Party the excess (if any) of (i) the amount paid by the Indemnifying Party in respect of such Loss, plus the amount received from the third party in respect thereof, *less* (ii) the full amount of the Loss.

(g) Contingent Losses . No Indemnifying Party shall have any liability for an otherwise indemnifiable Loss that is contingent unless and until such contingent Loss becomes an actual Loss of the Indemnified Party and is due and payable, so long as the claim for such Loss was timely submitted pursuant to the provisions of this **Article X** .

(h) Changes in Law . No Indemnifying Party shall be liable for any Loss to the extent arising from (A) a change in accounting or taxation law, policy or practice made after the Closing, other than a change required to comply with any law, policy or practice in effect on the date hereof, or (B) any Law not in force on the date hereof or any change in Law which takes effect retroactively or occurs as a result of any increase in the rates of taxation in force on the date hereof.

(i) Claim Procedures . No Indemnifying Party shall be liable for any otherwise indemnifiable Loss arising out of any breach of any representation, warranty, covenant or agreement of such party unless a claim therefore is asserted with specificity and in writing by the Indemnified Party timely in accordance with this **Article X** , failing which such claim shall be waived and extinguished.

(j) Purchase Price Adjustment. In calculating the amount of any Loss for which Buyer is entitled to indemnification hereunder, the amount of any reserve or other negative provision reflected in the Estimated Closing Date Balance Sheet related to such Loss shall be deducted.

10.6 Payments.

(a) If a Buyer Indemnified Party is entitled to indemnification from the Seller under this **Article X**, then such Losses shall first be satisfied from the Holdback Amount, and no amount shall be recovered by Buyer pursuant to this **Article X** unless and until the Holdback Amount has been exhausted or released pursuant to **Section 2.5**.

(b) The Indemnifying Party shall pay all amounts payable pursuant to this **Article X**, in immediately available funds, to an account specified by the Indemnified Party following receipt from an Indemnified Party of a bill, together with all accompanying reasonably detailed supporting documentation, for a Loss that is the subject of indemnification hereunder, unless the Indemnifying Party in good faith disputes the Loss, in which event it shall so notify the Indemnified Party. In any event, the Indemnifying Party shall pay to the Indemnified Party the amount of any Loss for which it is liable hereunder, in immediately available funds, to an account specified by the Indemnified Party no later than three (3) days following any Final Determination of such Loss and the Indemnifying Party's liability therefor. A "**Final Determination**" shall exist, or a claim shall be "**Finally Determined**", when (a) the parties to the dispute have reached an agreement in writing, (b) a court of competent jurisdiction shall have entered a final and non-appealable Order or judgment or (c) an arbitration or like panel shall have rendered a final non-appealable determination with respect to disputes the parties have agreed to submit thereto. No Indemnified Party shall be entitled to recover from an Indemnifying Party more than once in respect of the same Loss or series of Losses.

10.7 Characterization of Indemnification Payments. All payments made by an Indemnifying Party to an Indemnified Party in respect of any claim pursuant to **Sections 10.2** or **10.3** hereof shall be treated as adjustments to the consideration paid pursuant to the transactions contemplated by this Agreement for Tax purposes.

10.8 Exclusive Remedy. Except in the case of Fraud, if the Closing occurs, this **Article X** shall provide the sole and exclusive remedies arising out of or in connection with this Agreement and the transactions contemplated by this Agreement. The Parties acknowledge and agree that the remedies available in this **Article X** following the Closing supersede any other remedies available at law or in equity including rights of rescission and claims arising under applicable Law. The Parties covenant not to sue, assert any arbitration claim or otherwise threaten any claim following the Closing other than those described in this **Article X** as being available under the particular circumstances described in this **Article X**.

ARTICLE XI

MISCELLANEOUS

11.1 Amendment; Waiver. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Buyer and the Seller, or in the case of a waiver, by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Law except as otherwise specifically provided in **Article X** hereof.

11.2 Expenses. Except as otherwise provided herein, each Party will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and the Acquisition, including all fees and expenses of its representatives; provided that Buyer shall be responsible for (a) all Transfer Taxes (as well as the filing of all Tax Returns with respect thereto) and (b) all filing fees in connection with any filings, applications or submissions under any filings or notifications with Governmental Entities.

11.3 Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

11.4 GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL; SPECIFIC PERFORMANCE.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW RULES THEREOF THAT WOULD REQUIRE OR PERMIT THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION. IN CONNECTION WITH ANY CONTROVERSY ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE PARTIES HEREBY IRREVOCABLY CONSENT TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA. EACH OF THE PARTIES IRREVOCABLY CONSENTS TO SERVICE OF PROCESS OUT OF THE AFOREMENTIONED COURTS AND WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE AFOREMENTIONED COURTS AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN SUCH COURTS THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN SUCH COURTS HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE ACQUISITION. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.4 .

11.5 Specific Enforcement. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which such Party is entitled at law or in equity.

11.6 Notices. Any notice, request, instruction or other document to be given hereunder by any Party to the any other Party or Parties shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, by facsimile or overnight courier:

If to Buyer:

Bora Pharmaceuticals Co., Ltd.
6F., No.69, Xing' ai Rd., Neihu Dist.,
Taipei City 114, Taiwan (R.O.C .)

Attention: Bobby Sheng
fax: +886 2 2790-6596

with a copy to:
Bora Pharmaceuticals Co., Ltd.
6F., No.69, Xing' ai Rd., Neihu Dist.,
Taipei City 114, Taiwan (R.O.C .)

Attention: Alice Wang
fax: +886 2 2790-6596

If to the Seller:

Impax Laboratories, Inc.
31047 Genstar Road
Hayward, CA 94544
Attention: General Counsel
fax: (510) 240-6096

with a copy to:

Sullivan & Cromwell LLP,
125 Broad Street
New York, NY 10004
Attention: Francis J. Aquila
fax: (212) 291-9004
(212) 291-9067

or to such other Persons or addresses as may be designated in writing by the Party to receive such notice as provided above. Any notice, request, instruction or other document given as provided above shall be deemed given to the receiving Party upon actual receipt, if delivered personally, three (3) Business Days after deposit in the mail if sent by registered or certified mail, upon confirmation of successful transmission if sent by facsimile; (provided, that if given by facsimile such notice, request, instruction or other document shall be confirmed within one Business Day by dispatch pursuant to one of the other methods described herein) or on the next Business Day after deposit with an overnight courier.

11.7 Entire Agreement. This Agreement (including any exhibits hereto), the Confidentiality Agreement, dated June 14, 2017, between Buyer and the Seller (the “Confidentiality Agreement”), the Bill of Sale, the Assignment and Assumption Agreement and the Transition Services Agreement constitute the entire agreement and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the Parties, with respect to the subject matter hereof. EACH PARTY AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, NEITHER BUYER, THE SELLER OR THE COMPANY MAKES OR RELIES ON ANY OTHER REPRESENTATIONS, WARRANTIES OR INDUCEMENTS, AND EACH HEREBY DISCLAIMS ANY OTHER REPRESENTATIONS, WARRANTIES OR INDUCEMENTS, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY OTHER INFORMATION, MADE BY, OR MADE AVAILABLE BY, ITSELF OR ANY OF ITS REPRESENTATIVES, WITH RESPECT TO, OR IN CONNECTION WITH, THE NEGOTIATION, EXECUTION OR DELIVERY OF THIS AGREEMENT OR THE CONSUMMATION OF THE ACQUISITION, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE OTHER PARTY OR THE OTHER PARTY’S REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION WITH RESPECT TO ANY ONE OR MORE OF THE FOREGOING. No Party shall be bound by, or be liable for, any alleged representation, promise, inducement or statement of intention not contained herein.

11.8 No Third Party Beneficiaries. Except as provided in **Article X** only, the Parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other Party, in accordance with and subject to the terms of this Agreement, and this Agreement is not intended to, and does not, confer upon any Person other than the Parties any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

11.9 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application of such provision to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application of such provision, in any other jurisdiction.

11.10 Assignment. No Party may assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other Party, except that Buyer may assign any and all of its rights under this Agreement to one or more of its wholly-owned Subsidiaries (but no such assignment shall relieve Buyer of any of its obligations hereunder). Any purported assignment in violation of this Agreement is void.

11.11 Fulfillment of Obligations. Any obligation of any Party to any other Party under this Agreement, which obligation is performed, satisfied or fulfilled completely by an Affiliate of such Party, shall be deemed to have been performed, satisfied or fulfilled by such Party.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above.

IMPAX LABORATORIES, INC.

By: /s/ Paul Bisaro
Name: Paul Bisaro
Title: Chief Executive Officer

BORA PHARMACEUTICALS CO., LTD.

By: /s/ Bobby Sheng
Name: Bobby Sheng
Title: Chairman

MASTER SUPPLY AGREEMENT

Between

IMPAX LABORATORIES, INC.

And

BORA PHARMACEUTICALS CO., LTD

And

IMPAX LABORATORIES (TAIWAN), INC.

For

Manufacturing and Packaging of Pharmaceutical Products

December 19, 2017

AGREEMENT

This Master Supply Agreement (the “**Agreement**”) by and between Impax Laboratories, Inc. (“**Customer**”), a corporation existing under the laws of Delaware, and each of Bora Pharmaceuticals Co., Ltd., a company existing under the laws of the Republic of China (“**Bora**”) and Impax Laboratories (Taiwan), Inc., a company existing under the laws of the Republic of China (“**Impax Taiwan**”) and, together with Bora, the “**Manufacturer**”) is entered into as of the last date of the parties’ signatures below and the terms and conditions under this Agreement are binding on the Parties upon such date; provided that, such terms and conditions shall not be in full force and effect unless and until the Closing (as defined below) and which will automatically become effective upon such Closing without any further action by Customer and Manufacturer (the “**Effective Date**”).

WHEREAS, Customer and Bora are party to that certain Stock and Asset Purchase Agreement (the “**Purchase Agreement**”) of even date herewith, pursuant to which Customer has agreed to sell all of the outstanding shares of Impax Taiwan and certain assets of Customer to Bora;

WHEREAS, Impax Taiwan currently manufactures and packages certain pharmaceutical products for Customer; and

WHEREAS, Customer wishes to continue to purchase certain pharmaceutical products from Manufacturer, and Manufacturer wishes to continue to manufacture and supply such pharmaceutical products for Customer, in each case after completion of the transactions contemplated by the Purchase Agreement pursuant to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the above and of the promises and mutual covenants, agreements, guarantees and representations contained herein and intending to be legally bound, the Parties agree as follows:

ARTICLE 1 INTERPRETATION/DEFINITIONS

The following terms shall, unless the context otherwise requires, have the following meanings, respectively:

“**ANDA**” means an Abbreviated New Drug Application filed by Customer with the FDA and any amendments thereto.

“**Acknowledgement**” shall have the meaning set forth in Section 4.2.

“**Adverse Supply Event**” shall have the meaning set forth in Section 4.7.

“ **Affiliate** ” means any person or business entity which owns, directly or indirectly, a controlling interest in a Party to this Agreement, by stock ownership or otherwise; or any person or business entity which is owned by a Party to this Agreement, either directly or indirectly, by stock ownership or otherwise; or any person or business entity, the majority ownership of which is directly or indirectly common to the majority ownership of a Party to this Agreement.

“ **API** ” means the compound, as further described in the Schedule attached hereto with respect to a specific Product, that, unless the Parties agree otherwise in a Schedule with respect to a specific Product, has been released by Customer and provided to Manufacturer, along with a certificate of analysis, as provided hereafter in this Agreement.

“ **Batch** ” means one (1) production lot of a Product.

“ **Batch Record** ” means the document created as and after each Batch is processed and/or packaged that, when complete and accurate, reflects and incorporates all aspects of the Master Batch Record and/or Master Packaging Record, the Certificate of Analysis, Certificate of Manufacture, and any Manufacturing Investigation or Deviation reports issued, with respect to such Batch.

“ **Bulk Product** ” means a Product in the form of bulk capsules, tablets, caplets or blister packs, as applicable, for the relevant Product before final Packaging.

“ **cGMPs** ” means the then-current good manufacturing practices applicable to the manufacture of pharmaceutical products for human use as promulgated in U.S. C.F.R. (Title 21, Parts 210-211) and European Community Guide to Good Manufacturing Practices.

“ **Certificate of Analysis** ” means a certificate issued by Manufacturer stating that a Batch has been Processed and/or Packaged in accordance with the Master Batch Record and/or Master Packaging Record and stating the final release results.

“ **Certificate of Manufacture** ” means a certificate issued by Manufacturer stating that a Batch has been Processed and/or Packaged in accordance with registration documents and the Master Batch Record and in conformity with cGMPs.

“ **Change Control** ” means the quality assurance process by which any change which affects a Product or its regulatory filings, including but not limited to changes in the Specifications, Process, Packaging, Raw Materials, Containers, Components, or Facility is agreed to, reviewed and approved in writing prior to implementation by both Customer and Manufacturer as specified in the Quality Agreement.

“ **Closing** ” has the meaning set forth in the Purchase Agreement.

“ **Components** ” means the materials used for Packaging the Product as identified in the Master Batch Record or Master Packaging Record.

“**Confidential Information**” means a Party’s technology, data, know-how, or information whether written or oral, technical or non-technical, including, but not limited to, financial statements, reports, pricing, trade secrets, secret processes, formulae, samples, customer data (including customer lists), and the like (collectively, “**Information**”), that has been or will be disclosed to the other Party in connection with the negotiation of this Agreement and the other documents contemplated thereby or the consummation of the transactions contemplated thereby; *provided, however*, that all Information that is owned or controlled by or otherwise in the possession of Customer or Impax Taiwan prior to the Closing shall be deemed to be, and shall be treated for all purposes under this Agreement as, Information of Customer, regardless of whether such Information is, after the Closing, in the possession of Manufacturer or any of its Affiliates (including, after the Effective Date, Impax Taiwan).

“**Containers**” means packaging boxes and shipping containers other than Components.

“**Contract Year**” means a twelve (12) month period commencing on each anniversary of the Effective Date during the term of this Agreement.

“**Defective Packaged Product**” shall have the meaning set forth in Section 8.1.

“**Defective Product**” shall have the meaning set forth in Section 8.1.

“**Directions for Testing**” means the quality control analytical methods used for testing of a Product and the Raw Materials, Components and Containers with respect thereto.

“**Equipment**” means any and all of the equipment used in the Processing and/or Packaging and testing of the Product, whether such equipment is the property of Manufacturer or Customer.

“**Existing Inventory**” means the Bulk Product, Raw Materials, Work-In-Process, Components, Containers, Labeling, and Intermediate Products that are in the possession of the Company as of the Effective Date, which shall be mutually agreed by the Parties on the basis of the levels of Bulk Product, Raw Materials, Work-In-Process, Components, Containers, Labeling, and Intermediate Products set forth in the Estimated Closing Date Balance Sheet and thereafter revised to reflect the Final Closing Date Balance Sheet or as otherwise finally determined pursuant to Section 2.4(b) of the Purchase Agreement, which Attachment C shall (a) identify each Intermediate Product by type, quantity and per unit cost to Manufacturer and (b) if applicable, the date by which such Existing Inventory must be incorporated into a relevant Product in order for Manufacture to satisfy the shelf-life requirements set forth in Section 5.5.

“**Facility**” means Impax Taiwan’s manufacturing and packaging facility located at No. 1, Kedong 3rd Road, Jhunan Science Park, Jhunan, Miaoli County, 35053, Taiwan.

“**FDA**” means the United States Food and Drug Administration or any successor organization thereto.

“**FDCA**” means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. §§ 301 et seq., as amended.

“**Finished Product**” means a Product at the completion of Processing and/or Packaging into the final form with respect to such Product to be delivered by Manufacturer.

1.1.1 “**Firm Commitment**” shall have the meaning set forth in Section 4.1.

“**Intermediate Product**” means a material supplied by Customer to Manufacturer for further Processing and/or Packaging of a Product, which Intermediate Product shall be set forth on the Schedule, attached hereto, with respect to the applicable Product.

“**Labeling**” means all printed labeling, including but not limited to, labels, package inserts and cartons, for a Product.

“**Latent Defect**” means a defect in the Product that existed at or prior to delivery attributable to Manufacturer Defective Processing or Manufacturer Defective Packaging that occurred while Product was under the sole control and possession of Manufacturer, and which was not discoverable upon inspection by Customer in accordance with its internal procedures.

“**Lot Number**” means the unique number applied to a Batch of a Product by Customer and/or Manufacturer; provided, however, that all Batches with respect to a Product shall reference the Customer number with respect to such Product.

“**Manufacturing Cost**” means, with respect to a Product that is Processed and/or Packaged and analyzed for quality control, release and stability testing by or on behalf of Manufacturer and supplied to Customer hereunder, the costs incurred by Manufacturer or its Affiliate that are [****], consisting of: (a) costs of [****] used in the manufacturing of the relevant Product; (b) [****] ; (c) costs of [****], including costs for [****]; (d) [****]; (e) [****]; (f) costs of [****]; (g) [****]; and (h) [****] . All of the foregoing listed costs shall be included in the Manufacturing Cost [****]. Notwithstanding the foregoing, Manufacturing Cost shall not include any (i) [****], (ii) [****], (iii) [****], (iv) [****], (v) [****], or (vii) [****]. The Manufacturing Cost shall be computed by Manufacturer and its Affiliates in accordance with US generally accepted accounting principles.

“**Manufacturing Investigation or Deviation Report**” means a report by Manufacturer indicating any deviation from the Processing and/or Packaging procedures with respect to a Product as set forth in the Quality Agreement with respect to such Product.

“**Manufacturer Defective Packaging**” shall have the meaning set forth in Section 8.1.

“**Manufacturer Defective Processing**” shall have the meaning set forth in Section 8.1.

“**Master Batch Record**” means the document containing the formula (listing API and/or Intermediate Product and Raw Materials), procedures for the Processing, quality control and assurance of a specific Product, and in-process and finished Specifications for such

Product as set forth in the applicable Schedule with respect to such Product, and reviewed and approved by both Manufacturer and Customer Quality Assurance.

1.1.2 “**Master Packaging Record**” means the document containing a specific Product description (listing Intermediate Product, Components, Containers and Labeling), procedures for the Packaging, quality control and assurance of the Product, and in-process and finished Specifications for such Product as set forth in the applicable Schedule with respect to such Product; and reviewed and approved by both Manufacturer and Customer quality assurance groups.

“**NDA**” means any New Drug Application filed by Customer with the FDA and any amendments thereto.

“**Package and/or Packaging**” means the act of inspecting, filling a specific Product into Components, placing the Labeling on and with such Product, and final packing of such Product into Containers in accordance with the applicable Master Packaging Record or the registration or Validation protocol, in each case with respect to such Product.

“**Party and/or Parties**” means any or all of Customer, Bora and/or Impax Taiwan.

“**Pharmacovigilance Agreement**” has the meaning set forth in Section 7.9.

“**Process and/or Processing**” means the pharmaceutical manufacturing procedures, or any part thereof, involved in manufacturing a specific Product from the API and/or Intermediate Product and Raw Materials, in each case with respect to such specific Product, in accordance with the applicable Master Batch Record or registration or Validation protocol, in each case with respect to such Product.

“**Product**” means a pharmaceutical product that Customer desires to have Processed and Packaged pursuant to this Agreement and which is described in an applicable Schedule attached hereto.

“**Product Change Control Request**” means a form filled out and submitted by one Party to the other Party for the purposes of proposing making any change to an approved process or equipment used to Process and/or Package a specific Product. Each Party shall submit to the other Party using its own respective Product Change Control Request form for the use of Processing and/or Packaging changes or changes to the Master Batch Record or Master Packaging Records. All such Product Change Control Requests shall go through proper procedures as described in each Party’s internal operating procedures prior to implementation.

“**Product Specifications**” means the applicable Specifications with respect to a specific Product.

“ **Production Fees** ” means the amounts charged by Manufacturer for its services as detailed on the applicable Schedule, attached hereto, with respect to a specific Product.

“ **Product Maintenance Services** ” has the meaning set forth in Section 2.11.

“ **Purchase Agreement** ” has the meaning set forth in the Recitals.

“ **Purchase Order** ” means the firm, written orders for Processing and/or Packaging of a specific Product submitted by Customer to Manufacturer pursuant to Section 4.2.

“ **Quality Agreement** ” means the master quality document agreed to pursuant to Section 7.1, between Customer and the Manufacturer quality assurance groups outlining the operational responsibilities of each group in regards to the Product(s) and the Processing and/or Packaging of such Product(s) in Manufacturer’s Facility. For the avoidance of doubt, if required there will be a Product-specific addendum attached to the Quality Agreement with respect to each specific Product prior to the initiation of Processing of such Product hereunder.

“ **Raw Materials** ” means the excipients other than the API and/or Intermediate Product necessary for Processing a specific Product, as listed in the Master Batch Record with respect to such Product.

“ **Regulatory Authorities** ” means the FDA, European Union and Taiwanese (including the Taiwanese Food and Drug Administration) regulatory agencies having the authority to approve and/or control the right to manufacture, import, conduct clinical testing, market or sell a Product.

“ **Review Period** ” shall have the meaning set forth in Section 8.1.

“ **Rolling Forecast** ” shall have the meaning set forth in Section 4.1.

“ **Schedules** ” mean the schedules, in the form set forth in Attachment A (Form of Product Schedule) hereto, each such schedule (Product Schedule 1, Product Schedule 2, etc.) attached hereto and incorporated herein by reference each of which shall relate to a specific Product hereunder and which shall contain the following information with respect to such Product (each, a “ **Product Schedule** ”):

- (i) Specifications for the Processing and Packaging of such Product;
- (ii) API, Intermediate Product, Raw Materials, Components, Labeling, and Containers, and specifications with respect thereto, in each case for the Processing and Packaging of the applicable Product;
- (iii) Production Fees and Unit Cost; and
- (iv) any other unique information or requirements agreed between the Parties with respect to such Product.

“**SDS**” means the material Safety Data Sheets for the API for a specific Product and a Finished Product.

“**Shortfall**” shall have the meaning set forth in Section 4.6.

“**Specifications**” means the API and/or Intermediate Product, Raw Material, Components, Labeling, and Containers specifications and the in-process and Finished Product specifications for testing and release and stability as approved by Customer and Regulatory Authorities for the Products set forth on the Schedules attached hereto.

“**Territory**” means the United States of America and its territories, protectorates and possessions.

“**Unit Cost**” means the cost charged by Manufacturer per unit of a specific Product as detailed on the applicable Schedule attached hereto.

“**Validation**” means all installation qualification (IQ), operational qualification (OQ), performance under load qualification (PQ), cleaning validation, and method validation procedures for the Facility, Equipment, Processing and/or Packaging processes, and analytical testing methods for quality control and cleaning that may affect a specific Product.

“**Work-In-Process**” means the API and/or Intermediate Product and Raw Materials, or Bulk Product and Components, Labeling and Containers, with respect to a Batch of a specific Product during the time period beginning at the time Manufacturer begins work in accordance with the Master Batch Record or Master Packaging Record with respect to such Product and ending upon completion of the Processing and Packaging of a Finished Product in accordance with this Agreement.

ARTICLE 2 PROCESSING/PACKAGING ARRANGEMENT

2.1 Scope of Work

(a) Manufacturer shall Process, Package and/or, as the Parties agree in writing, store, and shall analyze for quality control, release and stability testing, each Product in accordance with the Specifications contained in the Master Batch Record, the Master Packaging Record and the Directions for Testing as listed in the applicable Schedule, attached hereto, with respect to such Product and deliver such Product in accordance with the terms and conditions of this Agreement and Manufacturer shall perform these services for Customer at the Production Fees and Unit Costs listed in the applicable Schedule attached hereto with respect to such Product (such Production Fees and Unit Costs being subject to adjustment in accordance with the terms hereof).

(b) Manufacturer shall Process each Product in accordance with the Specifications, applicable laws and the terms and conditions of this Agreement. During the Term, Customer and its Affiliates shall purchase exclusively from Manufacturer all of

Customer's and its Affiliates' requirements of Product in the Territory; *provided, however*, that pursuant to the terms of Section 4.6 and Section 4.7 and for the time period described therein, upon the occurrence of a Shortfall or an Adverse Supply Event, Customer may purchase its requirements for the Products affected by the Shortfall or Adverse Supply Event from any one or more third persons or produce the Product itself.

1.2 2.2 **Lot Numbering/Expiration Dates**. With respect to Packaging specific Product, Manufacturer shall make arrangements for and implement the imprinting of Lot Numbers and expiration dates on, as applicable, the packaging of each Product shipped. Such Lot Numbers and expirations dates shall be affixed on the Product packaging and on the shipping carton of each product as is required by cGMPs and consistent with the Specifications. Electronic on-line verification of the Lot Number/Expiration date and serialization will be performed by

Manufacturer. If Manufacturer places an internal Lot Number on a Product package and/or shipping carton that is different from the Customer Lot Number referenced in the Purchase Order for that Batch of Product, Manufacturer shall provide a cross-reference for the Customer Lot Number on all documents associated with the Batch of Product.

2.3 **Product Identifier and Serial Numbering**. If applicable, Manufacturer shall make arrangements for the imprinting of the product identifier, i.e., global trade identification number (GTIN) and serial number on the packaging of each Product shipped. Such product identifier and serial number shall be affixed on the product packaging and on the shipping carton of each product as required by cGMPs and consistent with the Specifications. Electronic on-line verification of the product identifier and serial number will be performed by Manufacturer.

2.4 **Data Carrier Printing and Encoding**. If applicable, Manufacturer shall make arrangements for the imprinting of the data carrier, i.e., 2D Data Matrix or barcode, on the packaging of each Product shipped. Such data carrier shall encode the Lot Number, expiration date, product identifier and serial number. Such data carriers shall be affixed on the product packaging and on the shipping carton of each Product as required by cGMPs and consistent with the Specifications. Electronic on-line verification of the data carrier will be performed by Manufacturer.

2.5 **Sub-Contracting**. Manufacturer shall not without prior written approval of Customer sub-contract any part of its obligations or responsibilities under this Agreement to a third party. For the avoidance of doubt, for purposes of this Section 2.5, Manufacturer's Affiliates shall not be third parties.

2.6 **Product Change Control Requests**. Any proposed change to the Master Batch Record, Master Packaging Record or Specifications with respect to a Product must be approved by each of Customer and Manufacturer through the issuance and acceptance of a Product Change Control Request. All changes thereto agreed to by the Parties from time to time shall be in writing, dated and signed by the Parties. No change in the Product Change Control Request shall be implemented by Manufacturer, whether requested by Customer or

requested or required by any Regulatory Authority, until the Parties have agreed in writing to such change, the implementation date of such change, and any increase or decrease in costs, expenses or fees associated with such change (including any change to Unit Cost). Manufacturer shall respond promptly to any Product Change Control Request made by Customer (and in any event no later than [****] business days within receipt of any such request), and both Parties shall use commercially reasonable efforts to agree to the terms of such requested change in a timely manner. As soon as practicable after a Product Change Control Request is made, Manufacturer shall notify Customer of the costs associated with such Product Change Control Request and shall provide such supporting documentation as Customer may reasonably request. Any costs associated with such Product Change Control Request shall be borne by Customer, except where such change is specific to the Facility and not related to any Product, in which case such costs shall be borne by Manufacturer. If there is a conflict between the terms of this Agreement and the terms of the Product Change Control Request, this Agreement shall control. Manufacturer reserves the right to postpone effecting changes until such time as the Parties agree to and execute the required written amendment. No revisions to the Specifications that would affect the Processing and/or Packaging of a Product shall be submitted to any Regulatory Authorities unless approved by all Parties in writing. It is understood by all Parties that changes mandated by Regulatory Authorities shall be acted upon with due diligence and at Customer's expense.

2.7 **Changes and Modifications to Facility or Equipment by Manufacturer.**

(a) **Change in Location.** Manufacturer shall not change the Facility at which it Processes and/or Packages a Product. Manufacturer shall not move the physical location within its Facility for Processing, testing and/or Packaging the Product without obtaining Customer's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. If any changes are proposed by Manufacturer and agreed to by Customer in writing in regard to movement of Processing and/or Packaging within Manufacturer's Facility, responsibility for the costs of any Validation activities required in connection with such change will be discussed among and agreed to by the Parties.

(b) **Modifications to Facility.** Manufacturer shall notify Customer in writing at least [****] calendar days prior to any planned modifications to parts of the Facility used for Processing, Packaging or storage of the Product if such modifications will materially affect a Product. In the event of such planned modifications of the Facility, Manufacturer shall use commercially reasonable efforts to accommodate Customer's requirements for Product by compiling Product inventory and bridge stock of Product for such period of Facility modifications.

2.8 **On Time Delivery.** Matrices for Manufacturer performance for on time delivery for each Product will be developed and maintained by the Parties. The Parties shall review such matrices quarterly to maintain terms that are acceptable to both Parties throughout the term of this Agreement. In the event that Manufacturer delivers Product more than [****] days after the mutually agreed delivery date for such Product on [****], then the Parties shall

meet to discuss steps to address such late deliveries and shall jointly develop an action plan with respect thereto.

2.9 **No Volume Guarantee**. Except for Manufacturer's Firm Commitments (as defined in Section 4.1) and subject to Customer's compliance with Section 2.1, Manufacturer acknowledges that Customer is not guaranteeing any volume of Product will be ordered by Customer.

2.10 **Product Maintenance Services**. Customer will receive the product maintenance services set out in Attachment B (the "**Product Maintenance Services**") at no additional charge to Customer.

ARTICLE 3 RAW MATERIALS, API, COMPONENTS, CONTAINERS AND LABELING

3.1 **Supply**.

(a) API.

(i) In Processing and/or Packaging Products, Manufacturer will use its commercially reasonable efforts to utilize the Existing Inventory before utilizing other Raw Materials, Containers, Components and Intermediate Product. With respect to any Intermediate Product that is not included in the Existing Inventory, and upon full utilization of the Existing Inventory, in each case unless the Parties agree otherwise with respect to a specific Product as set forth in the applicable Product Schedule, Customer shall supply to Manufacturer for Processing, at Customer's sole cost and risk, API and Intermediate Product, and any other Customer-supplied materials, in quantities sufficient to meet Customer's requirements for a specific Product as set forth in the applicable Schedule with respect to such Product. Customer shall deliver such items with respect to the applicable Product, together with associated certificates of analysis, to the Facility no later than [****] calendar days before, but not earlier than [****] calendar days before, the date upon which the Parties agree pursuant to Section 4.2 that delivery with respect to such Product will occur. Customer shall be responsible at its expense for securing any necessary export or import clearances or permits required in respect of supply to Manufacturer of such items. Manufacturer shall use such items solely and exclusively for Processing such Product pursuant to the terms of this Agreement. Prior to Effective Date, for each item of Existing Inventory, Customer shall provide to Manufacturer (if not then in Manufacturer's possession) a copy of all associated SDS, safe handling instructions, storage requirements and conditions and health and environmental information, and shall promptly provide any updates or revisions thereto. After the Effective Date, prior to delivery of any API and Intermediate Product by Customer, Customer shall provide to Manufacturer a copy of all associated SDS, safe handling instructions, storage requirements and conditions and health and environmental information, and shall promptly provide any updates or revisions thereto.

(ii) Within [****] calendar days of receipt by Manufacturer of API, Intermediate Products or any other Customer-supplied materials, Manufacturer shall inspect such items to verify their identity. Manufacturer shall follow the current site level standard operating procedures to receive, test, and release articles per annual testing and reduced testing requirements. Unless otherwise expressly required by the Specifications as set forth in the Schedule with respect to the applicable Product, Manufacturer shall have no obligation to test such items to confirm that they meet the associated specifications or certificate of analysis or otherwise; but in the event that Manufacturer detects a nonconformity with such specifications, Manufacturer shall give Customer prompt oral and written notice of such nonconformity. Manufacturer shall not be liable for any defects in API, Intermediate Products or any other Customer-supplied materials, or in the applicable Product to the extent any defect is attributable to defective API, Intermediate Product or any other Customer-supplied Materials, unless Manufacturer failed to properly perform the foregoing obligations. Manufacturer shall follow Customer's reasonable written instructions in respect of return or disposal of defective API, Intermediate Product or any other Customer-supplied materials, at Customer's sole cost and risk.

(iii) Customer shall retain title to API, Intermediate Product and any other Customer-supplied materials at all times and, subject to Section 3.4, shall bear the risk of loss thereof.

(iv) If Manufacturer notifies in writing Customer of a discrepancy in the quantity, appearance or identity of the API and/or Intermediate Product within the [****] business day period after Manufacturer receives such materials, Customer shall endeavor in good faith to ship additional API and/or Intermediate Product within the time period necessary for Manufacturer to Process and/or Package the Product in accordance with the scheduled Processing date in accordance with the applicable Purchase Order. If Manufacturer informs Customer of any discrepancies in the quantity, appearance or identity of the API and/or Intermediate Product after such [****] business day period, then Customer shall endeavor to supply the Manufacturer with additional API and/or Intermediate Product sufficient to Process and/or Package the scheduled Product in accordance with the applicable Purchase Order. Manufacturer reserves the right to cancel or delay the delivery of all, or any part of, a Purchase Order upon written notice to Customer, and Manufacturer shall have no further obligations or liability with respect to such Purchase Order, if Customer refuses or fails to timely supply conforming API, Intermediate Product, or any other Customer-supplied materials in accordance with this Section 3.1. Any such cancellation of Purchase Orders or delay in delivery shall not constitute a breach of this Agreement by Manufacturer.

1.3 (b) Raw Materials, Components, Containers. Manufacturer shall be responsible for procuring, inspecting and releasing adequate Raw Materials, Components and Containers from the manufacturer or vendor (“**Supplier**”) specified in the Product Specifications as necessary to meet the Firm Commitment, unless otherwise agreed to by the Parties in writing. Manufacturer shall be responsible for audits of any Suppliers; provided that, if any on-site audit of a Supplier is necessary, Customer shall reimburse Manufacturer for all costs and expenses incurred by Manufacturer for such on-site audit. Customer shall pay

Manufacturer at its then prevailing hourly rate charged by Manufacturer for such on-site audit for each hour spent, and reimburse Manufacturer for all reasonable, actual and documented expenses incurred in, conducting such on-site audit. Manufacturer shall not be liable for any delay in delivery of the applicable Product if (A) Manufacturer is unable to obtain, in a timely manner, a particular Raw Material or Component necessary for Processing or Packaging due to reasons beyond its reasonable control and (B) Manufacturer placed orders for such Raw Materials, Components and Containers promptly following receipt of Customer's Firm Commitment. In the event that any Raw Materials, Components or Containers become subject to purchase lead time beyond the Firm Commitment time frame, the Parties will negotiate in good faith an appropriate amendment to this Agreement. Manufacturer shall not be liable for any defects in Raw Materials, Components or Containers or in Packaging or Product as a result of such defective Raw Materials, Components or Containers from such Supplier, unless Manufacturer failed to properly perform any testing required by the Product Specifications set forth in the Schedule attached hereto with respect to the specific Product.

3.2 **Cost.** The cost of the above Raw Materials, Components and Containers and testing of such shall be included in the Production Fees/Unit Cost as set forth in the applicable Schedule for a specific Product; provided, however, that Customer shall be responsible for the cost of supplying (but not any testing that is performed by Manufacturer in accordance with its standard operating procedures) all API, Intermediate Product or any other Customer-supplied materials.

3.3 **Artwork and Labeling.** Customer shall be responsible for supplying Manufacturer with a copy of all artwork and Labeling with respect to a Product and for ensuring that the copy for artwork and Labeling conforms to all applicable laws, rules, regulations, and requirements of all appropriate Regulatory Authorities. Such artwork and Labeling is and shall remain the exclusive property of Customer. Customer shall be solely responsible for the content thereof. Manufacturer shall be responsible for ordering and paying for sufficient quantities of artwork and Labeling as required by the applicable Firm Commitment; provided that, Customer will reimburse Manufacturer for costs or expenses incurred for any artwork changes requested by Customer. Customer shall review and approve proofs for artwork and Labeling. The artwork and Labeling shall be shipped directly from the vendor to Manufacturer. Manufacturer shall store the artwork and Labeling as required by any relevant laws or regulations and shall place the artwork and Labeling on and with the applicable Product as specified by Customer. Such artwork and Labeling or any reproduction thereof may not be used by Manufacturer in any manner other than performing its obligations hereunder.

(a) **Manufacturer's Name.** Manufacturer's name shall not appear on the Labeling nor anywhere else on the Product unless required by a Regulatory Authority, governmental agency or other applicable laws or regulations.

(b) **Labeling Changes.** Upon reasonable prior written notice to Manufacturer, Customer may, in its sole discretion, make changes to labels, product inserts and other

Labeling for the Product, which changes shall be submitted by Customer to all applicable Regulatory Authorities responsible for the approval of the Product, if required.

3.4 **Other Damage or Loss**. Except for any damage or loss resulting from fire (other than one caused by the negligence of Manufacturer), flood, tornado, earthquake, or other act of God beyond Manufacturer's ability to control or to the extent caused by Customer's gross negligence or willful misconduct, subject to the limitation of liability set forth in Section 14.4, Manufacturer shall assume all responsibility and liability for any loss of or damage to the API and/or Intermediate Product while Manufacturer has custody and control over the API and/or Intermediate Product, Work-In-Process, Bulk Product and/or Finished Product. Such responsibility and liability shall commence upon the receipt of the API and/or Intermediate Product at the Facility and end upon the delivery of the Product to Customer. Manufacturer shall insure itself for this potential loss pursuant to Section 17.

1.4 3.5 **Repurchase of Existing Inventory**. If, despite compliance by Manufacturer with its obligations under Section 3.1(a)(i) and the other provisions of this Agreement, any of the Existing Inventory becomes unusable in the Processing and Packaging of Products as reasonably determined by Manufacturer, then Manufacturer may deliver to Customer a notice to that effect

identifying the relevant Existing Inventory. Customer shall within [****] calendar days after delivery of such notice purchase such Existing Inventory at the rates set forth on Attachment C and either take delivery of such Existing Inventory or request Manufacturer to arrange for the destruction of such Existing Inventory (in each case at the sole cost and expense of Customer).

ARTICLE 4 FORECASTS AND ORDERS

4.1 **Forecasts**. On or before the [****] calendar day of each month of each Contract Year, Customer shall provide Manufacturer with a written [****] rolling forecast of the volume of each Product that Customer anticipates will be required to be Processed, Packaged and delivered to Customer during each of the [****] (the "**Rolling Forecast**"). Such Rolling Forecast shall include detailed ordering requirements for each of Processing and Packaging. With respect to Packaging, Customer shall provide detailed instructions as to the packaging configuration and requested delivery date for packaged Product. The first [****] of such Rolling Forecast shall constitute a binding order for the quantities of Product specified therein ("**Firm Commitment**") and the following [****] of the Rolling Forecast shall be non-binding, good faith estimates.

4.2 **Purchase Orders**. From time to time as provided in this Section 4.2, Customer shall submit to Manufacturer a binding, non-cancelable purchase order for each Product specifying the number of Batches to be Processed and Packaged, the Batch size (to the extent the Product Specifications permit Batches of different sizes) and the requested delivery date for each Batch ("**Purchase Order**"). Concurrently with the submission of each Rolling Forecast, Customer shall submit a Purchase Order for the [****] of the then applicable Firm Commitment. Within [****] calendar days following receipt of a Purchase Order, Manufacturer shall issue a

written acknowledgement (“ **Acknowledgement** ”) that it accepts or rejects such Purchase Order. Each acceptance Acknowledgement shall either confirm the delivery date set forth in the Purchase Order or set forth a reasonable alternative delivery date. Manufacturer may only reject Purchase Orders pursuant to Section 3.1(a)(iv) for [****] or for the failure of such Purchase Order to comply with the provisions of this Agreement, including if such Purchase Order exceeds the forecast for the applicable Firm Commitment for a Product by more than [****] pursuant to Section 4.3. In the event that a Purchase Order is so rejected, Manufacturer shall provide to Customer the reasons for rejection in writing and Manufacturer and Customer will cooperate in good faith to promptly resolve any supply issues raised by such order. If a rejected Purchase Order is so resolved, Manufacturer shall use commercially reasonable efforts to timely supply any Products in accordance with the resolution of such rejected Purchase Order. Customer and Manufacturer agree that the Parties shall cooperate in good faith in order to develop a mutually acceptable method to maintain an appropriate safety stock for long lead time items (i.e., items with a lead time longer than [****] calendar days).

4.3 **Permitted Amount to be Ordered**. The minimum size of any Purchase Order for a Product shall be the number of Batches that the Parties have agreed upon in the Product Schedules with respect to such Product. The maximum quantities ordered will be no more than [****] in excess of the forecast for the applicable Firm Commitment for a Product. Manufacturer shall use its commercially reasonable efforts, but shall be under no obligation, to supply Product more than [****] in excess of the applicable Firm Commitment.

4.4 **Customer’s Modification or Cancellation of Purchase Orders**. Customer may modify the delivery date or quantity of a Product in a Purchase Order only by submitting a written change order to Manufacturer at least [****] calendar days in advance of the agreed delivery date with respect to such Product, covered by such change order. Such change order shall be effective and binding against Manufacturer only upon the written approval of Manufacturer. Manufacturer shall make commercially reasonable efforts to accommodate any changes to Purchase Orders requested by Customer, but if Manufacturer is unable to accommodate such changes, Customer shall remain responsible for any approved Purchase Orders.

4.5 **Reliance by Manufacturer**. Customer understands and acknowledges that Manufacturer will rely upon the Purchase Orders submitted pursuant to Section 4.2 in ordering Raw Materials, Containers, Components and Labeling required to meet such orders. In addition, Customer understands that to ensure an orderly supply of such Raw Materials, Containers, Components and Labeling and to achieve economies of scale in the costs therefore, it may be desirable for Manufacturer to purchase such Raw Materials, Containers, Components and Labeling in sufficient volumes to meet the production requirements for the Product during part or all of the forecasted periods referred to in Section 4.1 or to meet the production requirements of any longer forecasted period as Manufacturer and Customer may agree to. Accordingly Customer agrees that purchases may be made by Manufacturer in respect of the Raw Materials, Containers, Components and Labeling identified in the applicable Product Schedule to satisfy the production requirements for the Product for such forecasted periods as may be agreed to in writing from time to time by Customer (such

agreement not to be unreasonably withheld, delayed or conditioned) at the request of Manufacturer. In such circumstances, if such Raw Materials, Containers, Components and Labeling are not included in the Finished Product purchased by Customer within [****] after the forecast in respect of which such purchases have been made (or such longer period as the Parties may have agreed to), Customer will pay to Manufacturer its reasonable and documented out-of-pocket costs thereof and, in the event such Raw Materials, Containers, Components and Labeling are incorporated into the Product subsequently purchased by Customer, Customer will receive credit for any such costs previously paid to Manufacturer by Customer.

4.6 **Shortfalls**. On a Product-by-Product basis, if there is a Shortfall, Customer may do one or more of the following: (a) cancel the quantity of Product subject to the Shortfall (rounded up to the nearest Batch) from the applicable Purchase Order accepted by Manufacturer without further obligation regarding the cancelled Purchase Order, including any payment obligations; or (b) obtain the quantity of Product subject to the Shortfall from any one or more third persons or produce the Product itself until up to [****] after Manufacturer resumes supply of such Product in such quantities ordered under firm Purchase Orders in accordance with this Agreement. Each of the following circumstances is a “**Shortfall**”: (i) in any [****] calendar month period, Manufacturer fails to timely deliver at least [****] of a Product ordered under firm Purchase Orders and Manufacturer is unable to fulfill such Shortfall in the subsequent [****] month period; and (ii) in any [****], Manufacturer fails to timely deliver at least [****] of a Product ordered under Purchase Orders accepted by Manufacturer; provided that, the circumstances set forth in (i) and (ii) shall not be considered a Shortfall if the cause of such circumstances is attributable to the acts or omissions of Customer. Customer’s obligations to purchase such Product in the applicable Firm Commitment period under this Agreement [****]. Customer’s rights under this Section 4.6 are in addition to any other rights or remedies of Customer available under applicable law. For purposes of this Section 4.6, Products shall be considered timely delivered if such Products are delivered to Customer pursuant to Section 5.2 within [****] calendar days of the agreed upon delivery date for such Products set forth in the Acknowledgement corresponding to the applicable Purchase Order for such Products (or such later date as may be applicable under Section 3.1(a)(v)).

4.7 **Adverse Supply Events**. On a Product-by-Product basis, if there is an Adverse Supply Event that Manufacturer does not or cannot remediate so that Processing and delivery of such Product continues or can resume within [****] calendar days after the occurrence of the Adverse Supply Event, Customer may cancel some or all of the affected outstanding Purchase Orders and forecasts and obtain all of its requirements for such Product affected by the Adverse Supply Event from any one or more third persons or produce such Product itself [****] after Manufacturer resumes supply of such Product in accordance with this Agreement unless the cause of such Adverse Supply Event is attributable to the actions or omissions of Customer. Each of the following circumstances is an “**Adverse Supply Event**”: (a) [****]; (b) [****]; (c) [****]; (d) [****]; and (e) [****]. Even if Customer exercises any of its rights under this Section 4.7, Manufacturer shall use commercially reasonable efforts to resume Processing of the Products after any Adverse Supply Event. [****] months after Manufacturer

resumes supply of such Product in accordance with this Agreement, Manufacturer shall fulfill Purchase Orders and Customer shall no longer procure quantities of such Product from any third person or produce such Product itself.

ARTICLE 5 DELIVERY AND PAYMENT TERMS

5.1 **Storage.** If Customer fails to take delivery of any Product on any scheduled delivery date, Manufacturer shall store such Product as Customer's agent, and Customer shall be invoiced on the first day of each month following such scheduled delivery for reasonable administration and storage costs. For each such Batch of stored Product, Customer agrees that: (A) Customer has made a fixed commitment to purchase such Product, (B) title and risk of loss for such Product passes to Customer upon the scheduled delivery date (or if no delivery date is determined, within [****] after billing), (C) such Product shall be on a bill and hold basis for legitimate business purposes, (D) if no delivery date is determined at the time of billing, Manufacturer shall have the right to ship such Product to Customer within [****] after billing, and (E) Customer will be responsible for any decrease in market value of such Product that relates to factors and circumstances outside of Manufacturer's control. Within [****] business days following a written request from Manufacturer, Customer shall provide Manufacturer with a letter confirming items (A) through (E) of this Section for each Batch of stored Product.

5.2 **Delivery.** Manufacturer shall tender Product for delivery [****] the Facility promptly following Manufacturer's release of Product as applicable. Manufacturer shall segregate and store all Product until tender of delivery. Each shipment of a Batch of Product shall include a copy of the Certificate of Analysis for that Batch. Title and all costs and risk of loss associated with shipment of the Product shall pass to Customer upon delivery to the applicable carrier. Customer shall qualify at least [****] carriers to ship Product and then designate the priority of such qualified carriers to Manufacturer. The shipping labels for each shipment shall contain information as specified in writing by Customer and be delivered to Manufacturer reasonably in advance of the date of production or supply, as applicable.

5.3 **Invoices.** Except as otherwise provided in this Agreement, including without limitation amounts owed by Customer pursuant to Section 4.4 hereof, Manufacturer shall issue an invoice Customer for the fees applicable to the Batch, upon receipt of Purchase Order, which shall be based on the fees set forth in the applicable Purchase Order and in accordance with the applicable Product Schedule. Each such invoice shall, to the extent applicable, identify the Purchase Order number, Product name, quantity and Lot Number, Unit Price, and the total amount to be remitted by Customer. Customer shall pay all such invoices within [****] calendar days following the date of invoice by check or electronic funds transmission in United States dollars as specified in any invoice, without any offset or deduction of any nature whatsoever.

5.4 **Taxes.** All taxes, duties and other amounts assessed (excluding tax based on net income and franchise taxes) on services, components, or Product prior to or upon provision or

sale to Manufacturer or Customer, as the case may be, and on any other Customer-supplied materials, are the responsibility of Customer, and Customer shall reimburse Manufacturer for all such taxes, duties or other documented assessed amounts paid by Manufacturer or such sums will be added to invoices directed at Customer, where applicable.

5.5 **Shelf Life at Delivery**. All Product delivered to Customer shall upon delivery have at least [****] of its respective remaining shelf-life, unless otherwise specified in the Schedules.

ARTICLE 6 PRICING

6.1 **Unit Pricing**. Customer shall pay Manufacturer the unit pricing for a Product set forth on the applicable Product Schedule attached hereto (“ **Unit Cost** ”). Such fees shall be paid as set forth in Section 5.3. Customer shall pay Manufacturer for all other reasonable and documented fees and expenses of Manufacturer owing in accordance with the terms of this Agreement , including payments to Regulatory Authorities, and assistance with regulatory matters, as set forth in Section 7.5 . Such fees and expenses shall be paid within thirty (30) calendar days following date of invoice, which invoice shall be submitted to Customer by Manufacturer as and when appropriate.

6.2 **Adjustments to Pricing**. The Unit Cost for a specific Product shall be adjusted on an annual basis, effective on January 1st of each Contract Year, upon [****] calendar days’ written notice from Manufacturer to Customer. Such increase shall not be more than [****]. Any price increases for [****] shall be passed through to Customer. At Customer’s request, Manufacturer will provide sufficient documentation to support the price increases related to [****]. If Manufacturer does not provide sufficient documentation to support the price increases related to the [****] within [****] business days after Customer’s request, such price increase with respect to [****] will not be effective. As set forth in the applicable Product Schedule, Unit Costs have been calculated on the basis of estimated volumes negotiated by the Parties in good faith. If at the end of the [****] Contract Year, the Customer’s Firm Commitment [****].

ARTICLE 7 QUALITY ASSURANCE; REGULATORY MATTERS

7.1 **Quality Agreement**. Prior to the Effective Date, the Parties shall negotiate in good faith and enter into a Quality Agreement. The Quality Agreement shall be used by both Parties to assign the day-to-day responsibilities and manage the operations of both the Customer and the Manufacturer quality assurance groups in regards to the Processing and Packaging of this Product by Manufacturer for Customer. The Quality Agreement will cover roles and responsibilities for both Customer and Manufacturer for subjects including, but not limited to, Master Batch Records and/or Master Packaging Records, Manufacturing Investigation or Deviation Reports, Validation activities, Batch release, and Equipment qualification. The Quality Agreement shall in no way determine liability or financial

responsibility of the Parties for the responsibilities set forth therein. In the event of a conflict between any of the provisions of this Agreement and the Quality Agreement with respect to quality-related activities, including compliance with cGMP, the provisions of the Quality Agreement shall govern. In the event of a conflict between any of the provisions of this Agreement and the Quality Agreement with respect to any commercial matters, including allocation of risk, liability and financial responsibility, the provisions of this Agreement shall govern.

7.2 **Manufacturer Responsibility**. Manufacturer shall be responsible to ensure that its Processing and Packaging, the Facility, Manufacturer's Equipment and systems meet regulatory requirements for cGMPs for the United States of America, the European Union and Taiwan, Republic of China. Manufacturer shall be responsible for Validation of its Facility, Manufacturer's Equipment, Processing and Packaging processes and the costs of such Validation shall be absorbed by Manufacturer and/or agreed to in writing by Customer. Customer shall be responsible for all costs related to the Validation of Customer's Equipment and any testing methods that apply solely to any Products. In addition, Manufacturer shall be responsible for all necessary education and training of its employees in regards to the Facility, Equipment, Processing and Packaging, and testing methods that apply to each specific Product. The costs of such education and training will be absorbed by Manufacturer. Subject to Section 5.1, Manufacturer shall be responsible for storage of all API and/or Intermediate Product, Raw Materials, Containers, Components and Labeling, and Processing and Packaging, holding, release testing and storage of the Product in accordance with (a) Manufacturer's internal systems and standard operating procedures relating to quality assurance in its manufacturing operations, and (b) the specific Product Specifications.

7.3 **Batch Records and Data**. Upon Customer's prior written request, within [****] calendar days following the completion of Processing and Packaging of each Batch, Manufacturer shall provide Customer with properly completed copies of Processing and Packaging Batch records prepared in accordance with the Specifications; provided, that if testing reveals an out-of-Specification result, Manufacturer shall use commercially reasonable efforts to provide such Processing and Packaging Batch records within [****] calendar days following resolution of the out-of-Specification result.

7.4 **Recordkeeping**. Manufacturer shall maintain materially complete and accurate books, records, test and laboratory data, reports and other information relating to Processing and Packaging, including all information required to be maintained by applicable laws, in accordance with Manufacturer standard operating procedures and all applicable laws. Such information shall be maintained in accordance with cGMP and the terms of the Quality Agreement.

7.5 **Regulatory Compliance**. Customer shall be solely responsible for and will obtain all Regulatory Approvals, including any applications and amendments in connection therewith. Manufacturer will be solely responsible for and will maintain all permits and licenses required by any Regulatory Authority with respect to the Facility generally. During the term of this Agreement, upon the written request of Customer, the Parties shall discuss

whether and how Manufacturer may assist Customer with regulatory matters relating to Processing and Packaging under this Agreement. In the event that the Parties mutually agree upon Manufacturer's assistance with respect to such regulatory matters, then Manufacturer shall assist Customer as the Parties agree at Customer's sole expense. Each Party intends and commits to cooperate to satisfy all applicable laws relating to Processing and Packaging under this Agreement.

7.6 Governmental Inspections and Requests. Manufacturer shall promptly advise Customer if an authorized agent of any Regulatory Authority visits the Facility concerning the Processing or Packaging of a Product. Manufacturer shall furnish to Customer a copy of the report by such Regulatory Authority, if any, within [****] calendar days of Manufacturer's receipt of such report, as it relates to such Product, and redacted appropriately for confidential information not relevant to such Product. Further, upon receipt of a Regulatory Authority request to inspect the Facility or audit Manufacturer's books and records with respect to Processing or Packaging of a Product under this Agreement, Manufacturer shall promptly notify Customer, and shall provide Customer with a copy of any written document received from such Regulatory Authority as it relates to such Product, appropriately redacted to account for Manufacturer's confidentiality rights and obligations. Customer is permitted to have not more than [****] representatives be present at the Facility for such inspection and available for questions regarding any such Product.

7.7 Customer Inspections and Audits. During the term of this Agreement, duly-authorized employees, agents and representatives of Customer shall be granted access upon such date mutually agreed by the Parties at reasonably agreed times during regular business hours to (i) the portion of the Facility where Manufacturer performs Processing or Packaging Products, (ii) relevant personnel involved in Processing or Packaging Products and (iii) Processing or Packaging records described in Section 7.3, in each case solely for the purpose of inspecting and verifying that Manufacturer is Processing and Packaging Products in accordance with cGMPs, the applicable Specifications and the Product master Batch records. Customer will arrange audit visits with Manufacturer's Quality Assurance department. Inspections shall be designed to minimize disruption of operations at the Facility. Customer may not conduct an inspection under this Section 7.7 more than once (1X) during any Contract Year; provided, that additional inspections may be conducted in the event that such inspection during such Contract Year reveals a material Processing, Packaging or other material issue with respect to Manufacturer's compliance with its obligation with respect to a Product under this Agreement, in which case a second audit may be conducted during such Contract Year solely to the extent reasonably necessary to confirm resolution of such issue. In addition, if (a) the FDA or other applicable Regulatory Authority asserts that Manufacturer has failed to comply with any applicable regulatory standard in connection with the Process or Packaging of any Product or (b) a Regulatory Authority orders or requires a Recall (as defined below), then Customer shall have the right to inspect such portions of the Facility that relate to the Process or packaging of such Product for supply to Customer upon [****] Business Days' notice, at its own expense and at a mutually agreeable time during normal business hours, and regardless of whether another audit or audits have been conducted within such Contract Year.

7.8 **Facility Qualification**. Manufacturer shall, at no cost to Customer, take all such actions to qualify (and thereafter to maintain qualification of) the Facility (or facilities) at which Manufacturer Processes and Packages Products hereunder, as required under applicable law in the United States of America.

7.9 **Pharmacovigilance Agreement**. Prior to the Effective Date, the Parties shall negotiate in good faith and enter into an agreement which shall specify the process and procedure for sharing adverse event information amongst the Parties (the “**Pharmacovigilance Agreement**”). In the event of a conflict between any of the provisions of this Agreement and the Pharmacovigilance Agreement with respect to drug safety-related activities, including the sharing of adverse event information, the provisions of the Pharmacovigilance Agreement shall govern. In the event of a conflict between any of the provisions of this Agreement and the Pharmacovigilance Agreement with respect to any commercial matters or quality-related activities, including compliance with cGMP, including allocation of risk, liability and financial responsibility, the provisions of this Agreement (including Section 7.1) shall govern.

ARTICLE 8 TESTING AND INSPECTION OF THE PRODUCT

8.1 **Releasing; Testing; Rejection**. Within [****] calendar days after Manufacturer completes Processing of a Batch, Manufacturer shall provide Customer or its designee with a Certificate of Analysis for such Batch. With respect to Packaging, Manufacturer shall provide Customer or its designee with a certificate of release for each Batch. Following Customer’s receipt of a shipment of a Batch, Customer or Customer’s designee may test samples of such Batch to confirm that the applicable Specifications have been met. Unless within [****] business days after Customer’s receipt of a Batch (“**Review Period**”), Customer or its designee notifies Manufacturer in writing (an “**Exception Notice**”) that such Batch does not meet the warranty set forth in Section 13.2 (“**Defective Product**” or “**Defective Packaged Product**”, as applicable), and provides a sample of the alleged Defective Product or Defective Packaged Product, the Batch shall be deemed accepted by Customer and Customer shall have no right to reject such Batch; provided, however, that such acceptance shall be subject to Customer’s right to reject Product for Latent Defects discovered by Customer at any time prior to [****] days from the date of delivery of the Product and within [****] business days after discovery of such Latent Defect. Upon timely receipt of an Exception Notice from Customer, Manufacturer shall conduct an appropriate investigation in its discretion to determine whether or not it agrees with Customer that Product is Defective Product or a Packaged Product is a Defective Packaged Product and to determine the cause of any nonconformity. If Manufacturer agrees that Product is Defective Product or a Packaged Product is a Defective Packaged Product and the cause of the nonconformity is attributable to Manufacturer’s breach of its Processing or Packaging obligations under this Agreement, gross negligence or willful misconduct (“**Manufacturer Defective Processing**” or “**Manufacturer Defective Packaging**”, as applicable), then Section 8.3 shall apply. For clarity, if Product is Defective Product or Defective Packaged Product from use of API, Intermediate Product, or other Customer-supplied materials that, at the time of delivery to Manufacturer, fails to conform to

specifications for such API, Intermediate Product or other Customer-supplied materials, then the cause of the nonconformity shall not be deemed to be Manufacturer Defective Processing or Manufacturer Defective Packaging, and Section 8.3 shall not apply.

1.5 8.2 **Discrepant Results**. In the event of a disagreement between the Parties regarding whether Product is Defective Product or Defective Packaged Product, as applicable, and/or whether the cause of the nonconformity is Manufacturer Defective Processing or Manufacturer Defective Packaging, which disagreement cannot be resolved by the Parties within [****] calendar days of the date of the Exception Notice, the Parties shall cause a mutually agreeable independent third party to review records, test data and to perform comparative tests and/or analyses on samples of the alleged Defective Product or Defective Packaged Product, as applicable, and its components, including API and other Customer-supplied materials. The independent party's results as to whether or not Product is Defective Product or Defective Packaged Product, as applicable, and the cause of any nonconformity shall be final and binding. Unless otherwise agreed to by the Parties in writing, the costs associated with such testing and review shall be (i) borne by Manufacturer if Product is Defective Product to the extent

attributable to Manufacturer Defective Processing or is a Defective Packaged Product to the extent attributable to Manufacturer Defective Packaging, (ii) shared equally by the Parties if the independent party is unable to make a final determination as to the cause of the nonconformity, and (iii) borne by Customer in all other circumstances.

8.3 **Defective Processing or Defective Packaging**. Manufacturer will, at Customer's option, either replace or repack at Manufacturer's cost any Batch of Defective Product attributable to Manufacturer Defective Processing or Manufacturer Defective Packaging and not attributable to API, Intermediate Product or other Customer-supplied Materials that (i) at the time of delivery, fails to conform to specifications for such API, Intermediate Product or other Customer-supplied materials or (ii) is not discoverable upon visual inspection and the testing to be performed by Manufacturer set forth in Section 3.1(a)(ii) (and Customer shall be liable to pay for either the rejected Batch(es) or the replacement Batch(es), but not both), or credit any payments made by Customer for such rejected Batch. Except as set forth in Section 14.2, this Section 8.3 shall provide Customer's sole remedy for supply of Defective Product.

ARTICLE 9 REGULATORY COMPLIANCE AND RELATED MATTERS

9.1 **Product Regulatory Approvals**. Customer shall be responsible for obtaining all Product regulatory approvals relating to registration of each Product ("**Regulatory Approvals**"), shall pay any applicable user fees for such, and shall own the regulatory filing. All regulatory filings relating to a Product, including, but not limited to, NDAs, ANDAs and amendments thereto, shall be the sole property of Customer.

9.2 **Regulatory Communications**. Customer shall be responsible for communicating with the FDA and other Regulatory Authorities regarding the Products and the Processing and Packaging activities performed by Manufacturer hereunder, and Manufacturer shall not initiate

contact with the FDA or any other Regulatory Authorities regarding the Products or the Processing or Packaging activities contemplated hereunder without Customer's prior written consent, except when expressly required by the terms of this Agreement or by applicable laws. Each Party shall provide reasonable assistance to any other Party upon such Party's reasonable request, and at the requesting party's sole cost and expense, with respect to such regulatory communications.

9.3 **Submissions to Regulatory Authorities**. If Customer is required to submit to the Regulatory Authorities any information concerning the Processing, testing and/or Packaging and marketing of a Product, Manufacturer will provide Customer copies of such documentation, data and other information with respect to the Processing and/or Packaging and the Facility as shall be reasonably necessary for such submission to the Regulatory Authorities, subject to the terms of Article 17 (Confidentiality) hereof. Upon the written request of Customer, the Parties shall discuss whether and how Manufacturer shall cooperate and consult for development of additional data or performance of studies concerning such Product. In the event that the Parties mutually agree upon Manufacturer's assistance with respect to such matters, then Manufacturer shall assist Customer as the Parties agree and Customer shall pay Manufacturer's reasonable costs therefore. Manufacturer shall also provide at Customer's cost, if required by the Regulatory Authorities and upon prior notice to Manufacturer, information concerning its Processing and/or Packaging and quality control procedures with respect to such Product. Manufacturer shall provide Customer all documentation, data and information referred to in this Section 9.3 reasonably in advance of their required submission to allow for Customer's review and comments, subject to Manufacturer's confidentiality rights and legal obligations. Manufacturer shall endeavor in good faith to satisfactorily resolve all reasonable Customer comments prior to submission if such submission is to be made by Customer.

9.4 **Responsibility for Compliance**. Customer shall be responsible for and shall ensure the compliance of the API and/or Intermediate Product, and the Master Batch Record and/or Master Packaging Record, including Specifications and Labeling, with the requirements of applicable Regulatory Authorities; provided, however, that the foregoing shall not in any way limit any of Manufacturer's obligations hereunder. Manufacturer shall comply with all applicable laws and regulations, rules, ordinances, injunctions, orders and decrees, and shall maintain in effect all required governmental permits, licenses, orders, applications and approvals regarding the use of its Facility to Process and/or Package and store a Product, and Manufacturer shall Process and/or Package and store such Product in accordance with all such permits, licenses, applications and approvals.

9.5 **Registration Assistance**. Upon the reasonable written request of Customer, the Parties shall discuss whether and how Manufacturer shall provide Customer with such information, samples and technical assistance, and otherwise reasonably cooperate with Customer, in connection with the preparation, prosecution and maintenance of all applicable regulatory dossiers for Products hereunder. In the event that the Parties mutually agree upon Manufacturer's assistance with respect to such matters under this Section 9.5, then

Manufacturer shall assist Customer as the Parties agree and Customer shall pay Manufacturer's reasonable costs therefore.

ARTICLE 10 RECALLS

1.6 10.1 **Recall.** If a Regulatory Authority orders or requires the recall of any Product supplied hereunder or if either Manufacturer or Customer believes a recall, field alert, Product withdrawal or field correction (“**Recall**”) may be necessary with respect to any Product supplied under this Agreement, the Party receiving the notice from the Regulatory Authority or that holds such belief shall promptly notify the other Party in writing. With respect to any Recall, Manufacturer shall provide all necessary cooperation and assistance to Customer. Customer shall provide Manufacturer with an advance copy of any proposed submission to a Regulatory Authority in respect of any Recall, and shall consider in good faith any comments from Manufacturer. The cost of any Recall shall be borne by Customer, and Customer shall reimburse Manufacturer for all reasonable, actual and documented expenses incurred in connection with any Recall, in each case unless and to the extent such Recall relates to or arises from or in connection with Manufacturer's breach of its Processing or Packaging obligations, as applicable, under this Agreement or Manufacturer's violation of applicable laws, then such cost shall be borne by Manufacturer.

ARTICLE 11 CONTRACT TERM AND TERMINATION

11.1 **Term.** This Agreement shall become effective as of the Effective Date. Subject to any extension pursuant to Section 11.2, this Agreement shall expire three (3) Contract Years from the Effective Date hereof (the “**Initial Term**”), unless terminated by one of the Parties as provided herein; provided, however, that as long as any Product Schedule is in effect in accordance with its terms, the terms of this Agreement shall remain in effect with respect to such Product Schedule.

11.2 **Extension.** This Agreement shall continue after the Initial Term for successive terms of twelve (12) months each unless either Party gives written notice to the other Party of its intention to terminate this Agreement as provided in Section 11.3 below.

11.3 **Termination for Cause.**

(a) **Material Breach.** Either Party shall have the right to terminate this Agreement, or as applicable a specific Product Schedule, upon immediate written notice if the other Party is in material breach or default of any of the material obligations or provisions of this Agreement and fails to cure the same within [****] calendar days following receipt of written notice specifying the facts and circumstances of such breach or default with reasonable particularity; provided, however, that if such breach or default, by its nature, cannot be cured within such [****] period, and Manufacturer commences and diligently pursues a plan to cure such breach or default and provides Customer within such [****] period with a written plan to cure such breach or default including the date of completion, which plan and completion date

are agreed upon in writing by Customer, then Customer shall not terminate this Agreement unless such breach or default remains uncured following the agreed completion date.

(b) Insolvency. Either Party at its sole option may immediately terminate this Agreement upon written notice, but without prior advance notice, to the other Party in the event that (a) the other Party is declared insolvent or bankrupt by a court of competent jurisdiction; (b) a voluntary petition of bankruptcy is filed in any court of competent jurisdiction by such other Party; or (c) this Agreement is assigned by such other Party for the benefit of creditors.

(c) Agency Action. Customer may terminate this Agreement as to any specific Product and the applicable Product Schedule upon [****] calendar days written notice in the event that any governmental agency takes any action, or raises any objection, in either case that is not attributable to any action or omission by Customer and that prevents Customer from importing, exporting, purchasing or selling such Product for a period of at least six (6) months; provided, however, that if such governmental agency action or objection specifically relates to Manufacturer's performance hereunder or the Facility, prior to any such termination, Manufacturer shall have the right to address such action or objection.

11.4 Customer's Termination Right for Convenience.

(a) Contract Year 1. Customer may not terminate this Agreement in respect of any Product during the first (1st) Contract Year of the Initial Term other than as permitted under Section 11.3.

(b) Contract Year 2. Customer may terminate this Agreement in respect of any Product, and accordingly terminate any Product Schedule in relation to such Product, in Customer's sole unfettered discretion at any time during the second (2nd) Contract Year of the Initial Term upon providing at least [****] calendar days' written notice to the Manufacturer, and in the event such termination is other than for cause as contemplated in Section 11.3: (i) Customer shall be responsible for purchasing the then remaining Firm Commitment in relation to the relevant Product in accordance with this Agreement; (ii) the then applicable Rolling Forecast in relation to the relevant Product shall immediately be cancelled (other than in respect of the Firm Commitment); (iii) Customer shall within [****] calendar days of such termination notice purchase at Manufacturer's acquisition cost, and take delivery of, all remaining Raw Materials, Containers, Components and Labeling, in each case in relation to the relevant Product, provided that such Raw Materials, Containers, Components and Labeling cannot be used in relation to the Processing or Packaging of any other Products remaining under this Agreement; (iv) Customer shall within [****] calendar days of such termination notice purchase the remaining Existing Inventory at the rates set forth on Attachment C and either take delivery thereof or request Manufacturer to arrange for the destruction of such Existing Inventory (in each case at the sole cost and expense of Customer); (v) Customer shall within [****] calendar days of the end of the second (2nd) Contract Year of the Initial Term pay to Manufacturer a termination fee [****] with respect to the relevant Product for the second (2nd) Contract Year of the Initial Term; and (vi) Customer shall within [****] calendar days of the end of the third (3rd) Contract Year of the Initial Term [pay to Manufacturer a

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[***] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

termination fee equal to [****] with respect to the relevant Product for the third (3rd) Contract Year of the Initial Term. For the avoidance of doubt, if any item of Existing Inventory would be covered by each of the preceding clauses (iii) and (iv), the preceding clause (iv) shall apply to such Existing Inventory.

(c). Contract Year 3. Customer may terminate this Agreement in respect of any Product, and accordingly terminate any Product Schedule in relation to such Product, in Customer's sole unfettered discretion at any time during the third (3rd) Contract Year of the Initial Term upon providing at least [****] calendar days' written notice to the Manufacturer, and in the event such termination is other than for cause as contemplated in Section 11.3: (i) Customer shall be responsible for purchasing the then remaining Firm Commitment in relation to the relevant Product in accordance with this Agreement; (ii) the then applicable Rolling Forecast in relation to the relevant Product shall immediately be cancelled (other than in respect of the Firm Commitment); (iii) Customer shall within [****] calendar days of such termination notice purchase at Manufacturer's acquisition cost, and take delivery of, all remaining Raw Materials, Containers, Components and Labeling, in each case in relation to the relevant Product, provided that such Raw Materials, Containers, Components and Labeling cannot be used in relation to the Processing or Packaging of any other Products remaining under this Agreement; (iv) Customer shall within [****] calendar days of such termination notice purchase the remaining Existing Inventory at the rates set forth on Attachment C and either take delivery thereof or request Manufacturer to arrange for the destruction of such Existing Inventory (in each case at the sole cost and expense of Customer); and (v) Customer shall within [****] calendar days of the end of the third (3rd) Contract Year of the Initial Term pay to Manufacturer a termination fee equal to [****] with respect to the relevant Product for the third (3rd) Contract Year of the Initial Term. For the avoidance of doubt, if any item of Existing Inventory would be covered by each of the preceding clauses (iii) and (iv), the preceding clause (iv) shall apply to such Existing Inventory.

(d) For purposes of this Section 11.4, "Lost Volume Pro Rata Cash Costs" means the amount 'X' resulting from application of the following formula:

$$[X = ((A-B)/A) * C]$$

Where,

"A" means, in relation to the second (2nd) Contract Year of the Initial Term, [****] specified for Contract Year 2 in Section 3.4 of the Product Schedule for the Product in respect of which this Agreement has been terminated, and in relation to the third (3rd) Contract Year of the Initial Term, [****] specified for Contract Year 3 in Section 3.5 of the Product Schedule for the Product in respect of which this Agreement has been terminated;

"B" means the number of [****] Customer by Manufacturer during the applicable Contract Year of the Initial Term; and

"C" means the lessor of (i) [****] and (ii) [****].

11.5 Outstanding Obligations; Survival. Any expiration or termination of this Agreement shall not affect any outstanding obligations or payments due hereunder prior to such expiration or termination, nor shall it prejudice any other remedies that the Parties may have under this Agreement. In the event that the Agreement is terminated in accordance with Section 11.3 or 11.4, Manufacturer shall cooperate with Customer pursuant to the terms of Article 12. The rights and obligations of the Parties shall continue under Articles 14 (Indemnification; Limitation of Liability), 15 (Insurance), 17 (Confidentiality), 18 (Intellectual Property) and 19 (Additional Terms and Provisions); and under Sections 3.4 (Other Damage or Loss), 4.5 (Reliance by Manufacturer), 5.3 (Invoices), 7.3 (Batch Records and Data), 7.4 (Recordkeeping), 10.1 (Recall), 11.5 (Outstanding Obligations; Survival), and 13.4 (Disclaimer), in each case in accordance with their respective terms if applicable, notwithstanding expiration or termination of this Agreement.

ARTICLE 12 TECHNOLOGY TRANSFER

1.7 12.1 Manufacturer Cooperation. If, at any time during this Agreement, Customer plans to move the Processing and/or Packaging of the Product to an alternate site, either a

Customer site or a new manufacturer, Manufacturer shall cooperate with Customer to the extent set forth in this Article 12 and as otherwise reasonably requested by Customer.

12.2 Documentation. To facilitate an orderly transfer of Processing and/or Packaging to an alternate site, Manufacturer shall provide Customer with Batch Records and a written description of the Process, in each case redacted by Manufacturer at its

sole discretion to remove Manufacturer's or other third party customer's proprietary data and information and Manufacturer's Confidential Information.

12.3 **Customer Payment.** Customer will reimburse Manufacturer for services provided under this Section 12 on a time and material basis, provided such time and materials are reasonable and documented.

ARTICLE 13 REPRESENTATIONS AND WARRANTIES

13.1 **Authority; Compliance.** Each Party represents and warrants that (i) it has been duly authorized by all necessary action on the part of such Party and its respective officers and directors to enter into this Agreement and that it is not aware of any impediment that would inhibit its ability to perform its obligations hereunder; and (ii) no transactions or dealings under this Agreement shall be conducted with or for an individual or entity that is designated as the target of any sanctions, restrictions or embargoes administered by the United Nations, European Union, United Kingdom or the United States of America.

13.2 **Manufacturer Warranties.** Manufacturer represents, warrants and undertakes to Customer that at the time of delivery by Manufacturer as provided in Section 5.2, Product shall: (i) have been Processed and Packaged in accordance with applicable laws, including cGMP Requirements, and in conformance with the specific Product Specifications and shall not be adulterated, misbranded or mislabeled within the meaning of the FFDCA and applicable laws, as such FFDCA and laws are constituted and in effect at the time of delivery, (ii) be conveyed with title free and clear of all liens or other encumbrances, including any third party liens or other encumbrances, and (iii) have the minimum shelf life provided for in Section 5.5.

13.3 **Debarment.** Manufacturer represents and warrants that it does not use the services of any persons debarred or suspended under 21 U.S.C. § 335a (a) or (b) in any capacity associated with or related to the Processing and Packaging of the Product. Manufacturer further represents and warrants that it shall not hire or retain as an officer or employee any person who has been convicted of a felony under the laws of the United States for conduct relating to the regulation of any drug product under the United States Food, Drug, and Cosmetic Act.

1.8 13.4 **Disclaimer**. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT OR ATTACHMENTS THERETO, CUSTOMER AND MANUFACTURER MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. In addition, the representations and warranties of Manufacturer set forth in Section 13.2 and Section 13.3 will not apply with respect to any breach

thereof that arises from or relates to a breach of a representation and warranty of Impax Taiwan made to Bora in the Purchase Agreement.

ARTICLE 14 INDEMNIFICATION; LIMITATION OF LIABILITY

14.1 **Customer**. From and after the Effective Date, Customer shall defend, indemnify and hold harmless Manufacturer, its Affiliates, and their respective directors, officers, employees and agents, advisors and shareholders (collectively, the “**Manufacturer Indemnitees**”) from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorneys’ fees and reasonable investigative costs) in connection with any suit, demand or action by any third party (“**Losses**”) arising out of or resulting from any claim by a third party to the extent attributable to (a) any gross negligence or willful misconduct by Customer; (b) the breach by Customer or any Customer Indemnitee of any of Customer’s representations and warranties, covenants, or obligations contained in this Agreement; (c) any bodily injury, property damage or death resulting from any API, Customer-supplied materials or any Products manufactured and supplied under this Agreement including product liability claims, except to the extent such Losses are attributable to Manufacturer’s improper testing (subject to Section 3.1(a)(ii)), storage or handling of Intermediate Product or other Customer-supplied materials; or (d) any claim of infringement (i) of any third party intellectual property rights relating to any Products manufactured and supplied under this Agreement; or (ii) that is related to Manufacturer’s use of Customer IP to manufacture and supply any Products under this Agreement. This indemnity will not apply to the extent that these Losses are those for which Manufacturer is obligated to indemnify the Customer Indemnitees under Section 14.1.

14.2 **Manufacturer**. From and after the Effective Date, Manufacturer will indemnify, defend and hold harmless, and pay and reimburse, Customer and its Affiliates and their respective officers, directors, employees, agents, advisors and shareholders (collectively, the “**Customer Indemnitees**”) from and against any and all Losses arising out of or resulting from any claim by a third party to the extent attributable to (a) any gross negligence or willful misconduct by Manufacturer or (b) the breach by Manufacturer or any Manufacturer Indemnitees of any of Manufacturer’s representations and warranties, covenants, or obligations contained in this Agreement. This indemnity will not apply to the extent that these Losses are those for which Customer is obligated to indemnify the Manufacturer Indemnitees under Section 14.1.

14.3 **Procedures.** A Party (the “ **indemnitee** ”) that intends to claim indemnification under this Article 14 shall notify the other Party (the “ **indemnitor** ”) promptly in writing of any action, claim or liability in respect of which the indemnitee believes it is entitled to claim indemnification, provided that the failure to give timely notice to the indemnitor shall not release the indemnitor from any liability to the indemnitee except to the extent the indemnitor is materially prejudiced thereby.

14.4 EXCEPT IN THE EVENT OF MANUFACTURER’S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT, MANUFACTURER’S TOTAL LIABILITY UNDER THIS AGREEMENT FOR CLAIMS WITH RESPECT TO ANY AND ALL PRODUCTS SHALL IN

NO EVENT EXCEED [****].

ARTICLE 15 INSURANCE

15.1 **Insurance.** At all times from the Effective Date through that date which is three (3) years after the termination or expiration of this Agreement, each of Customer and Manufacturer will maintain product liability insurance (or self-insurance), which is reasonable and customary in the USA pharmaceutical industry for companies of comparable size, provided that in no event shall the product liability insurance amounts be less than \$[****] per occurrence and \$[****] in the aggregate limit of liability per year. Each Party shall provide written proof of such insurance to the other Party upon request by such other Party.

ARTICLE 16 FORCE MAJEURE

16.1 **Excusing Performance.** Neither Party shall be liable for the failure to perform its obligations under this Agreement if such failure is a direct result of a contingency beyond such Party’s reasonable control, including, but not limited to, wars, fires, floods, storms or other natural disasters, or failure of public utilities or common carriers (“ **Force Majeure** ”).

16.2 **Notice.** A Party claiming a right to be excused performance under Section 16.1 shall immediately notify the other Party in writing of the extent of its inability to perform, which notice shall specify the Force Majeure that prevents such performance.

16.3 **Resumption.** Each Party shall employ commercially reasonable efforts, at its cost, toward resumption of its performance hereunder if such performance is delayed or interrupted by reason of Force Majeure. In the event that any Force Majeure circumstance cannot be removed or overcome within [****] months (or such other period as the Parties jointly shall determine from the date the Party affected first became affected), then either Party may, as of the expiration of such period by written notice to the other Party terminate this Agreement and neither Manufacturer nor Customer shall be liable to the other for damages with respect thereto.

ARTICLE 17 CONFIDENTIALITY

17.1 **Disclosure**. During and in furtherance of this Agreement, each of the Parties hereto may disclose certain of its Confidential Information to the other Party.

1.9 17.2 **Use of Confidential Information and Term**. During term of this Agreement and for a period of seven (7) years from the expiration or termination thereof, each of the Parties hereto agrees (a) to use the Confidential Information only in connection with the terms of and

performance of this Agreement; (b) to treat the Confidential Information as it would its own proprietary information; and (c) to take all reasonable precautions to prevent the disclosure of the Confidential Information to any individual or entity (except to such of its employees, subcontractors, consultants, and agents who reasonably require same for purposes hereof and who are bound in writing to that Party by like obligations as to confidentiality and non-use), without the prior written consent of the other Party.

17.3 **Exceptions to Confidential Information**. Each of Customer and Manufacturer shall be relieved of any and all obligations under Section 17.2 regarding Confidential Information which (a) was lawfully in the possession of the other Party as evidenced by the written records of such Party (other than in the possession of Impax Taiwan as at the Effective Date), and which was not acquired directly or indirectly from the disclosing Party's group or any of the representatives or advisors to the disclosing Party, or in violation of any confidentiality agreement, (b) at the time of disclosure, was generally available to the public; or which after disclosure hereunder becomes generally available to the public through no fault attributable to a Party hereto; (c) is hereafter made available for use or disclosure from any third party having a right, to the best of receiving Party's knowledge, to do so, or (d) is independently developed by the receiving Party without reference to or reliance upon the information by the disclosing Party, as evidenced by contemporaneous written records. Notwithstanding the foregoing, each Party shall be permitted to disclose the other Party's Confidential Information solely to the extent it is required to be disclosed by the law, regulation or the rules of any applicable securities exchange on which such Party's securities are listed, provided, however, that the receiving Party shall so notify the disclosing party of its intent and cooperate with the disclosing Party on reasonable measures to protect the confidentiality of the information.

17.4 **Return of Confidential Information**. Upon expiration or termination of this Agreement, each of the Parties will (and will cause its Affiliates to) cease its use and either return or destroy (and certify as to such destruction) all Confidential Information of the other Party, including any copies thereof, subject to the receiving Party's right to maintain one copy of such tangible manifestations of such other Party's Confidential Information solely for purposes of monitoring its compliance with this Agreement.

ARTICLE 18
INTELLECTUAL PROPERTY

18.1 **License**. Customer hereby grants to Manufacturer, for the Term of this Agreement, a royalty-free, non-exclusive, non-transferable (except as set forth in Section 19.6), non-sublicensable (except to approved subcontractors) right and license under any intellectual property rights other than Customer's Trademarks (as defined below) that are owned or controlled by Customer, licensable by Customer, and would necessarily be infringed by such Manufacturer's manufacture and supply of the applicable Product under the terms set forth in this Agreement, solely to manufacture and supply such Product for Customer under the terms set forth under this Agreement.

18.2 **Trademarks**. To the extent that Customer elects in writing for any of the Products to be marketed under a trademark or housemark of Customer (" **Customer's Trademarks** "), Customer hereby grants to Manufacturer a revocable, non-assignable and non-exclusive, non-transferable, non-sublicensable license during the Term to apply and affix the applicable Customer's Trademark on the Products manufactured for Customer hereunder. Manufacturer shall (a) promptly provide to Customer all information reasonably requested by Customer with respect to the use, reproduction or display of Customer's Trademarks, (b) promptly comply with any and all reasonable directions and quality control standards as may be provided from time to time by Customer with respect to the use, reproduction or display of Customer's Trademarks, and (c) take no action that would reasonably be expected to materially impair the value of any Customer's Trademark.

18.3 **Ownership**. Notwithstanding anything to the contrary under this Agreement,

(a) Manufacturer acknowledges that, as between the Parties, all right, title and interest in and to all intellectual property rights and embodiments thereof owned by or licensed to Customer as of the Effective Date or thereafter developed or acquired by Customer, including without limitation Customer's Trademarks (" **Customer IP** "), including any of the rights licensed pursuant to this Article 18, are and shall remain owned by Customer, its Affiliates or by its or their respective third-party licensors. Customer hereby reserves all rights in and to any and all Customer IP except to the extent expressly licensed to Manufacturer pursuant to Section 18.1 or Section 18.2. All goodwill arising from Manufacturer's exercise of the license to Customer's Trademarks set forth in Section 18.2 shall inure to the benefit of Customer; and

(b) Customer acknowledges that, as between the Parties, all right, title and interest in and to all intellectual property rights and embodiments thereof owned by Manufacturer or licensed to Manufacturer by any third party (for clarity, other than by Customer or any of Customer's Affiliates), in each case, as of the Effective Date or thereafter developed or acquired by Manufacturer (for clarity, other than as licensed to Manufacturer by Customer or any of Customer's Affiliates) (" **Manufacturer IP** ") are and shall remain owned by Manufacturer, its Affiliates or by its or their respective third-party licensors. Manufacturer hereby reserves all rights in and to any and all Manufacturer IP.

ARTICLE 19
ADDITIONAL TERMS AND PROVISIONS

19.1 **Currency**. Unless otherwise indicated, all dollar amounts in this Agreement are expressed in the lawful currency of the United States of America.

19.2 **Headings**. The titles and headings herein are for convenience only and shall not be used to interpret or construe the terms and conditions of this Agreement.

19.3 **Singular Terms**. Except as otherwise expressly provided herein or unless the context otherwise requires, all references to the singular shall include the plural as well.

19.4 **Agency Relationship**. Nothing in this Agreement shall be construed to create between Customer and Manufacturer any other relationship such as, by way of example only, that of employer-employee, principal and agent, joint-venturer, co-partners or any similar relationship, the existence of which is expressly denied by the Parties hereto. No Party shall have authority to conclude contracts or otherwise to act for or bind the other Party in any manner, whatsoever, as agent or otherwise, save that Bora may take action as Impax Taiwan's lawful agent for all purposes under this Agreement. Impax Taiwan and Bora shall be jointly and severally liable for any and all liability incurred by each other under or otherwise in connection to this Agreement.

19.5 **Public Statements**. No Party shall use or refer to, without the other Party's prior written consent, the name of any other Party in any public statements, whether oral or written, including, but not limited to, shareholders reports, communications with stock market analysts, press releases or other communications with the media, or prospectuses; provided, however, that each Party may disclose to any third party authorized to receive Confidential Information under Section 17.2 the existence and subject matter of this Agreement.

19.6 **Assignment**. No Party may assign this Agreement or any of its rights or obligations hereunder except with the written consent of the other Parties. Notwithstanding the foregoing provisions of this Section 19.6, (i) each Party may assign this Agreement to any of its Affiliates (provided that assignment to an Affiliate will not relieve the assigning Party of responsibility for any breach of this Agreement, whether before or after such assignment) or to a successor to all or substantially all of its business to which this Agreement relates, provided that such assignee executes an agreement with the non-assigning Parties hereto whereby it agrees to be bound hereunder or (ii) Customer may assign this Agreement, in whole or in part in respect of a specific Product, to a successor to the portion of its business which relates to a specific Product, provided that, such assignee executes an agreement with the non-assigning Parties hereto whereby it agrees to be bound hereunder, or upon Manufacturer's request, the Parties and such assignee will execute a separate document addressing solely the rights and obligations in relation to such specific Product, such Product shall no longer be subject to this Agreement with any conforming changes to be reflected in an amendment to this Agreement (e.g., removing the specific Product) and Customer shall pay Manufacturer's reasonable legal fees associated with the preparation and review of such documents. Any purported assignment in violation of this Section 19.6 shall be void *ab initio*.

19.7 **Dispute Resolution**

(a) The Parties will attempt to settle any claim or controversy arising out of this Agreement or the subject matter hereof through consultation and negotiation in good faith in a spirit of mutual cooperation. If they fail to resolve the dispute within thirty (30) days after either Party notifies the other of the dispute, then the matter will be escalated to the Chief Executive Officer of Customer and the Chief Executive Officer of Manufacturer, or their designees for resolution. They will use reasonable efforts to attempt to resolve the dispute through good faith negotiations by telephone or in person as may be agreed. If they fail to resolve the dispute within thirty (30) days after it is referred to them and do not mutually agree to extend the time for negotiation, then the dispute will be submitted to arbitration in accordance with the procedure set forth in Section 19.7(b).

(b) Except with respect to actions by either Party seeking equitable or declaratory relief, any claim or controversy arising in whole or in part under or in connection with this Agreement or the subject matter hereof that is not resolved pursuant to Section 19.7(a) will be referred to and finally resolved by arbitration in accordance with the Rules of the International Chamber of Commerce (the “**Rules**”) as such Rules may be modified by this Agreement, by one arbitrator, who will be agreed upon by the Parties. If the Parties are unable to agree upon a single arbitrator within thirty (30) days following the date arbitration is demanded, three arbitrators will be used, one selected by each Party within ten (10) days after the conclusion of the 30-day period and a third selected by the first two within ten (10) days thereafter. Unless the Parties agree otherwise, they will be limited in their discovery to directly relevant documents. Responses or objections to a document request will be served twenty (20) days after receipt of the request. The arbitrator(s) will resolve any discovery disputes. Arbitration proceedings may be commenced by either Party by notice to the other Party. Unless otherwise agreed by the Parties, all such arbitration proceedings will be held in San Francisco, California, USA, provided that proceedings may be conducted by telephone conference call with the consent of the Parties and the arbitrator(s). The arbitrator(s) will apply the laws of California and it is understood and agreed that the provisions of Sections 45 and 69 of the Arbitration Act of 1969 shall not apply in respect of any arbitration pursuant to this Agreement. The arbitrator(s) will only have the authority to award actual money damages (with interest on unpaid amounts from the date due) and, except with respect to a breach or nonperformance of any provision of this Agreement relating to Confidential Information, the arbitrator(s) will not have the authority to award indirect, incidental, consequential, exemplary, special or punitive damages, and the Parties expressly waive any claimed right to such damages. The arbitrator(s) also shall be authorized to grant any temporary, preliminary or permanent equitable remedy or relief the arbitrators deem just and equitable and within the scope of this Agreement, including an injunction or order for specific performance. The award of the arbitrator(s) shall be the sole and exclusive remedy of the Parties. Judgment on the award rendered by the arbitrator(s) may be enforced in any court having competent jurisdiction thereof, subject only to revocation on grounds of fraud or clear bias on the part of the arbitrator(s). The arbitration will be of each Party’s individual claims only, and no claim of any other Party will be subject to arbitration in such proceeding. The costs and expenses of the arbitration, but not the costs and expenses of the Parties, will be shared equally by the Parties.

If a Party fails to proceed with arbitration, unsuccessfully challenges the arbitration award, or fails to comply with the arbitration award, the other Party is entitled to costs, including reasonable attorneys' fees, for having to compel arbitration or defend or enforce the award. Except as otherwise required by law, the Parties and the arbitrator(s) will maintain as confidential all information or documents obtained during the arbitration process, including the resolution of the dispute. Judgment on the award granted in any arbitration hereunder may be entered in any court having jurisdiction over the award or any of the Parties or any of their respective assets. The Parties knowingly and voluntarily waive their rights to have their dispute tried and adjudicated by a judge and jury except as expressly provided herein.

(c) Nothing in this Section 19.7 will prevent a Party from resorting to judicial proceedings if: (i) interim relief from a court is necessary to prevent serious and irreparable injury to such Party; or (ii) litigation is required to be filed prior to the running of the applicable statute of limitations. The use of any alternative dispute resolution procedure will not be construed under the doctrine of laches, waiver or estoppel to affect adversely the rights of either Party.

19.8 **Governing Law**. This Agreement shall be construed and enforced in accordance with the laws of the State of California, without application of any law, rule or judicial precedent thereof that would require application of the laws of any other jurisdiction. Each Party hereby expressly excludes application of the United Nations Convention on the Sale of Goods in relation to this Agreement or the performance thereof. Subject to Section 19.7, each Party hereby agrees to the exclusive jurisdiction and proper venue of the courts of the State of California and the federal courts of the United States of America located within California in relation to any dispute or controversy in connection to this Agreement or the performance thereof, and no Party shall object to such jurisdiction or venue on the basis of lack of subject matter or personal jurisdiction or inconvenient forum. Each Party further agrees that service of any process, summons, notice or document by U.S. registered mail or recognized international courier service to such Party's respective address set forth in Section 19.9 shall be effective service of process for any action, suit or proceeding in California with respect to any matters to which it has submitted to jurisdiction in this Agreement.

19.9 **Notices**. Any notice, approval, instruction or other written communication required or permitted hereunder shall be sufficient if made or given to the other Party by personal delivery, by facsimile (receipt verified) or nationally recognized courier service to the mailing address set forth below:

If to Customer:

Impax Laboratories, Inc.
30831 Huntwood Avenue
Hayward, California 94544
Attention: Mark Schlossberg, Esq.
Fax number: +1.510.240.6096

If to Manufacturer:

Bora Pharmaceuticals Co., Ltd.
6F, 69 XinAi Road
Neihu District, Taipei City 114
Taiwan, Republic of China
Attn: Bobby Sheng
Fax number: +886 2 2790-6596

or to such other addresses provided to the other Party in accordance with the terms of this Section 19.9. Notices of written communication made or given by personal delivery or courier service shall be deemed to have been sufficiently made or given when sent (receipt acknowledged).

19.10 **Additional Products**. The Parties covenant and agree that additional Products may be added to this Agreement by mutual agreement of the Parties and such additional Products shall be added to this Agreement by the Parties executing a written addendum hereto and signed by both Parties to this Agreement and such additional Products shall thereafter be governed by the general conditions hereof and any special terms (including, without limitation, fees) agreed to by the Parties in such addendum.

19.11 **Entire Agreement**. This Agreement and any Schedules and other attachments hereto, and the Purchase Agreement constitute the full, complete, final and integrated agreement between the Parties hereto relating to the subject matter hereof and supersedes all previous written or oral negotiations, commitments, agreements, transactions, or understandings with respect to the subject matter hereof. If there is any conflict between this Agreement and the terms and conditions contained on any Purchase Order or in any Schedule hereto, the terms and conditions of this Agreement shall prevail.

19.12 **Amendments: No Waiver**. No provision of this Agreement may be amended, revoked or waived except in writing signed and delivered by an authorized officer of each Party. No failure or delay on the part of either Party in exercising any right hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be deemed a waiver of any other right hereunder.

19.12 **Validity**. Should any part or provision of this Agreement be held unenforceable or invalid, the invalid or unenforceable provision shall be replaced with a provision which accomplishes, to the extent possible, the original business purpose of such provision in a valid and enforceable manner, and the remainder of this Agreement shall remain binding upon the Parties.

19.13 **Headings**. The descriptive headings in this Agreement are inserted for the convenience of reference only and are not intended to be part of or affect the meaning of or interpretation of this Agreement.

19.14 **Execution in Counterparts.** This Agreement may be executed, either by original or by facsimile signature, in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. If by facsimile, an original shall be sent to each Party as soon as reasonably possible for its permanent files.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Agreement.

Impax Laboratories, Inc.

By: /s/ Paul M. Bisaro

Name: Paul M. Bisaro

Title: Chief Executive Officer

Date:

Bora Pharmaceuticals Co., Ltd.

By: /s/ Bobby Sheng

Name: Bobby Sheng

Title: Chairman

Date: December 19, 2017

Impax Laboratories (Taiwan), Inc.

By: /s/ Bryan M. Reasons

Name: Bryan M. Reasons

Title: Chairman

Date:

PRODUCT SCHEDULES

[To be attached for each Product in substantially the form of Attachment A. Such Product Schedules shall be labeled Product Schedule 1, Product Schedule 2, etc.]

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ATTACHMENT A
FORM OF PRODUCT SCHEDULE

PRODUCT SCHEDULE # - PRODUCT NAME

This PRODUCT SCHEDULE (Product Name) dated _____, 20__ (“Product Addendum (Product Name) Effective Date”) is to the Master Supply Agreement (“Agreement”) dated _____, 2017 and is entered into by and between Impax Laboratories, Inc. (“Customer”) and Bora Pharmaceuticals Co., Ltd. and Impax Laboratories (Taiwan) Ltd (Bora and Impax Taiwan together the “Manufacturer”).

1. Product Definition

1.1. Name, Strength, Dosage Form

1.1.1. Per Exhibit 1 to this Attachment

1.2. Description of Work

1.3. Referenced Drug

1.4. Required Shelf Life at Delivery

2. Scope of Activities

2.1. Anticipated Processing Date

2.2. Validation Services

2.3. Product Maintenance Services

2.4. Facility Address

3. [****]

4. Quantity/ Price

4.1 Quantity/Batch Size

4.2 Estimated Volume for First Contract Year

4.3 Unit Pricing (based on volume)

4.4 Product Maintenance Service Fees (as applicable) and Payment Dates

4.5 Price Changes

4.6 Taxes

5. Product Specifications

6. Product Materials

6.1. Raw Materials

6.1.1. Long Lead Time Items

6.2. Client-supplied Materials

6.2.1. Value of client supplied Materials

Description	Value

7. Purchase Order/Invoicing Requirements

7.1. Information to be contained in Purchase Order

7.2. Invoices to be directed to:

8. Documents to Accompany Product Batch Release:

9. Commercial Launch Date

10. Territory

11. Exclusivity

12. Activity/Responsibility Summary

Activity / Responsibility	Customer	Manufacturer
Supply of API		
Purchase of Raw Materials		
Purchase Packaging Components		
API Testing and Release		
Packaging Component Testing and Release		
Storage of Raw Materials		
Storage of Packaging Components		
Storage of Finished Product		
Allocate and send Serial Numbers		
Weigh/Dispense API		
Weigh/Dispense Excipients		
Manufacture of bulk solution, sterile fill, freeze dry and sealing of product		

Activity / Responsibility	Customer	Manufacturer
Inspection and secondary packaging		
In-process testing		
Labeling per applicable laws and requirements		
Review and Approve Labeling Proofs		
Finished Product release testing		
Finished Product stability testing		
Review and Disposition of Master Batch Record		
Review and Disposition of Packaging Record		
Final Batch Release		
Send Serialization data		
Arrange for Shipping of Finished Product		
Prepare and Approve Certificate of Compliance		
Facilities qualification, protocol, execution, completion, report		
Cleaning procedures, validation		
Analytical Methods for Cleaning Validation		
Equipment qualification, protocol, execution, completion, report and approval, safety qualification		
Validation, protocol, execution, completion report and approval		
Standard Operating Procedures		
SOP Training		
Maintenance of Training Records		
Master Batch Record		
Packaging Batch Record		
Retention of Batch Records		
Storage of Retain Samples		
Maintenance/Administration of Retain Samples		
Conduct Annual Product Review		
Health and Safety Programs in accord with State, Local and Federal Regulations		
Training on relevant health and safety issues		
Documented Health and Safety Procedures		

13. Other terms and conditions:

Limitation of Liability with respect to Product under this Product Schedule:

The Parties agree that the terms and conditions of the Agreement are incorporated herein as if fully set forth herein and further represent that this Product Schedule (Product Name) is executed by their duly authorized representatives.

IMPAX LABORATORIES, INC.

BORA PHARMACEUTICALS CO., LTD

By: _____

By: _____

Title: _____

Title: _____

IMPAX LABORATORIES (TAIWAN), INC.

By: _____

Title: _____

ATTACHMENT B

PRODUCT MAINTENANCE SERVICES

[***]

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[***] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

ATTACHMENT C
EXISTING INVENTORY

[****]

v

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[****] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

IMPAX LABORATORIES, INC.**Subsidiaries of the Registrant as of the date of this report:**

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation or Organization</u>	<u>Ownership</u>
Amedra Pharmaceuticals LLC	Delaware	100%
Impax Holdings LLC	Delaware	100%
Impax International Holdings, Inc.	Delaware	100%
Impax Laboratories Ireland Limited	Ireland	100%
Impax Laboratories (Netherlands) C.V.	Netherlands	100%
Impax Laboratories USA, LLC	California	100%
Lineage Therapeutics Inc.	Delaware	100%
Mountain, LLC	Delaware	100%
ThoRx Laboratories, Inc.	California	100%
Tower Holdings, Inc.	Delaware	100%
Trail Services, Inc.	Delaware	100%
Atlas Holdings, Inc.	Delaware	100%
K2 Merger Sub Corporation	Delaware	100%

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Impax Laboratories, Inc.:

We consent to the incorporation by reference in the Registration Statements (Nos. 333-158259, 333-168584, 333-189360, 333-213677, 333-218357 and 333-220213) on Form S-8 of Impax Laboratories, Inc. of our reports dated March 1, 2018, with respect to the consolidated balance sheets of Impax Laboratories, Inc. as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes, the related financial statement schedule (collectively, the "Consolidated Financial Statements"), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of Impax Laboratories, Inc.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 1, 2018

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

I, Paul M. Bisaro, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2017 of Impax Laboratories, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 1, 2018

By: /s/ Paul M. Bisaro

Paul M. Bisaro

President and Chief Executive Officer

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

I, Bryan M. Reasons, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2017 of Impax Laboratories, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 1, 2018

By: /s/ Bryan M. Reasons

Bryan M. Reasons
Senior Vice President, Finance and
Chief Financial Officer

**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 Annual Report on Form 10-K of Impax Laboratories, Inc. (the "Company") for the fiscal year ended December 31, 2017 (the "Report"), Paul M. Bisaro, President and Chief Executive Officer, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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.

March 1, 2018

By: /s/ Paul M. Bisaro

Paul M. Bisaro

President and Chief Executive Officer

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

**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 Annual Report on Form 10-K of Impax Laboratories, Inc. (the "Company") for the fiscal year ended December 31, 2017 (the "Report"), Bryan M. Reasons., Senior Vice President, Finance, and Chief Financial 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), as applicable, 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.

March 1, 2018

By: /s/ Bryan M. Reasons

Bryan M. Reasons
Senior Vice President, Finance and
Chief Financial 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.