FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2017-05-04** | Period of Report: **2017-03-31**
SEC Accession No. 0001144204-17-024566

FILER

ANI PHARMACEUTICALS INC
CIK:**1023024**| IRS No.: **582301143** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-31812** | Film No.: **17814450**
SIC: **2834** Pharmaceutical preparations

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended March 31, 2017

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number 001-31812

ANI PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**58-2301143**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

210 Main Street West
Baudette, Minnesota
(Address of principal executive offices)

(218) 634-3500
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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

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

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

As of April 27, 2017, there were 11,637,505 shares of common stock and 10,864 shares of class C special stock of the registrant outstanding.

ANI PHARMACEUTICALS, INC.
FORM 10-Q — Quarterly Report
For the Quarterly Period Ended March 31, 2017
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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and certain information incorporated herein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Exchange Act. Such statements include, but are not limited to, statements about future operations, products, financial position, operating results, prospects, pipeline or potential markets therefor, and other statements that are not historical in nature, particularly those that utilize terminology such as "anticipates," "will," "expects," "plans," "potential," "future," "believes," "intends," "continue," other words of similar meaning, derivations of such words, and the use of future dates.

Uncertainties and risks may cause our actual results to be materially different than those expressed in or implied by such forward-looking statements. Uncertainties and risks include, but are not limited to, the risk that we may face with respect to importing raw materials, increased competition, acquisitions, contract manufacturing arrangements, delays or failure in obtaining product approvals from the U.S. Food and Drug Administration ("FDA"), general business and economic conditions, market trends, product development, regulatory, and other approvals and marketing.

These factors should not be construed as exhaustive and should be read in conjunction with our other disclosures, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2016, including the factors described in "Item 1A. Risk Factors." Other risks may be described from time to time in our filings made under the securities laws, including our quarterly reports on Form 10-Q and our current reports on Form 8-K. New risks emerge from time to time. It is not possible for our management to predict all risks. The forward-looking statements contained in this document are made only as of the date of this document. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

NOTE REGARDING TRADEMARKS

Cortenema®, Corticotrophin®, Corticotrophin-Zinc®, Inderal® LA, Inderal® XL, InnoPran XL®, Lithobid®, Reglan®, and Vancocin® are registered trademarks subject to trademark protection and are owned by ANI Pharmaceuticals, Inc. and its consolidated subsidiaries.

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	March 31, 2017	*December 31, 2016*
Assets		
Current Assets		
Cash and cash equivalents	$ 10,826	$ 27,365
Accounts receivable, net of $29,481 and $31,535 of adjustments for chargebacks and other allowances at March 31, 2017 and December 31, 2016, respectively	46,697	45,895
Inventories, net	45,893	26,183
Prepaid expenses and other current assets	3,565	3,564
Total Current Assets	106,981	103,007
Property and equipment, net	12,897	10,998
Restricted cash	5,001	5,002
Deferred tax asset, net of valuation allowance	26,962	26,227
Intangible assets, net	203,459	175,792
Goodwill	1,838	1,838
Total Assets	$ 357,138	$ 322,864
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 4,785	$ 3,389
Accrued expenses and other	2,087	927
Accrued royalties	10,331	11,956
Accrued compensation and related expenses	1,135	1,631
Current income taxes payable	3,656	2,398
Accrued government rebates	4,655	5,891
Returned goods reserve	5,776	5,756
Total Current Liabilities	32,425	31,948
Long-term Liabilities		
Long-term royalties	-	625
Line of credit	30,000	-
Convertible notes, net of discount and deferred financing costs	122,501	120,643
Total Liabilities	$ 184,926	$ 153,216
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Common Stock, $0.0001 par value, 33,333,334 shares authorized; 11,640,000 shares issued and outstanding at March 31, 2017; 11,588,701 shares issued and outstanding at December 31, 2016	1	1
Class C Special Stock, $0.0001 par value, 781,281 shares authorized; 10,864 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	-	-
Preferred Stock, $0.0001 par value, 1,666,667 shares authorized; 0 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	-	-
Additional paid-in capital	173,989	172,563
Accumulated deficit	(1,778)	(2,916)
Total Stockholders' Equity	172,212	169,648

Total Liabilities and Stockholders' Equity	$ 357,138	$ 322,864

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Earnings
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2017	*2016*
Net Revenues	$ 36,628	$ 20,555
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	16,386	3,410
Research and development	1,618	966
Selling, general, and administrative	7,293	5,904
Depreciation and amortization	6,706	4,609
Total Operating Expenses	32,003	14,889
Operating Income	4,625	5,666
Other Expense, net		
Interest expense, net	(2,932)	(2,782)
Other (expense)/income, net	(18)	2
Income Before Provision for Income Taxes	1,675	2,886
Provision for income taxes	(523)	(1,540)
Net Income	$ 1,152	$ 1,346
Basic and Diluted Earnings Per Share:		
Basic Earnings Per Share	$ 0.10	$ 0.12
Diluted Earnings Per Share	$ 0.10	$ 0.12
Basic Weighted-Average Shares Outstanding	11,527	11,395
Diluted Weighted-Average Shares Outstanding	11,653	11,489

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2017	*2016*
Cash Flows From Operating Activities		
Net income	$ 1,152	$ 1,346
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities:		
Stock-based compensation	1,386	1,105
Deferred taxes	(735)	(81)
Depreciation and amortization	6,706	4,609
Non-cash interest relating to convertible notes and loan cost amortization	1,882	1,725
Changes in operating assets and liabilities:		
Accounts receivable, net	(802)	(549)
Inventories, net	(2,810)	(535)
Prepaid expenses and other current assets	(25)	201
Accounts payable	1,318	889
Accrued royalties	(2,250)	2,827
Accrued compensation and related expenses	(496)	(466)
Current income taxes, net	1,258	(23)
Accrued government rebates	(1,236)	(1,207)
Returned goods reserve	20	18
Accrued expenses and other	1,161	1,110
Net Cash and Cash Equivalents Provided by Operating Activities	6,529	10,969
Cash Flows From Investing Activities		
Acquisition of product rights and other related assets	(50,956)	(84,182)
Acquisition of property and equipment	(2,138)	(1,369)
Net Cash and Cash Equivalents Used in Investing Activities	(53,094)	(85,551)
Cash Flows From Financing Activities		
Net borrowings under line of credit agreement	30,000	-
Proceeds from stock option exercises	25	144
Excess tax benefit from share-based compensation awards	-	1
Repurchase of common stock under the stock repurchase program	-	(2,500)
Net Cash and Cash Equivalents Provided by/(Used in) Financing Activities	30,025	(2,355)
Change in Cash, Cash Equivalents, and Restricted Cash	(16,540)	(76,937)
Cash, cash equivalents, and restricted cash, beginning of period	32,367	154,684
Cash, cash equivalents, and restricted cash, end of period	$ 15,827	$ 77,747
Reconciliation of cash, cash equivalents, and restricted cash, beginning of period		
Cash and cash equivalents	27,365	154,684
Restricted cash	5,002	-
Cash, cash equivalents, and restricted cash, beginning of period	32,367	154,684
Reconciliation of cash, cash equivalents, and restricted cash, end of period		
Cash and cash equivalents	10,826	77,747
Restricted cash	5,001	-

Cash, cash equivalents, and restricted cash, end of period	15,827	77,747
Supplemental disclosure for cash flow information:		
Cash paid for income taxes, net	$ 4	$ 1,643
Supplemental non-cash investing and financing activities:		
Accrued royalties related to asset purchase	$ -	$ 1,199
Property and equipment purchased and included in accounts payable	$ 78	$ 85

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

ANI PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS

Overview

ANI Pharmaceuticals, Inc. and its consolidated subsidiaries (together, "ANI," the "Company," "we," "us," or "our") is an integrated specialty pharmaceutical company focused on delivering value to our customers by developing, manufacturing, and marketing high quality branded and generic prescription pharmaceuticals. We focus on niche and high barrier to entry opportunities including controlled substances, anti-cancer (oncolytics), hormones and steroids, and complex formulations. Our two pharmaceutical manufacturing facilities located in Baudette, Minnesota are capable of producing oral solid dose products, as well as liquids and topicals, controlled substances, and potent products that must be manufactured in a fully-contained environment. Our strategy is to use our assets to develop, acquire, manufacture, and market branded and generic specialty prescription pharmaceuticals. By executing this strategy, we believe we will be able to continue to grow our business, expand and diversify our product portfolio, and create long-term value for our investors.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In our opinion, the accompanying unaudited interim condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations, and cash flows. The consolidated balance sheet at December 31, 2016, has been derived from audited financial statements of that date. The unaudited interim condensed consolidated results of operations are not necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosure normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to instructions, rules, and regulations prescribed by the United States Securities and Exchange Commission. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unaudited interim condensed consolidated financial statements are read in conjunction with the audited financial statements and notes previously distributed in our Annual Report on Form 10-K for the year ended December 31, 2016. Certain prior period information has been reclassified to conform to the current period presentation. Please see *Recently Adopted Accounting Pronouncements.*

Principles of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of ANI Pharmaceuticals, Inc. and its subsidiaries. All inter-company accounts and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In the accompanying unaudited interim condensed consolidated financial statements, estimates are used for, but not limited to, stock-based compensation, allowance for doubtful accounts, accruals for chargebacks, administrative fees and rebates, government rebates, returns and other allowances, allowance for inventory obsolescence, valuation of financial instruments and intangible assets, accruals for contingent liabilities, fair value of long-lived assets, deferred taxes and valuation allowance, purchase price allocations, and the depreciable lives of long-lived assets. Because of the uncertainties inherent in such estimates, actual results may differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for reasonableness.

1. BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS – continued

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. We currently expect that the adoption of this guidance will likely change the way we assess the collectability of our receivables and recoverability of other financial instruments. We have not yet begun to evaluate the specific impacts of this guidance nor have we determined the manner in which we will adopt this guidance.

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities related to long-term leases on the balance sheet and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. The guidance must be adopted on a modified retrospective basis and provides for certain practical expedients. We are currently evaluating the impact that the adoption of this guidance will have on our consolidated financial statements. We currently expect that the adoption of this guidance will likely change the way we account for our operating leases and will likely result in recording the future benefits of those leases and the related minimum lease payments on our consolidated balance sheets. We have not yet begun to evaluate the specific impacts of this guidance.

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginning after December 15, 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying performance obligations and the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding SEC paragraphs related to revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the FASB also issued guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts and contract modifications at transition, with the same effective date. We do not intend to adopt the guidance early. We expect that the adoption of this guidance will likely change the way we recognize revenue generated under customer contracts. However, we are currently reviewing our contracts with customers to determine if the accounting for these contracts will be impacted by the adoption of this guidance and, if so, if that impact will be material to our consolidated financial statements. We have not yet determined the manner in which we will adopt this guidance.

1. BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS – continued

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued guidance to simplify the measurement of goodwill. The guidance eliminates Step 2 from the goodwill impairment test. Instead, under the amendments in this guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The guidance also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted for interim or annual goodwill impairment tests performed for testing dates after January 1, 2017. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business, provides a framework to assist entities in evaluating whether both an input and substantive process are present, and narrows the definition of the term output. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. The guidance must be adopted on a prospective basis. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued guidance to reduce diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The revised guidance requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The guidance was effective for the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption was permitted, including adoption in an interim period. If an entity adopted the guidance in an interim period, any adjustments should have been reflected as of the beginning of the fiscal year that includes that interim period. The guidance must be adopted on a retrospective basis. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective basis, and all periods have been presented under this guidance. The adoption of this new guidance resulted in the inclusion of our $5.0 million of restricted cash in the cash and cash equivalents balance in our consolidated statement of cash flows for all reporting periods presented in 2017 and onward.

1. BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS – continued

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The guidance must be adopted on a retrospective basis and must be applied to all periods presented, but may be applied prospectively if retrospective application would be impracticable. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued guidance simplifying the accounting for and financial statement disclosure of stock-based compensation awards, consisting of changes in the accounting for excess tax benefits and tax deficiencies, and changes in the accounting for forfeitures associated with share-based awards, among other things. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017. Pursuant to the adoption requirements for excess tax benefits and tax deficiencies, we no longer recognize excess tax benefits or tax deficiencies in Additional Paid in Capital (“APIC”); rather, we recognize them prospectively as a component of our current period provision/(benefit) before income taxes. We did not reverse our current APIC pool, which was $3.1 million as of December 31, 2016, and we presented the impact of classifying excess tax benefits as an operating activity in the statement of cash flows on a prospective basis. Pursuant to the adoption requirements for forfeitures, we now account for forfeitures as they occur rather than using an estimated forfeiture rate; the change in accounting resulted in a $14 thousand cumulative-effect adjustment increasing our accumulated deficit as of January 1, 2017. The adoption of the remaining amendments did not have a material impact on our consolidated financial statements.

We have evaluated all other issued and unadopted Accounting Standards Updates and believe the adoption of these standards will not have a material impact on our condensed consolidated statements of earnings, balance sheets, or cash flows.

2. REVENUE RECOGNITION AND RELATED ALLOWANCES

Revenue Recognition

Revenue is recognized for product sales and contract manufacturing product sales upon passing of risk and title to the customer, when estimates of the selling price and discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable, collection is reasonably assured, and we have no further performance obligations. Contract manufacturing arrangements are typically less than two weeks in duration, and therefore the revenue is recognized upon completion of the aforementioned factors rather than using a proportional performance method of revenue recognition. The estimates for discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments reduce gross revenues to net revenues in the accompanying unaudited interim condensed consolidated statements of earnings, and are presented as current liabilities or reductions in accounts receivable in the accompanying unaudited interim condensed consolidated balance sheets (see "Accruals for Chargebacks, Rebates, Returns, and Other Allowances"). Historically, we have not entered into revenue arrangements with multiple elements.

We record revenue related to marketing and distribution agreements with third parties in which we sell products under Abbreviated New Drug Applications ("ANDAs") or New Drug Applications ("NDAs") owned or licensed by these third parties. We have assessed and determined that we are the principal for sales under each of these marketing and distribution agreements and recognize the revenue on a gross basis when risk and title are passed to the customer, when estimates of the selling price and discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable, collection is reasonably assured, and we have no further performance obligations. Under these agreements, we pay these third parties a specified percentage of the gross profit earned on sales of the products. These profit-sharing percentages are recognized in cost of sales in our consolidated statements of earnings and are accrued in accrued royalties in our consolidated balance sheets until payment has occurred.

Occasionally, we engage in contract services, which include product development services, laboratory services, and royalties on net sales of certain contract manufactured products. For these services, revenue is recognized according to the terms of the agreement with the customer, which sometimes include substantive, measurable risk-based milestones, and when we have a contractual right to receive such payment, the contract price is fixed or determinable, the collection of the resulting receivable is reasonably assured, and we have no further performance obligations under the agreement.

Accruals for Chargebacks, Rebates, Returns, and Other Allowances

Our generic and branded product revenues are typically subject to agreements with customers allowing chargebacks, government rebates, product returns, administrative fees and other rebates, and prompt payment discounts. We accrue for these items at the time of sale and continually monitor and re-evaluate the accruals as additional information becomes available. We adjust the accruals at the end of each reporting period, to reflect any such updates to the relevant facts and circumstances. Accruals are relieved upon receipt of payment from the customer or upon issuance of credit to the customer.

2. REVENUE RECOGNITION AND RELATED ALLOWANCES – continued

The following table summarizes activity in the consolidated balance sheets for accruals and allowances for the three months ended March 31, 2017 and 2016, respectively:

(in thousands)	Accruals for Chargebacks, Rebates, Returns, and Other Allowances				
	Chargebacks	Government Rebates	Returns	Administrative Fees and Other Rebates	Prompt Payment Discounts
Balance at December 31, 2015	$ 11,381	$ 4,631	$ 2,648	$ 1,653	$ 674
Accruals/Adjustments	14,778	2,607	1,637	2,089	813
Credits Taken Against Reserve	(15,256)	(3,814)	(1,619)	(1,470)	(835)
Balance at March 31, 2016	$ 10,903	$ 3,424	$ 2,666	$ 2,272	$ 652
Balance at December 31, 2016	$ 26,785	$ 5,891	$ 5,756	$ 3,550	$ 1,554
Accruals/Adjustments	38,191	1,821	1,855	5,030	1,662
Credits Taken Against Reserve	(40,442)	(3,057)	(1,835)	(4,755)	(1,737)
Balance at March 31, 2017	$ 24,534	$ 4,655	$ 5,776	$ 3,825	$ 1,479

Credit Concentration

Our customers are primarily wholesale distributors, chain drug stores, group purchasing organizations, and pharmaceutical companies.

During the three months ended March 31, 2017, three customers represented 31%, 25%, and 20% of net revenues, respectively. As of March 31, 2017, accounts receivable from these customers totaled 79% of accounts receivable, net. During the three months ended March 31, 2016, three customers represented 29%, 20%, and 16% of net revenues, respectively.

3. INDEBTEDNESS

Convertible Senior Notes

In December 2014, we issued $143.8 million of our Convertible Senior Notes due 2019 (the "Notes") in a registered public offering. The Notes pay 3.0% interest semi-annually in arrears starting on June 1, 2015 and are due December 1, 2019. The initial conversion price was $69.48 per share. Simultaneous with the issuance of the Notes, we entered into "bond hedge" (or purchased call) and "warrant" (or written call) transactions with an affiliate of one of the offering underwriters in order to synthetically raise the initial conversion price of the Notes to $96.21 per share and reduce the potential common stock dilution that may arise from the conversion of the Notes.

The Notes are convertible at the option of the holder under certain circumstances and upon conversion we may elect to settle such conversion in shares of our common stock, cash, or a combination thereof. As a result of our cash conversion option, we separately accounted for the value of the embedded conversion option as a debt discount (with an offset to APIC) of $33.6 million. Deferred financing costs are recorded as a reduction of long-term debt in the consolidated balance sheets and are being amortized as additional non-cash interest expense on a straight-line basis over the term of the debt, since this method was not significantly different from the effective interest method.

3. INDEBTEDNESS – continued

The carrying value of the Notes is as follows as of:

(in thousands)	March 31, 2017	December 31, 2016
Principal amount	$ 143,750	$ 143,750
Unamortized debt discount	(18,997)	(20,644)
Deferred financing costs	(2,252)	(2,463)
Net carrying value	$ 122,501	$ 120,643

We had accrued interest of $1.4 million and $0.4 million related to the Notes recorded in accrued expenses, other in our consolidated balance sheets at March 31, 2017 and December 31, 2016, respectively.

The following table sets forth the components of total interest expense related to the Notes recognized in the accompanying unaudited interim condensed consolidated statements of earnings for the three months ended March 31, 2017 and 2016:

	Three Months Ended	
(in thousands)	March 31, 2017	March 31, 2016
Contractual coupon	$ 1,078	$ 1,078
Amortization of debt discount	1,647	1,562
Amortization of finance fees	211	211
Capitalized interest	(90)	(47)
	$ 2,846	$ 2,804

As of March 31, 2017, the effective interest rate on the Notes was 7.9%, on an annualized basis.

Line of Credit

In May 2016, we entered into a credit arrangement (the "Line of Credit") with Citizens Bank Capital, a division of Citizens Asset Finance, Inc. (the "Citizens Agreement"). The Citizens Agreement provides for a $30.0 million asset-based revolving credit loan facility, with availability subject to a borrowing base consisting of eligible accounts receivable and inventory and the satisfaction of conditions precedent specified in the Citizens Agreement. The Citizens Agreement provides for an accordion feature, whereby we may increase the revolving commitment up to an additional $10.0 million subject to certain terms and conditions. The Citizens Agreement matures on May 12, 2019, at which time all amounts outstanding will be due and payable. Amounts drawn bear an interest rate equal to, at our option, either a LIBOR rate plus 1.25%, 1.50%, or 1.75% per annum, depending upon availability under the Citizens Agreement, or an alternative base rate plus either 0.25%, 0.50%, or 0.75% per annum, depending upon availability under the Citizens Agreement. We incur a commitment fee on undrawn amounts equal to 0.25% per annum.

In February 2017, we drew down $30.0 million on the Line of Credit. As part of the draw down, we implemented the accordion feature and increased the Line of Credit to $40.0 million. As of March 31, 2017, we had a $30.0 million outstanding balance on the Line of Credit. In the second quarter of 2016, we deferred $0.3 million of debt issuance costs related to the Line of Credit, which will be amortized over the three year life of the Line of Credit. The $0.2 million remaining balance of these deferred debt issuance costs are included in prepaid expenses and other current assets in the accompanying unaudited interim condensed consolidated balance sheet at March 31, 2017. During the three months ended March 31, 2017, we recorded $89 thousand of interest expense related to the Line of Credit.

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, we calculate diluted earnings per share by dividing net income available to common shareholders by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of common stock options, shares to be purchased under our Employee Stock Purchase Plan ("ESPP"), unvested restricted stock awards, stock purchase warrants, and any conversion gain on our Notes (Note 3), using the treasury stock method. As of January 1, 2017, we adopted guidance regarding the treatment of excess tax benefits for stock-based compensation awards and, as a result, we no longer include an assumed proceeds from an excess tax benefit in our diluted shares calculation. For periods of net loss, diluted loss per share is calculated similarly to basic loss per share.

Our unvested restricted shares contain non-forfeitable rights to dividends, and therefore are considered to be participating securities; in periods of net income, the calculation of basic and diluted earnings per share excludes from the numerator net income attributable to the unvested restricted shares, and excludes the impact of those shares from the denominator.

For purposes of determining diluted earnings per share, we have elected a policy to assume that the principal portion of the Notes (Note 3) is settled in cash. As such, the principal portion of the Notes has no effect on either the numerator or denominator when determining diluted earnings per share. Any conversion gain is assumed to be settled in shares and is incorporated in diluted earnings per share using the treasury method. The warrants issued in conjunction with the issuance of the Notes (Note 3) are considered to be dilutive when they are in-the-money relative to our average stock price during the period; the bond hedge purchased in conjunction with the issuance of the Notes is always considered to be anti-dilutive.

Earnings per share for the three months ended March 31, 2017 and 2016 are calculated for basic and diluted earnings per share as follows:

(in thousands, except per share amounts)	Basic		Diluted	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Net income	$ 1,152	$ 1,346	$ 1,152	$ 1,346
Net income allocated to restricted stock	(11)	(7)	(11)	(7)
Net income allocated to common shares	$ 1,141	$ 1,339	$ 1,141	$ 1,339
Basic Weighted-Average Shares Outstanding	11,527	11,395	11,527	11,395
Dilutive effect of stock options and ESPP			126	94
Diluted Weighted-Average Shares Outstanding			11,653	11,489
Earnings Per Share	$ 0.10	$ 0.12	$ 0.10	$ 0.12

The number of anti-dilutive shares, which have been excluded from the computation of diluted earnings per share, including the shares underlying the Notes, was 4.6 million and 4.5 million for the three months ended March 31, 2017 and 2016, respectively. Anti-dilutive shares consist of out-of-the-money Class C Special stock, out-of-the-money common stock options, common stock options that are anti-dilutive when calculating the impact of the potential dilutive common shares using the treasury stock method, underlying shares related to out-of-the-money bonds issued as convertible debt, and out-of-the-money warrants exercisable for common stock.

5. INVENTORIES

Inventories consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Raw materials	$ 17,480	$ 14,138
Packaging materials	1,078	930
Work-in-progress	605	477
Finished goods [1]	26,990	10,812
	46,153	26,357
Reserve for excess/obsolete inventories	(260)	(174)
Inventories, net	$ 45,893	$ 26,183

[1] Includes finished goods acquired in asset purchases (Note 12).

Vendor Concentration

We source the raw materials for our products, including active pharmaceutical ingredients ("API"), from both domestic and international suppliers. Generally, only a single source of API is qualified for use in each product due to the cost and time required to validate a second source of supply. As a result, we are dependent upon our current vendors to reliably supply the API required for ongoing product manufacturing. During the three months ended March 31, 2017, we purchased approximately 33% of our inventory (exclusive of inventory acquired in asset purchases (Note 12)) from two suppliers. As of March 31, 2017, the amounts payable to these suppliers were immaterial. During the three months ended March 31, 2016, we purchased approximately 50% of our inventory from three suppliers.

6. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Land	$ 160	$ 160
Buildings	3,756	3,756
Machinery, furniture, and equipment	8,919	8,176
Construction in progress	5,766	4,293
	18,601	16,385
Less: accumulated depreciation	(5,704)	(5,387)
Property, Plant, and Equipment, net	$ 12,897	$ 10,998

Depreciation expense was $0.3 million and $0.2 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017 and 2016, there was $0.1 million and $47 thousand of interest capitalized into construction in progress, respectively. Construction in progress consists of multiple projects, primarily related to new equipment to expand our manufacturing capability as our product lines continue to grow.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As a result of our 2013 merger with BioSante Pharmaceuticals, Inc. ("BioSante"), we recorded goodwill of $1.8 million in our one reporting unit. We assess the recoverability of the carrying value of goodwill as of October 31st of each year, and whenever events occur or circumstances change that would, more likely than not, reduce the fair value of our reporting unit below its carrying value. There have been no events or changes in circumstances that would have reduced the fair value of our reporting unit below its carrying value during the three months ended March 31, 2017. No impairment losses were recognized during the three months ended March 31, 2017 or 2016.

Definite-lived Intangible Assets

Acquisition of New Drug Applications and Product Rights

In February 2017, we entered into an agreement with Cranford Pharmaceuticals, LLC to purchase a distribution license, trademark, and certain finished goods inventory for Inderal XL for $20.2 million in cash. We made the $20.2 million cash payment using cash on hand. We accounted for this transaction as an asset purchase. We also capitalized $40 thousand of costs directly related to the transaction. The $15.1 million product rights intangible asset acquired in the asset purchase is being amortized in full over its estimated useful life of 10 years. Please see Note 12 for further details regarding the transaction.

In February 2017, we entered into an agreement with Holmdel Pharmaceuticals, LP to purchase the NDA, trademark, and certain finished goods inventory for InnoPran XL, including a license to an Orange Book listed patent, for $30.6 million in cash. We made the $30.6 million cash payment using $30.0 million of funds from our Line of Credit (Note 3) and $0.6 million of cash on hand. We accounted for this transaction as an asset purchase. We also capitalized $0.1 million of costs directly related to the transaction. The $19.0 million product rights intangible asset acquired in the asset purchase is being amortized in full over its estimated useful life of 10 years. Please see Note 12 for further details regarding the transaction.

In April 2016, we purchased the rights, title, and interest in the NDA for Inderal LA, as well as certain documentation, trademark rights, and finished goods from Cranford Pharmaceuticals, LLC for $60.0 million in cash up front and milestone payments based on future gross profits from sales of products under the NDA. We made the $60.0 million upfront cash payment using cash on hand, capitalized $0.3 million of costs directly related to the transaction, and recognized $3.9 million of minimum milestone payments for a total purchase price of $64.2 million. We accounted for this transaction as an asset purchase and the resultant $52.4 million NDA asset is being amortized in full over its estimated useful life of 10 years. The resultant $0.6 million non-compete agreement associated with the transaction is being amortized in full over its estimated useful life of seven years.

In September 2015, we entered into an agreement to purchase the NDAs for Corticotropin and Corticotropin-Zinc from Merck Sharp & Dohme B.V. for $75.0 million in cash and a percentage of future net sales. The transaction closed in January 2016, and we made the $75.0 million cash payment using cash on hand. In addition, we capitalized $0.3 million of costs directly related to the transaction. We accounted for this transaction as an asset purchase. The $75.3 million NDA assets are being amortized in full over their estimated useful lives of 10 years.

Marketing and Distribution Rights

In January 2016, we purchased from H2-Pharma, LLC the rights to market, sell, and distribute the authorized generic of Lipofen® and a generic hydrocortisone rectal cream product, along with the rights to an early-stage development project, for total consideration of $10.0 million. The consideration consisted of a cash payment of $8.8 million and the assumption of $1.2 million in existing royalties owed on the acquired rights. We capitalized $42 thousand of costs directly related to the purchase. We accounted for this transaction as an asset purchase. No value was ascribed to the early-stage development project because the development was still at the preliminary stage, with no expenses incurred or research performed to date. The $10.0 million marketing and distribution rights assets are being amortized in full over their average estimated useful lives of approximately four years.

7. GOODWILL AND INTANGIBLE ASSETS – continued

The components of net definite-lived intangible assets are as follows:

(in thousands)	March 31, 2017		December 31, 2016		Weighted Average Amortization Period
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Acquired ANDA intangible assets	$ 42,076	$ (9,440)	$ 42,076	$ (8,390)	10.0 years
NDAs and product rights	184,306	(21,748)	150,250	(17,081)	10.0 years
Marketing and distribution rights	11,042	(3,312)	11,042	(2,662)	4.7 years
Non-compete agreement	624	(89)	624	(67)	7.0 years
	$ 238,048	$ (34,589)	$ 203,992	$ (28,200)	

Definite-lived intangible assets are stated at cost, net of amortization, generally using the straight line method over the expected useful lives of the intangible assets. In the case of the Inderal XL and InnoPran XL asset purchases, because we anticipate that the acquired assets will provide a greater economic benefit in the earlier years, we are amortizing 80% of the value of the intangible assets over the first five years of useful lives of the assets and amortizing the remaining 20% of the value of the intangible assets over the second five years of useful lives of the assets. Amortization expense was $6.4 million and $4.4 million for the three months ended March 31, 2017 and 2016, respectively.

We test for impairment of definite-lived intangible assets when events or circumstances indicate that the carrying value of the assets may not be recoverable. No such triggering events were identified during the three months ended March 31, 2017 and 2016 and therefore no impairment loss was recognized in the three months ended March 31, 2017 or 2016.

Expected future amortization expense is as follows:

(in thousands)	
2017 (remainder of the year)	$ 20,337
2018	26,825
2019	26,825
2020	26,343
2021	24,898
2022 and thereafter	78,231
Total	$ 203,459

8. STOCK-BASED COMPENSATION

In July 2016, we commenced administration of the ANI Pharmaceuticals, Inc. 2016 Employee Stock Purchase Plan. As of March 31, 2017, we have 0.2 million shares of common stock available under the ESPP. Under the ESPP, participants can purchase shares of our stock at a 15% discount. In the three months ended March 31, 2017, we recognized $1 thousand and $14 thousand of stock-based compensation expense related to the ESPP in cost of sales and sales, general, and administrative expense in our accompanying unaudited interim condensed consolidated statements of earnings, respectively.

All equity-based service awards are granted under the ANI Pharmaceuticals, Inc. Amended and Restated 2008 Stock Incentive Plan (the "2008 Plan"). As of March 31, 2017, 20 thousand shares of our common stock remained available for issuance under the 2008 Plan.

The following table summarizes stock-based compensation expense incurred under the 2008 Plan and included in our accompanying unaudited interim condensed consolidated statements of earnings:

(in thousands)	Three Months Ended March 31,	
	2017	2016
Cost of sales	$ 23	$ (10)
Research and development	139	27
Selling, general, and adminstrative	1,209	1,088
	$ 1,371	$ 1,105

A summary of stock option and restricted stock activity under the 2008 Plan during the three months ended March 31, 2017 and 2016 is presented below:

(in thousands)	Options	RSAs
Outstanding December 31, 2015	474	63
Granted	10	-
Options Exercised/RSAs Vested	(22)	-
Forfeited	(7)	-
Outstanding March 31, 2016	455	63
Outstanding December 31, 2016	578	63
Granted	182	50
Options Exercised/RSAs Vested	(1)	(4)
Forfeited	(2)	-
Outstanding March 31, 2017	757	109

9. STOCKHOLDER'S EQUITY

Stock Repurchase Program

In October 2015, our Board of Directors authorized a program to repurchase up to $25.0 million of our outstanding common stock through December 31, 2016. The authorization allowed for repurchases to be conducted through open market or privately negotiated transactions. Shares acquired under the stock repurchase program were returned to the status of authorized but unissued shares of common stock.

In January 2016, we purchased 65 thousand shares under the stock repurchase program for $2.5 million. This program terminated on December 31, 2016.

10. INCOME TAXES

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The utilization of our NOL carryforwards will be limited in future years as prescribed by Section 382 of the U.S. Internal Revenue Code. As of both March 31, 2017 and December 31, 2016, we had provided a valuation allowance against certain state net operating loss ("NOL") carryforwards of $0.3 million.

We use a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, as well as guidance on derecognition, classification, interest and penalties, and financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. We have not identified any uncertain income tax positions that could have a material impact on the consolidated financial statements. We recognize interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense; we did not have any such amounts accrued as of March 31, 2017 and December 31, 2016. We are subject to taxation in various jurisdictions and all of our income tax returns remain subject to examination by tax authorities due to the availability of NOL carryforwards.

For interim periods, we recognize an income tax provision/(benefit) based on our estimated annual effective tax rate expected for the entire year. The interim annual estimated effective tax rate is based on the statutory tax rates then in effect, as adjusted for estimated changes in temporary and estimated permanent differences, and excludes certain discrete items whose tax effect is recognized in the interim period in which they occur. These changes in temporary differences, permanent differences, and discrete items result in variances to the effective tax rate from period to period. We also have elected to exclude the impacts from significant pre-tax non-recognized subsequent events from our interim estimated annual effective rate until the period in which they occur. Our estimated annual effective tax rate changes throughout the year as our on-going estimates of pre-tax income, changes in temporary differences, and permanent differences are revised, and as discrete items occur.

10. INCOME TAXES – continued

The estimated consolidated effective tax rate for the three months ended March 31, 2017 was 31.2% of pre-tax income reported in the period, calculated based on the estimated annual effective rate anticipated for the year ending December 31, 2017 plus the effects of certain discrete items occurring in the first quarter. Our effective tax rate for the three months ended March 31, 2017 was impacted primarily by the Domestic Production Activities Deduction, as well as the discrete impact of current period awards of stock-based compensation, stock option exercises, and disqualifying dispositions of incentive stock options, all of which impact the consolidated effective rate in the period in which they occur.

The 53.4% effective tax rate for the three months ended March 31, 2016 was primarily driven by permanent differences related to our international tax structure surrounding our Corticotropin NDAs, which resulted in significant non-deductible amortization and interest expense in 2016.

11. COMMITMENTS AND CONTINGENCIES

Government Regulation

Our products and facilities are subject to regulation by a number of federal and state governmental agencies. The FDA, in particular, maintains oversight of the formulation, manufacture, distribution, packaging, and labeling of all of our products. The Drug Enforcement Administration (“DEA”) maintains oversight over our products that are controlled substances.

Unapproved Products

Two of our products, Esterified Estrogen with Methyltestosterone (“EEMT”) and Opium Tincture, are marketed without approved NDAs or ANDAs. During the three months ended March 31, 2017 and 2016, net revenues for these products totaled $6.2 million and $9.0 million, respectively.

The FDA's policy with respect to the continued marketing of unapproved products is stated in the FDA's September 2011 Compliance Policy Guide Sec. 440.100 titled “Marketed New Drugs without Approved NDAs or ANDAs.” Under this policy, the FDA has stated that it will follow a risk-based approach with regard to enforcement against such unapproved products. The FDA evaluates whether to initiate enforcement action on a case-by-case basis, but gives higher priority to enforcement action against products in certain categories, such as those marketed as unapproved drugs with potential safety risks or that lack evidence of effectiveness. We believe that, so long as we comply with applicable manufacturing standards, the FDA will not take action against us under the current enforcement policy. There can be no assurance, however, that the FDA will continue this policy or not take a contrary position with any individual product or group of products. If the FDA were to take a contrary position, we may be required to seek FDA approval for these products or withdraw such products from the market. If we decide to withdraw the products from the market, our net revenues for generic pharmaceutical products would decline materially, and if we decide to seek FDA approval, we would face increased expenses and might need to suspend sales of the products until such approval was obtained, and there are no assurances that we would receive such approval.

11. COMMITMENTS AND CONTINGENCIES – continued

In addition, one group of products that we manufacture on behalf of a contract customer is marketed by that customer without an approved NDA. If the FDA took enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw them from the market. Our contract manufacturing revenues for these unapproved products for the three months ended March 31, 2017 and 2016 were $0.6 million and $0.3 million, respectively.

We receive royalties on the net sales of a group of contract-manufactured products, which are marketed by the contract customer without an approved NDA. If the FDA took enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw them from the market. Our royalties on the net sales of these unapproved products for the three months ended March 31, 2017 and 2016 were less than 1% of total revenues.

Louisiana Medicaid Lawsuit

On September 11, 2013, the Attorney General of the State of Louisiana filed a lawsuit in Louisiana state court against numerous pharmaceutical companies, including us, under various state laws, alleging that each defendant caused the state's Medicaid agency to provide reimbursement for drug products that allegedly were not approved by the FDA and therefore allegedly not reimbursable under the federal Medicaid program. The lawsuit relates to three cough and cold prescription products manufactured and sold by our former Gulfport, Mississippi operation, which was sold in September 2010. Through its lawsuit, the state seeks unspecified damages, statutory fines, penalties, attorneys' fees, and costs. While we cannot predict the outcome of the lawsuit at this time, we could be subject to material damages, penalties, and fines. We intend to vigorously defend against all claims in the lawsuit.

Other Commitments and Contingencies

All manufacturers of the drug Reglan and its generic equivalent metoclopramide, including ANI, have faced allegations from plaintiffs in various states, including California, New Jersey, and Pennsylvania, claiming bodily injuries as a result of ingestion of metoclopramide or its brand name, Reglan, prior to the FDA's February 2009 Black Box warning requirement. In August 2012, we were dismissed with prejudice from all New Jersey cases. In August 2016, we settled the outstanding California cases. We consider our exposure to this litigation to be limited due to several factors: (1) the only generic metoclopramide that we manufactured prior to the implementation of the FDA's warning requirement was an oral solution introduced after May 28, 2008; (2) our market share for the oral solution was a very small portion of the overall metoclopramide market; and (3) once we received a request for change of labeling from the FDA, we submitted our proposed changes within 30 days, and such changes were subsequently approved by the FDA.

At the present time, we are unable to assess the likely outcome of the cases in the remaining states. Our insurance company has assumed the defense of this matter and paid all losses in settlement of the California cases. We cannot provide assurances that the outcome of these matters will not have an adverse effect on our business, financial condition, and operating results. Furthermore, like all pharmaceutical manufacturers, we may be exposed to other product liability claims in the future, which could limit our coverage under future insurance policies or cause those policies to become more expensive, which could harm our business, financial condition, and operating results.

11. COMMITMENTS AND CONTINGENCIES – continued

We launched Erythromycin Ethylsuccinate ("EES") on September 27, 2016 under a previously approved ANDA. In August, we filed with the FDA to reintroduce this product under a Changes Being Effected in 30 Days submission (a "CBE-30 submission"). Under a CBE-30 submission, certain defined changes to an ANDA can be made if the FDA does not object in writing within 30 days. The FDA's regulations, guidance documents, and historic actions support the filing of a CBE-30 for the types of changes that we proposed for our EES ANDA. We received no formal written letter from the FDA within 30 days of the CBE-30 submission date, and as such, launched the product in accordance with FDA regulations. On December 16, 2016, and nearly four months after our CBE-30 submission, the FDA sent us a formal written notice that a Prior Approval Supplement ("PAS") was required for this ANDA. Under a PAS, proposed changes to an ANDA cannot be implemented without prior review and approval by the FDA. Because we did not receive this notice in the timeframe prescribed by the FDA's regulations, we believe that our supplemental ANDA is valid, and as such continue to market the product. In addition, we filed a PAS which was accepted by the FDA and has an assigned action date of June 2017. We reserve all of our legal options in this matter.

12. FAIR VALUE DISCLOSURES

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of observability of inputs used in measuring fair value.

The inputs used in measuring the fair value of cash and cash equivalents are considered to be level 1 in accordance with the three-tier fair value hierarchy. The fair market values are based on period-end statements supplied by the various banks and brokers that held the majority of our funds. The fair value of short-term financial instruments (primarily accounts receivable, prepaid expenses, accounts payable, accrued expenses, borrowings under line of credit, and other current liabilities) approximate their carrying values because of their short-term nature. While our Notes are recorded on our accompanying unaudited interim condensed consolidated balance sheets at their net carrying value of $122.5 million as of March 31, 2017, the Notes are being traded on the bond market and their full fair value is $151.3 million, based on their closing price on March 31, 2017, a Level 1 input.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our contingent value rights ("CVRs"), which were granted coincident with our merger with BioSante and expire in June 2023, are considered contingent consideration and are classified as liabilities. As such, the CVRs were recorded as purchase consideration at their estimated fair value, using level 3 inputs, and are marked to market each reporting period until settlement. The fair value of CVRs is estimated using the present value of our projection of the expected payments pursuant to the terms of the CVR agreement, which is the primary unobservable input. If our projection or expected payments were to increase substantially, the value of the CVRs could increase as a result. The present value of the liability was calculated using a discount rate of 15%. We determined that the fair value of the CVRs, and the changes in such fair value, was immaterial as of March 31, 2017 and December 31, 2016. We also determined that the changes in such fair value were immaterial as of March 31, 2017 and December 31, 2016.

12. FAIR VALUE DISCLOSURES – continued

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We do not have any financial assets and liabilities that are measured at fair value on a non-recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

We do not have any non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We measure our long-lived assets, including property, plant, and equipment, intangible assets, and goodwill, at fair value on a non-recurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. No such fair value impairment was recognized in the three months ended March 31, 2017 and 2016.

Acquired Non-Financial Assets Measured at Fair Value

In February 2017, we entered into an agreement with Cranford Pharmaceuticals, LLC to purchase a distribution license, trademark, and certain finished goods inventory for Inderal XL for $20.2 million in cash (Note 7). We made the $20.2 million cash payment using cash on hand and capitalized $40 thousand of costs directly related to the asset purchase. We accounted for this transaction as an asset purchase. The $15.1 million product rights intangible asset was recorded at its relative fair value, determined using Level 3 unobservable inputs. In order to determine the fair value of the product rights intangible asset, we used the present value of the estimated cash flows related to the product rights, using a discount rate of 10%. The product rights will be amortized in full over its 10 year useful life, and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31. 2017. We also recorded $5.0 million of finished goods inventory. The fair value of the finished goods inventory was determined based on the estimated selling price to be generated from the finished goods, less costs to sell, including a reasonable margin.

12. FAIR VALUE DISCLOSURES – continued

In February 2017, we entered into an agreement with Holmdel Pharmaceuticals, LP to purchase the NDA, trademark, and certain finished goods inventory for InnoPran XL, including a license to an Orange Book listed patent, for $30.6 million in cash (Note 7). We made the $30.6 million cash payment using $30.0 million of funds from our Line of Credit (Note 3) and $0.6 million of cash on hand. We also capitalized $0.1 million of costs directly related to the asset purchase. We accounted for this transaction as an asset purchase. The $19.0 million product rights intangible asset was recorded at its relative fair value, determined using Level 3 unobservable inputs. In order to determine the fair value of the product rights intangible asset, we used the present value of the estimated cash flows related to the product rights, using a discount rate of 10%. The product rights will be amortized in full over its 10 year useful life, and will be tested for impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acquisition to March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31, 2017. We also recorded $11.6 million of finished goods inventory. The fair value of the finished goods inventory was determined based on the estimated selling price to be generated from the finished goods, less costs to sell, including a reasonable margin.

In April 2016, we purchased the rights, title, and interest in the NDA for Inderal LA, as well as certain documentation, trademark rights, and finished goods from Cranford Pharmaceuticals, LLC for $60.0 million in cash and milestone payments based on future gross profits from sales of products under the NDA (Note 7). In addition, at closing, we transferred $5.0 million to an escrow account as security for future milestone payments. This escrow account balance is not expected to be released in less than one year and is included in restricted cash in our accompanying consolidated balance sheet as of December 31, 2016. We made the $60.0 million upfront cash payment using cash on hand, capitalized $0.3 million of costs directly related to the transaction, and recognized $3.9 million of minimum milestone payments for a total purchase price of $64.2 million. We accounted for this transaction as an asset purchase. These assets were recorded at their relative fair values, which were determined based on Level 3 unobservable inputs. We recorded $10.9 million of finished goods. The fair value of the finished goods was determined based on the estimated selling price to be generated from the finished goods, less costs to sell, including a reasonable margin. We recorded the $3.9 million of minimum milestone payments as accrued royalties. In order to determine the fair value of the NDA, we used the present value of the estimated cash flows related to the product rights, using a discount rate of 12%. The $52.4 million NDA is being amortized in full over its 10 year useful life. We recorded $0.6 million for the non-compete agreement associated with the transaction. In order to determine the fair value of the non-compete agreement, we used the probability-weighted lost cash flows method, using a discount rate of 10%. The non-compete agreement is being amortized in full over its seven year useful life. The intangible assets will be tested for impairment when events or circumstances indicate that the carrying value of the assets may not be recoverable. No such triggering events were identified in the three months ended March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31, 2017.

In January 2016, we purchased from Merck Sharp & Dohme B.V. the NDAs for two previously marketed generic drug products for $75.0 million in cash and a percentage of future net sales from product sales (Note 7). In addition, we capitalized $0.3 million in legal costs directly related to the transaction. We accounted for this transaction as an asset purchase. These assets were recorded at their relative fair values, which were determined based on Level 3 unobservable inputs. In order to determine the fair value of the NDAs, we used the present value of the estimated cash flows related to the product rights, using a discount rate of 10%. The NDAs are being amortized in full over their 10 year useful lives, and will be tested for impairment when events or circumstances indicate that the carrying value of the assets may not be recoverable. No such triggering events were identified during the three months ended March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31, 2017.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes thereto included in Part I, Item 1 of this Form 10-Q quarterly report. This discussion contains forward-looking statements, based on current expectations and related to future events and our future financial performance, that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016.

EXECUTIVE OVERVIEW

ANI Pharmaceuticals, Inc. and its consolidated subsidiaries (together, "ANI," the "Company," "we," "us," or "our") is an integrated specialty pharmaceutical company focused on delivering value to our customers by developing, manufacturing, and marketing high quality branded and generic prescription pharmaceuticals. We focus on niche and high barrier to entry opportunities including controlled substances, anti-cancer (oncolytics), hormones and steroids, and complex formulations. We have two pharmaceutical manufacturing facilities located in Baudette, Minnesota, which are capable of producing oral solid dose products, as well as liquids and topicals, controlled substances, and potent products that must be manufactured in a fully-contained environment.

Our strategy is to use our assets to develop, acquire, manufacture, and market branded and generic specialty prescription pharmaceuticals. By executing this strategy, we believe we will be able to continue to grow our business, expand and diversify our product portfolio, and create long-term value for our investors.

As of March 31, 2017, our products include both branded and generic pharmaceuticals, specifically:

Generic Products	Branded Products
Erythromycin Ethylsuccinate	
Esterified Estrogen with Methyltestosterone	
Etodolac	
Fenofibrate	
Flecainide	
Fluvoxamine	
Hydrocortisone Enema	Cortenema
Hydrocortisone Rectal Cream (1% and 2.5%)	Inderal LA
Lithium Carbonate ER	Inderal XL
Mesalamine Enema	InnoPran XL
Methazolamide	Lithobid
Metoclopramide Syrup	Reglan
Nilutamide	Vancocin
Nimodipine	
Opium Tincture	
Oxycodone Capsules	
Oxycodone Oral Solution	
Propafenone	
Propranolol ER	
Vancomycin	

We consider a variety of criteria in determining which products to develop, all of which influence the level of competition upon product launch. These criteria include:

- ***Formulation Complexity.*** Our development and manufacturing capabilities enable us to manufacture pharmaceuticals that are difficult to produce, including highly potent, extended release, combination, and low dosage products. This ability to manufacture a variety of complex products is a competitive strength that we intend to leverage in selecting products to develop or manufacture.
- ***Patent Status.*** We seek to develop products whose branded bioequivalents do not have long-term patent protection or existing patent challenges.
- ***Market Size.*** When determining whether to develop or acquire an individual product, we review the current and expected market size for that product at launch, as well as forecasted price erosion upon conversion from branded to generic pricing. We endeavor to manufacture products with sufficient market size to enable us to enter the market with a strong likelihood of being able to price our product both competitively and at a profit.
- ***Profit Potential.*** We research the availability and cost of active pharmaceutical ingredients in determining which products to develop or acquire. In determining the potential profit of a product, we forecast our anticipated market share, pricing, including the expected price erosion caused by competition from other generic manufacturers, and the estimated cost to manufacture the products.
- ***Manufacturing.*** We generally seek to develop and manufacture products at our own manufacturing plants in order to maximize the capacity and utilization of our facilities, ensure quality control in our products, and maximize profit potential.
- ***Competition.*** When determining whether to develop or acquire a product, we research the existing and expected competition. We seek to develop products for which we can obtain a sufficient market share, and may decline to develop a product if we anticipate significant competition. Our specialized manufacturing facilities provide a means of entering niche markets, such as hormone therapies, in which fewer generic companies are able to compete.

Recent Developments

In February 2017, we acquired from Cranford Pharmaceuticals, LLC the distribution license, trademark and certain finished goods inventory for Inderal® XL for $20.2 million in cash. Inderal XL is a beta adrenergic blocker indicated for the treatment of hypertension, to lower blood pressure. Lowering blood pressure reduces the risk of fatal and nonfatal cardiovascular events, primarily strokes and myocardial infarctions.

In February 2017, we acquired from Holmdel Pharmaceuticals, LP the NDA, trademark, and certain finished goods inventory for InnoPran XL®, including a license to an Orange Book listed patent, for $30.6 million in cash. InnoPran XL is a beta adrenergic blocker indicated for the treatment of hypertension, to lower blood pressure. Lowering blood pressure reduces the risk of fatal and nonfatal cardiovascular events, primarily strokes and myocardial infarctions.

GENERAL

The following table summarizes our results of operations for the periods indicated:

(in thousands)	Three Months Ended March 31, 2017	2016
Net revenues	$ 36,628	$ 20,555
Operating expenses		
Cost of sales (exclusive of depreciation and amortization)	16,386	3,410
Research and development	1,618	966
Selling, general, and administrative	7,293	5,904
Depreciation and amortization	6,706	4,609
Operating income	4,625	5,666
Interest expense, net	(2,932)	(2,782)
Other (expense)/income, net	(18)	2
Income before provision for income taxes	1,675	2,886
Provision for income taxes	(523)	(1,540)
Net income	$ 1,152	$ 1,346

The following table sets forth, for all periods indicated, items in our unaudited interim condensed consolidated statements of earnings as a percentage of net revenues:

	Three Months Ended March 31, 2017	2016
Net revenues	100.0%	100.0%
Operating expenses		
Cost of sales (exclusive of depreciation and amortization)	44.7%	16.6%
Research and development	4.4%	4.7%
Selling, general, and administrative	19.9%	28.7%
Depreciation and amortization	18.3%	22.4%
Operating income	12.7%	27.6%
Interest expense, net	(8.1)%	(13.6)%
Other (expense)/income, net	-%	-%
Income before provision for income taxes	4.6%	14.0%
Provision for income taxes	(1.4)%	(7.5)%
Net income	3.2%	6.5%

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

Net Revenues

(in thousands)	Three Months Ended March 31,			
	2017	2016	Change	% Change
Generic pharmaceutical products	$ 26,572	$ 13,252	$ 13,320	100.5%
Branded pharmaceutical products	8,039	5,596	2,443	43.7%
Contract manufacturing	1,793	1,384	409	29.6%
Contract services and other income	224	323	(99)	(30.7)%
Total net revenues	$ 36,628	$ 20,555	$ 16,073	78.2%

We derive substantially all of our revenues from sales of generic and branded pharmaceutical products, contract manufacturing, and contract services, which include product development services, laboratory services, and royalties on net sales of certain products.

Net revenues for the three months ended March 31, 2017 were $36.6 million compared to $20.6 million for the same period in 2016, an increase of $16.1 million, or 78.2%, primarily as a result of the following factors:

- Net revenues for generic pharmaceutical products were $26.6 million during the three months ended March 31, 2017, an increase of 100.5% compared to $13.3 million for the same period in 2016. The primary reason for the increase was sales of Propranolol ER and other products launched in the second quarter of 2016, as well as sales of Nilutamide and Erythromycin Ethylsuccinate, both of which were launched in the third quarter of 2016. These increases were tempered by volume decreases in Esterified Estrogen with Methyltestosterone ("EEMT") sales.

  As described in Note 11, *Commitments and Contingencies,* in the unaudited interim condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report, we market EEMT and Opium Tincture without Food and Drug Administration ("FDA") approved New Drug Applications ("NDAs"). The FDA's policy with respect to the continued marketing of unapproved products appears in the FDA's September 2011 Compliance Policy Guide Sec. 440.100 titled "Marketed New Drugs without Approved NDAs or Abbreviated New Drug Applications ("ANDAs")." Under this policy, the FDA has stated that it will follow a risk-based approach with regard to enforcement against marketing of unapproved products. The FDA evaluates whether to initiate enforcement action on a case-by-case basis, but gives higher priority to enforcement action against products in certain categories, such as those with potential safety risks or that lack evidence of effectiveness. While we believe that, so long as we comply with applicable manufacturing standards, the FDA will not take action against us under the current enforcement policy, we can offer no assurances that the FDA will continue this policy or not take a contrary position with any individual product or group of products. Our combined net revenues for these products for the three months ended March 31, 2017 and 2016 were $6.2 million and $9.0 million, respectively.

- Net revenues for branded pharmaceutical products were $8.0 million during the three months ended March 31, 2017, an increase of 43.7% compared to $5.6 million for the same period in 2016. The primary reason for the increase was sales of Inderal LA, which was launched in the second quarter of 2016, as well as sales of Inderal XL and InnoPran XL, both of which were launched in first quarter of 2017. The increase was partially offset by decreased unit sales for Lithobid and Vancocin. We experience periodic larger orders for our Vancocin product that relate to clinical trials. Such orders constituted $2.4 million of our branded pharmaceutical product revenue for the three months ended March 31, 2016. We had no such orders in the three months ended March 31, 2017, and we cannot be sure that such purchases will occur in future periods.

- Contract manufacturing revenues were $1.8 million during the three months ended March 31, 2017, an increase of 29.6% compared to $1.4 million for the same period in 2016, due to timing of orders from contract manufacturing customers in the period. As described in Note 11, *Commitments and Contingencies,* in the unaudited interim condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report, we contract manufacture a group of products on behalf of a customer that are marketed by that customer without an FDA-approved NDA. If the FDA took enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw them from the market. Our contract manufacturing revenues for the group of unapproved products for the three months ended March 31, 2017 and 2016 were $0.6 million and $0.3 million, respectively.

  Contract services and other income were $0.2 million during the three months ended March 31, 2017, a decrease of 30.7% from $0.3 million for the same period in 2016, due primarily to the lack of royalties related to sales of Fenofibrate, the authorized generic of Lipofen®, the marketing and distribution rights to which we acquired in January 2016. We launched Fenofibrate under our own label in the second quarter of 2016.

- As described in Note 11, *Commitments and Contingencies*, in the unaudited interim condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report, we receive royalties on the net sales of a group of contract-manufactured products, which are marketed by the customer without an FDA-approved NDA. If the FDA took enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw them from the market. Our royalties on the net sales of these unapproved products were less than 1% of total revenues for the three months ended March 31, 2017 and 2016.

Cost of Sales (Excluding Depreciation and Amortization)

(in thousands)	Three Months Ended March 31,			
	2017	2016	Change	% Change
Cost of sales (excl. depreciation and amortization)	$ 16,386	$ 3,410	$ 12,976	380.5%

Cost of sales consists of direct labor, including manufacturing and packaging, active and inactive pharmaceutical ingredients, freight costs, packaging components, and royalties related to profit-sharing arrangements. Cost of sales does not include depreciation and amortization expense, which is reported as a separate component of operating expenses on our unaudited interim condensed consolidated statements of earnings.

For the three months ended March 31, 2017, cost of sales increased to $16.4 million from $3.4 million for the same period in 2016, an increase of $13.0 million or 380.5%, primarily as a result of increased sales of products subject to profit-sharing arrangements, as well as increased volumes and the impact on cost of sales of the excess of fair value over cost for Inderal XL and InnoPran XL inventory acquired during the first three months of 2017 through asset acquisition transactions, and subsequently sold during the period. Cost of sales as a percentage of net revenues increased to 44.7% during the three months ended March 31, 2017, from 16.6% during same period in 2016, primarily as a result of increased sales of products subject to profit-sharing arrangements, a trend we expect to continue, and the $1.5 million net impact on cost of sales (4.2% as a percent of net revenues) of the excess of fair value over cost for Inderal XL, InnoPran XL, and Inderal LA inventory sold during the period, a trend which will continue until such time that the inventory as components of the Inderal XL, InnoPran XL, and Inderal LA asset purchases are consumed.

We source the raw materials for our products, including active pharmaceutical ingredients ("API"), from both domestic and international suppliers. Generally, only a single source of API is qualified for use in each product due to the cost and time required to validate a second source of supply. Changes in API suppliers usually must be approved by the FDA, which can take 18 months or longer. As a result, we are dependent upon our current vendors to reliably supply the API required for ongoing product manufacturing. In addition, certain of our API for our drug products, including those that are marketed without approved NDAs or ANDAs, are sourced from international suppliers. From time to time, we have experienced temporary disruptions in the supply of certain of such imported APIs due to FDA inspections.

During the three months ended March 31, 2017, we purchased 33% of our inventory (exclusive of inventory acquired in asset purchases as described in Note 12, *Fair Value Disclosures*, in the unaudited interim condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report) from two suppliers. As of March 31, 2017, the amounts payable to these suppliers were immaterial. In the three months ended March 31, 2016, we purchased approximately 50% of our inventory from three suppliers.

In order to manufacture Opium Tincture, Oxycodone capsules, and Oxycodone oral solution, we must receive approval from the Drug Enforcement Agency ("DEA") for a quota to purchase the amount of opium and oxycodone needed to manufacture the respective products. Without approved quotas from the DEA, we would not be able to purchase these ingredients from our suppliers. As a result, we are dependent upon the DEA to annually approve a sufficient quota of API to support our continued manufacture of Opium Tincture, Oxycodone capsules, and Oxycodone oral solution.

Other Operating Expenses

(in thousands)	Three Months Ended March 31,			
	2017	2016	Change	% Change
Research and development	$ 1,618	$ 966	$ 652	67.5%
Selling, general, and administrative	7,293	5,904	1,389	23.5%
Depreciation and amortization	6,706	4,609	2,097	45.5%
Total other operating expenses	$ 15,617	$ 11,479	$ 4,138	36.0%

Other operating expenses consist of research and development costs, selling, general, and administrative expenses, and depreciation and amortization.

For the three months ended March 31, 2017, other operating expenses increased to $15.6 million from $11.5 million for the same period in 2016, an increase of $4.1 million, or 36.0%, primarily as a result of the following factors:

- Research and development expenses increased from $1.0 million to $1.6 million, an increase of 67.5%, due to timing of work on development projects, primarily the Corticotropin re-commercialization project. Current projects also include work on the ANDAs purchased in 2014 and 2015, as well as collaborations with partners. We anticipate that research and development costs will continue to be greater in 2017 than in 2016, in support of our strategy to expand our product portfolio and as we continue to focus on the development of our Corticotropin products.

- Selling, general, and administrative expenses increased from $5.9 million to $7.3 million, an increase of 23.5%, primarily due to increased stock-based compensation expense, increases in personnel and related costs, and $0.5 million of expenses related to a proposed transaction that we ultimately decided not to pursue further. We anticipate that selling, general, and administrative expenses will continue to be greater in 2017 than in 2016 as we support anticipated additional revenue growth.

- Depreciation and amortization increased from $4.6 million to $6.7 million, an increase of 45.5%, due primarily to the amortization of the rights, title, and interest in the NDA for Inderal LA, which was acquired in April 2016, the amortization of the distribution license and trademark for Inderal XL, which was acquired in February 2017, and the amortization of the product rights for InnoPran XL, which was acquired in February 2017. We anticipate that depreciation and amortization expense will continue to be greater in 2017 than in 2016 as a result of our first quarter 2017 asset purchases.

Other Expense, net

(in thousands)	Three Months Ended March 31,			
	2017	2016	Change	% Change
Interest expense, net	$ (2,932)	$ (2,782)	$ (150)	5.4%
Other (expense)/income, net	(18)	2	(20)	NM[(1)]
Total other expense	$ (2,950)	$ (2,780)	$ (170)	6.1%

[(1)] Not Meaningful

For the three months ended March 31, 2017, we recognized other expense of $3.0 million versus other expense of $2.8 million for the same period in 2016, a change of $0.2 million. Interest expense, net for both periods consists primarily of interest expense on our convertible debt. For the three months ended March 31, 2017 and 2016, there was $0.1 million and $46 thousand of interest capitalized into construction in progress, respectively.

Provision for Income Taxes

(in thousands)	Three Months Ended March 31,			
	2017	2016	Change	% Change
Provision for income taxes	$ (523)	$ (1,540)	$ 1,017	(66.0)%

Our provision for income taxes consists of current and deferred components, which include changes in our deferred tax assets, our deferred tax liabilities, and our valuation allowance.

For interim periods, we recognize an income tax provision/(benefit) based on our estimated annual effective tax rate expected for the entire year plus the effects of certain discrete items occurring in the quarter. The interim annual estimated effective tax rate is based on the statutory tax rates then in effect, as adjusted for estimated changes in temporary and estimated permanent differences, and excludes certain discrete items whose tax effect is recognized in the interim period in which they occur. These changes in temporary differences, permanent differences, and discrete items result in variances to the effective tax rate from period to period. We also have elected to exclude the impacts from significant pre-tax non-recognized subsequent events from our interim estimated annual effective rate until the period in which they occur. Our estimated annual effective tax rate changes throughout the year as our on-going estimates of pre-tax income, changes in temporary differences, and permanent differences are revised, and as discrete items occur.

For the three months ended March 31, 2017, we recognized income tax expense of $0.5 million, versus $1.5 million for the same period in 2016, a decrease of $1.0 million. The effective tax rate for the three months ended March 31, 2017 was 31.2% of pre-tax income reported in the period, calculated based on the estimated annual effective rate anticipated for the year ending December 31, 2017 plus the effects of certain discrete items occurring in the first quarter. Our effective tax rate for the three months ended March 31, 2017 was impacted primarily by the Domestic Production Activities Deduction, as well as the discrete impact of current period awards of stock-based compensation, stock option exercises, and disqualifying dispositions of incentive stock options, all of which impact the consolidated effective rate in the period in which they occur.

The 53.4% effective tax rate for the three months ended March 31, 2016 was primarily driven by permanent differences related to our international tax structure surrounding our Corticotropin NDAs, which resulted in significant non-deductible amortization and interest expense in 2016. We expect that our effective tax rate for 2017 may continue to be lower than in 2016 as a result of the dissolution of the international tax structure surrounding our Corticotropin NDAs.

LIQUIDITY AND CAPITAL RESOURCES

The following table highlights selected liquidity and working capital information from our balance sheets:

(in thousands)	March 31, 2017	December 31, 2016
Cash and cash equivalents	$ 10,826	$ 27,365
Accounts receivable, net	46,697	45,895
Inventories, net	45,893	26,183
Prepaid expenses and other current assets	3,565	3,564
Total current assets	$ 106,981	$ 103,007
Accounts payable	$ 4,785	$ 3,389
Accrued expenses and other	2,549	927
Accrued royalties	10,331	11,956
Accrued compensation and related expenses	673	1,631
Current income taxes payable	3,656	2,398
Accrued government rebates	4,655	5,891
Returned goods reserve	5,776	5,756
Total current liabilities	$ 32,425	$ 31,948

At March 31, 2017, we had $10.8 million in unrestricted cash and cash equivalents. At December 31, 2016, we had $27.4 million in unrestricted cash and cash equivalents. We generated $6.5 million of cash from operations in the three months ended March 31, 2017. In February 2017, we purchased from Cranford Pharmaceuticals, LLC a distribution license, trademark and certain finished goods inventory for Inderal XL for $20.2 million in cash. We made the $20.2 million cash payment using cash on hand. In February 2017, we purchased from Holmdel Pharmaceuticals, LP the NDA, trademark, and certain finished goods inventory for InnoPran XL, including a license to an Orange Book listed patent, for $30.6 million in cash. We made the $30.6 million cash payment using $30.0 million of funds from our Line of Credit and $0.6 million of cash on hand.

In May 2016, we entered into a credit arrangement (the “Line of Credit”) with Citizens Bank Capital, a division of Citizens Asset Finance, Inc. that provided for a $30.0 million asset-based revolving credit loan facility. In February 2017, we implemented the accordion feature and increased the Line of Credit to $40.0 million. As of March 31, 2017, we had a $30.0 million outstanding balance on the Line of Credit, and our available borrowing base was $10.0 million.

We are focused on expanding our business and product pipeline through collaborations, and also through acquisitions of products and companies. We are continually evaluating potential asset acquisitions and business combinations. To finance such acquisitions, we might raise additional equity capital, incur additional debt, or both.

In the first quarter of 2016, we purchased from Merck Sharp & Dohme B.V. the NDAs and associated product rights and manufacturing licenses for Corticotropin and Corticotropin-Zinc for $75.0 million in cash and a percentage of future net sales of the products under the NDAs. In the first quarter of 2016 we purchased from H2-Pharma, LLC the rights to market, sell, and distribute two products for $8.8 million in cash and the assumption of an accrued royalty of $1.2 million, for a total of $10.0 million in consideration.

We believe that our financial resources, consisting of current working capital, anticipated future operating revenue, and our revolving line of credit facility, will be sufficient to enable us to meet our working capital requirements for at least the next 12 months.

The following table summarizes the net cash and cash equivalents provided by/(used in) operating activities, investing activities, and financing activities for the periods indicated:

(in thousands)	Three Months Ended March 31,	
	2017	2016
Operating Activities	$ 6,529	$ 10,969
Investing Activities	$ (53,094)	$ (85,551)
Financing Activities	$ 30,025	$ (2,355)

Net Cash Provided By Operations

Net cash provided by operating activities was $6.5 million for the three months ended March 31, 2017, compared to $11.0 million during the same period in 2016, a decrease of $4.5 million between the periods. This decrease was principally due to increased expenditures in support of the growth of the business, somewhat tempered by increased sales volume and corresponding gross profit dollars.

Net Cash Used In Investing Activities

Net cash used in investing activities for the three months ended March 31, 2017 was $53.1 million, principally due to the February 2017 payment of $20.2 million for the asset acquisition of the product rights for Inderal XL, the February 2017 payment of $30.6 million for the asset acquisition of the product rights for InnoPran XL, and $2.1 million of capital expenditures during the period. Net cash used in investing activities for the three months ended March 31, 2016 was $85.6 million, principally due to the January 2016 $75.0 million asset acquisition of the NDAs for Corticotropin and Corticotropin-Zinc, the January 2016 payment of $8.8 million to H2-Pharma, LLC for marketing and distribution rights associated with two products, and $1.4 million of capital expenditures during the period.

Net Cash Provided By/(Used In) Financing Activities

Net cash provided by financing activities was $30.0 million for the three months ended March 31, 2017, principally due to the $30.0 million draw on the Citizens Agreement Line of Credit. Net cash used in financing activities was $2.4 million for the three months ended March 31, 2016, principally due to the $2.5 million repurchase of the Company’s common stock under our Stock Repurchase Program, partially offset by $0.1 million of proceeds from stock option exercises.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

This Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our unaudited interim condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. In our unaudited interim condensed consolidated financial statements, estimates are used for, but not limited to, stock-based compensation, allowance for doubtful accounts, accruals for chargebacks, administrative fees and rebates, returns and other allowances, allowance for inventory obsolescence, accruals for contingent liabilities and litigation, fair value of long-lived assets, income tax provision, deferred taxes and valuation allowance, purchase price allocations, and the depreciable and amortizable lives of long-lived assets.

A summary of our significant accounting policies is included in Item 8. Consolidated Financial Statements, Note 1 — Description of Business and Summary of Significant Accounting Policies, in our Annual Report on Form 10-K for the year ended December 31, 2016. Certain of our accounting policies are considered critical, as these policies require significant, difficult or complex judgments by management, often requiring the use of estimates about the effects of matters that are inherently uncertain. Such policies are summarized in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2016.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance with respect to measuring credit losses on financial instruments, including trade receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of certain amendments of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospective basis. We currently expect that the adoption of this guidance will likely change the way we assess the collectability of our receivables and recoverability of other financial instruments. We have not yet begun to evaluate the specific impacts of this guidance nor have we determined the manner in which we will adopt this guidance.

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities related to long-term leases on the balance sheet and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. The guidance must be adopted on a modified retrospective basis and provides for certain practical expedients. We are currently evaluating the impact that the adoption of this guidance will have on our consolidated financial statements. We currently expect that the adoption of this guidance will likely change the way we account for our operating leases and will likely result in recording the future benefits of those leases and the related minimum lease payments on our consolidated balance sheets. We have not yet begun to evaluate the specific impacts of this guidance.

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, along with most existing industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance obligations, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year deferral, making the standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginning after December 15, 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying performance obligations and the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding SEC paragraphs related to revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the FASB also issued guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts and contract modifications at transition, with the same effective date. We do not intend to adopt the guidance early. We expect that the adoption of this guidance will likely change the way we recognize revenue generated under customer contracts. However, we are currently reviewing our contracts with customers to determine if the accounting for these contracts will be impacted by the adoption of this guidance and, if so, if that impact will be material to our consolidated financial statements. We have not yet determined the manner in which we will adopt this guidance.

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued guidance to simplify the measurement of goodwill. The guidance eliminates Step 2 from the goodwill impairment test. Instead, under the amendments in this guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The guidance also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. The guidance is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted for interim or annual goodwill impairment tests performed for testing dates after January 1, 2017. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business, provides a framework to assist entities in evaluating whether both an input and substantive process are present, and narrows the definition of the term output. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. The guidance must be adopted on a prospective basis. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued guidance to reduce diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The revised guidance requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The guidance was effective for the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption was permitted, including adoption in an interim period. If an entity adopted the guidance in an interim period, any adjustments should have been reflected as of the beginning of the fiscal year that includes that interim period. The guidance must be adopted on a retrospective basis. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective basis, and all periods have been presented under this guidance. The adoption of this new guidance resulted in the inclusion of our $5.0 million of restricted cash in the cash and cash equivalents balance in our consolidated statement of cash flows for all reporting periods presented in 2017 and onward.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The guidance must be adopted on a retrospective basis and must be applied to all periods presented, but may be applied prospectively if retrospective application would be impracticable. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued guidance simplifying the accounting for and financial statement disclosure of stock-based compensation awards, consisting of changes in the accounting for excess tax benefits and tax deficiencies, and changes in the accounting for forfeitures associated with share-based awards, among other things. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017. Pursuant to the adoption requirements for excess tax benefits and tax deficiencies, we no longer recognize excess tax benefits or tax deficiencies in Additional Paid in Capital (“APIC”); rather, we recognize them prospectively as a component of our current period provision/(benefit) before income taxes. We did not reverse our current APIC pool, which was $3.1 million as of December 31, 2016, and we presented the impact of classifying excess tax benefits as an operating activity in the statement of cash flows on a prospective basis. Pursuant to the adoption requirements for forfeitures, we now account for forfeitures as they occur rather than using an estimated forfeiture rate; the change in accounting resulted in a $14 thousand cumulative-effect adjustment increasing our accumulated deficit as of January 1, 2017. The adoption of the remaining amendments did not have a material impact on our consolidated financial statements.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2017 and December 31, 2016, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risks include interest rate risk, equity risk, foreign currency exchange rate risk, commodity price risk, and other relevant market rate or price risks. Of these risks, interest rate risk and equity risk could have a significant impact on our results of operations.

As of March 31, 2017, our principal debt obligation was related to our Notes. In order to reduce the potential equity dilution that would result upon conversion of the Senior Convertible Notes issued in December 2014, we entered into note hedge transactions with a financial institution affiliated with one of the underwriters of the Senior Convertible Note offering. The note hedge transactions are expected generally, but not guaranteed, to reduce the potential dilution to our common stock and/or offset the cash payments we are required to make in excess of the principal amount upon any conversion of Senior Convertible Notes, in the event that the market price per share of our common stock, as measured under the terms of the Convertible Note Hedge Transactions, is greater than the conversion price of the Senior Convertible Notes, which is initially approximately $69.48. In addition, in order to partially offset the cost of the note hedge transactions, we issued warrants to the hedge counterparty to purchase approximately 2.1 million shares of our common stock at a strike price of $96.21. The warrants would separately have a dilutive effect to the extent that the market value per share of our common stock exceeds the strike price of the warrants. In addition, non-performance by the counterparties under the hedge transactions would potentially expose us to dilution of our common stock to the extent our stock price exceeds the conversion price.

Interest on the Notes accrues at a fixed rate of 3.0% on the outstanding principal amount of the Notes and is paid semi-annually every December 1st and June 1st until the Notes mature on December 1, 2019. Since the interest rate is fixed, we have no interest-rate market risk related to the Notes. However, if our stock price increases, the fair value of our Notes, and their likelihood of being converted, will change accordingly. As a result, we face equity risk in relation to our Notes.

On May 12, 2016, we entered into a credit agreement (the “Line of Credit”) with Citizens Business Capital, a division of Citizens Asset Finance, Inc. (the “Citizens Agreement”). The Citizens Agreement provides for a $30.0 million asset-based revolving credit loan facility. In February 2017, we implemented the accordion feature and increased the Line of Credit to $40.0 million. Amounts drawn bear an interest rate equal to, at our option, either a LIBOR rate plus 1.25%, 1.50%, or 1.75% per annum, depending upon availability under the Citizens Agreement or an alternative base rate plus either 0.25%, 0.50%, or 0.75% per annum, depending upon availability under the Citizens Agreement. We will incur a commitment fee on undrawn amounts equal to 0.25% per annum. As of March 31, 2017, we had a $30.0 million outstanding balance on the Line of Credit. If the interest rate on our $30.0 million loan outstanding were to increase by 10%, we would incur $6 thousand of additional interest expense.

We are exposed to risks associated with changes in interest rates. The returns from certain of our cash and cash equivalents will vary as short-term interest rates change. A 100 basis-point adverse movement (decrease) in short-term interest rates would decrease the interest income earned on our cash balance in the three months ended March 31, 2017 by approximately $1 thousand.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management has carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of March 31, 2017. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II — OTHER INFORMATION

Item 1. Legal Proceedings

Please refer to Note 11, *Commitments and Contingencies*, in the unaudited interim condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q quarterly report, which is incorporated into this item by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, please carefully consider the factors described in our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2016 under the heading “Part I — Item 1A. Risk Factors.” The risks described are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that our management currently deems to be immaterial, also may adversely affect our business, financial condition, and/or operating results. There have been no material changes to those risk factors since their disclosure in our most recent Annual Report on Form 10-K.

Item 2. Recent Sales of Unregistered Securities and Use of Proceeds from Registered Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the Index to Exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ANI Pharmaceuticals, Inc. (Registrant)

Date: May 4, 2017

By: /s/ Arthur S. Przybyl
Arthur S. Przybyl
President and
Chief Executive Officer
(principal executive officer)

Date: May 4, 2017

By: /s/ Stephen P. Carey
Stephen P. Carey
Vice President, Finance and
Chief Financial Officer
(principal financial officer)

INDEX TO EXHIBITS

Exhibit No.	Description
10.1*	Asset Purchase Agreement between Cranford Pharmaceuticals, LLC and ANI Pharmaceuticals, Inc.
10.2*	Asset Purchase Agreement between Holmdel Pharmaceuticals, LP and ANI Pharmaceuticals, Inc.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Confidential Treatment requested as to certain portions of this exhibit. Such portions have been redacted and filed separately with the Commission.

Exhibit 10.1

EXECUTION COPY

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

ASSET PURCHASE AGREEMENT

between

CRANFORD PHARMACEUTICALS, LLC

and

ANI PHARMACEUTICALS, INC.

DATED AS OF FEBRUARY 23, 2017

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

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EXHIBITS

SCHEDULES OTHER THAN DISCLOSURE SCHEDULES

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is made and entered into as of the 23rd day of February 2017, by and between Cranford Pharmaceuticals, LLC, a Delaware limited liability company ("Seller") and ANI Pharmaceuticals, Inc., a corporation organized under the laws of Delaware ("Purchaser").

RECITALS

WHEREAS, Seller holds the rights to manufacture, market, sell and distribute the Product in the Territory (the "Business"); and

WHEREAS, Seller desires to sell, transfer and assign to Purchaser, and Purchaser desires to acquire and assume from Seller, all of the Purchased Assets and Assumed Liabilities, all as more specifically provided herein.

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

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Acquisition Proposal" shall have the meaning set forth in Section 6.9.

"Affiliate" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person at any time during the period for which the determination of affiliation is being made. Without limitation, Mist, Holmdel Pharmaceuticals, LP, and Akrimax shall each be deemed for all purposes hereunder an Affiliate of Seller. Solely for purposes of Section 6.11 and Section 7.1, Cranford Therapeutics LLC and its respective Affiliates shall be deemed Affiliates of Seller.[1]

"Affiliate Agreements" means those agreements listed on Schedule 1.1.

"Agreement" means this Asset Purchase Agreement.

"Akrimax" means Akrimax Pharmaceuticals, LLC.

"AMP" means the average manufacturer price, as defined at 42 U.S.C. § 1396r-8(k)(1) and 42 C.F.R. § 447.500 et seq.

"Ancillary Agreements" means, collectively, the Services Agreement, Bill of Sale, assignments of Assumed Contracts, assumption agreements or other instruments evidencing the assumption by Purchaser of the Assumed Liabilities, and each other agreement, document, instrument and/or certificate contemplated by this Agreement to be executed by Purchaser or Seller in connection with the transactions contemplated hereby.

"Assumed Contracts" shall have the meaning set forth in Section 2.1(a).

"Assumed Liabilities" shall have the meaning set forth in Section 2.4(a).

"Audited Financial Statements" shall have the meaning set forth in Section 4.13(a).

"Bankruptcy and Equity Exception" shall have the meaning set forth in Section 4.2(b).

"Bill of Sale" means a bill of sale, dated as of the Closing Date, in the form set forth as Exhibit A hereto.

"Business" shall have the meaning set forth in the Recitals.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are authorized or obligated by applicable law or executive order to close.

"Cap" shall have the meaning set forth in Section 9.6(c).

"Challenged Amount" shall have the meaning set forth in Section 2.7(e).

"Closing" means the closing of the transactions contemplated by this Agreement pursuant to the terms of this Agreement.

"Closing Date" shall have the meaning set forth in Section 3.1(a).

"Closing Date Inventory Value" means the aggregate value of all the Purchased Inventory, determined on the basis of the Seller's cost basis in such Inventories, up to a maximum of [***]; provided, however, that the cost basis of any Purchased Inventories that are damaged, defective or otherwise not saleable in the ordinary course of business on customary terms shall be excluded from the calculation of Closing Date Inventory Value.

"Code" means the Internal Revenue Code of 1986, as amended, from time to time.

"Collateral Source" shall have the meaning set forth in Section 9.7.

"Competing Business" shall have the meaning set forth in Section 7.1.

"Confidential Information" shall have the meaning set forth in the Confidentiality Agreement.

"Confidentiality Agreement" means the Confidentiality Agreement between Seller and Purchaser, dated February 16, 2017, as amended or supplemented from time to time.

"Contract" means any binding contract, agreement, lease, license or commitment.

"Copyrights" shall have the meaning set forth in the definition for Intellectual Property.

"Covered Proceeds" shall have the meaning set forth in Section 2.1(h).

"[***]" means [***].

"Dentons" shall have the meaning set forth in Section 11.17(b).

"Distribution Activities" shall have the meaning set forth in Section 6.8(d).

"Excluded Assets" shall have the meaning set forth in Section 2.3.

"Excluded Inventory" means the Inventory which is not Purchased Inventory.

"Exploitation" (including, with correlative meanings, the terms "Exploit" and "Exploited") means developing, commercializing, manufacturing, labeling, packaging, marketing, promoting, selling, distributing and/or transporting.

"FDA Act" means the Food, Drug and Cosmetics Act of 1938, as amended, supplemented or replaced.

"Final Inventory Value" shall have the meaning set forth in Section 2.7(d).

"Financial Statements" shall have the meaning set forth in Section 4.13(b).

"Fundamental Representations" shall have the meaning set forth in Section 9.5.

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Governmental Authority" means any supranational, national, federal, state or local or foreign judicial, legislative, executive or regulatory authority.

"Governmental Authorizations" means all licenses, permits, certificates and other authorizations and approvals pertaining to the Product under the applicable Laws of any Governmental Authority.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Gross Profit" means the amount equal [***].

"Indemnity Notice" shall have the meaning set forth in Section 9.3(a).

"Indemnified Party" shall have the meaning set forth in Section 9.3(a).

"Indemnifying Party" shall have the meaning set forth in Section 9.3(a).

"Indemnity Threshold" shall have the meaning set forth in Section 9.6(b).

"Independent Accountant" shall have the meaning set forth in Section 2.6(c).

"Intellectual Property" means any and all worldwide rights in, arising from or associated with the following, whether protected, created or arising under the Laws of the United States or any other jurisdiction or under any international convention: (1) all trade secrets and other proprietary information which derives independent economic value from not being generally known to the public (collectively, "Trade Secrets"); (2) all copyrights, copyrights registrations and applications therefor ("Copyrights"); (3) all uniform resource locators, e-mail and other internet addresses and domain names and applications and registrations therefor ("URLs"); and (6) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

"Inventories" means all inventory of finished goods Product and all samples of Product owned by Seller or Mist on the Closing Date.

"Inventory Excess Amount" shall have the meaning set forth in Section 2.7(g)(ii).

"Inventory Shortfall Amount" shall have the meaning set forth in Section 2.7(g)(i).

"Knowledge of Purchaser" means the actual knowledge any of the individuals listed on Schedule 1.1(b)(i) has or would have following reasonable inquiry into the subject matter in the ordinary course of performing each of their respective duties.

"Knowledge of Seller" means the actual knowledge any of the individuals listed on Schedule 1.1(b)(ii) has or would have following reasonable inquiry into the subject matter in the ordinary course of performing each of their respective duties.

"Laws" means any federal, state, foreign or local law, common law, statute, ordinance, rule, regulation, code or Governmental Order.

"Liabilities" means any and all Losses, debts, liabilities and obligations, whether accrued or unaccrued, fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable, including all costs and expenses relating thereto.

"Licensed Intellectual Property" shall have the meaning set forth in Section 4.9(b)(i).

"Licensed Know-How" shall have the meaning set forth in Section 6.12.

"Liens" means any lien, security interest, mortgage, pledge, assessment, hypothecation, easement, title retention clause, title defect, right of first refusal, charge or similar encumbrance.

"Loss" or "Losses" means any liabilities, losses, damages, fines or penalties that are suffered or sustained, or that have required an outlay or payment of cash or other non-cash consideration, whether resulting from a judgment, a settlement or an award, including those arising out of any Proceeding, Law or Contract, including the Taxes, costs and expenses (including reasonable fees and expenses of counsel, consultants, experts, and other professional fees) associated therewith.

"Lowenstein" shall have the meaning set forth in Section 11.17(a).

"Material Adverse Effect" means any event, fact, condition, occurrence, change or effect that is or would reasonably be expected to be materially adverse to the Exploitation of the Product or the Purchased Assets, taken as a whole; provided, however, that none of the following shall be deemed, either alone or in combination, to constitute a Material Adverse Effect, or be taken into account in determining whether there has or will be a Material Adverse Effect: (a) changes in political or economic conditions (including changes in interest or exchange rates) in any country in which Purchased Assets are located or in which the Business operates, or in the securities, syndicated loan, credit or financial markets of any such country; (b) changes in general market conditions affecting the Exploitation of the Product in general or within the United States; (c) changes in GAAP; (d) changes or effects that arise out of or are attributable to the acts or omissions of, or circumstances affecting, Purchaser and/or its Affiliates; (e) changes or effects that generally affect the markets in which the Product is Exploited; (f) changes or effects that arise out of or are attributable to the commencement, occurrence, continuation or intensification or reduction or cessation of any war (whether or not declared), sabotage, armed hostilities or acts of terrorism; (g) changes or effects that arise out of or are attributable to earthquakes, hurricanes or other natural disasters, epidemics or other outbreaks of disease; (h) changes or effects that relate to any failure by Seller to meet internal projections or forecasts for any period (including with respect to the Purchased Assets or Product), or that arise out of or are attributable to market conditions with respect to the Product, including the availability of generic alternatives or alternative therapies and treatments; and (i) any action taken by Seller as required by this Agreement or with Purchaser's consent, except, in the case of clauses (a), (b), (c), (e) and (f), for those changes or effects that have a disproportionate impact on the Exploitation of the Product relative to other comparable pharmaceutical product.

"Mist" means Mist Pharmaceuticals, LLC.

"NDC Number" means the unique 10-digit, 3-segment number assigned by the U.S. Food & Drug Administration to each human drug processed for commercial distribution, which number is published in the NDC Directory pursuant to Section 510 of the FDA Act.

"Net Sales" means the gross amount received by Seller or Subsidiary of Seller, as applicable, for sales of the Product (other than applicable, sales, use or VAT Taxes), less the deductions taken by the Seller or an Affiliate or Subsidiary of Seller, as applicable, with respect to such sales in accordance with GAAP:

(i) [***];

(ii) [***];

(iii) [***]; and

(iv) [***].

Notwithstanding the foregoing, sales of Product for patient assistance programs, research or development or complimentary samples shall not be deemed "sales" for purposes of calculating Net Sales.

"Non-Compete Period" has the meaning set forth in Section 7.1.

"NonFAMP Eligible Transactions" means those transactions relating to a Product that are used to calculate the Non-Federal Average Manufacturer Price as defined by Veteran's Health Care Act of 1992.

"Objection Notice" shall have the meaning set forth in Section 2.7(c).

"Outside Date" shall have the meaning set forth in Section 10.1(b).

"Owned Intellectual Property" shall have the meaning set forth in Section 4.9(a).

"Party" means each of Purchaser and Seller.

"Permitted Encumbrances" means (i) statutory Liens arising by operation of Law with respect to a Liability incurred in the ordinary course of business and which is not delinquent; (ii) Liens for Taxes not yet subject to penalties for nonpayment or that are being contested in good faith by appropriate proceedings; (iii) mechanics', materialmens', carriers', workmens', warehousemens', repairmens', landlords' or other like Liens and security obligations that are not delinquent; (iv) Liens set forth on Schedule 1.1(c) hereto, all of which will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; and (v) Liens arising under this Agreement.

"Person" means an individual, a limited liability company, joint venture, a corporation, a partnership, an association, a trust, a division or operating group of any of the foregoing or any other entity or organization.

"Post-Closing Tax Period" means any Tax period (or portion thereof) beginning after the Closing Date.

"Pre-Closing Tax Period" means any Tax period (or portion thereof) ending on or before the Closing Date.

"Proceeding" means any claim, action, arbitration, mediation, hearing, proceeding, suit, warning letter, or notice of violation.

"Product" means the Product listed on Schedule 1.1(d) hereto.

"Property Taxes" shall have the meaning set forth in Section 11.8(b).

"Purchased Assets" shall have the meaning set forth in Section 2.1, it being understood that the Purchased Assets do not include the Excluded Assets.

"Purchased Documents" means originals, or if originals are unavailable, copies of all books, records, files and papers, whether in hard copy or computer format, to the extent related to the Product (including with respect to research and development, medical safety or regulatory affairs), including (i) all documents, if any, relating to the calculation of baseline AMP (but excluding any proprietary methodology documents created by Seller or any of its Affiliates with respect to the calculation of baseline AMP), (ii) an electronic version of the Product's Medical Information Inquiry Database and the documents set forth in Schedule 1.1(e), (iii) any and all regulatory files (including correspondence with regulatory authorities) owned by or in the possession or control of Seller or any Affiliate thereof to the extent relating to the Purchased Assets or the operation of the Business (including safety and adverse event data) and (iv) copies of all books, records, files and papers, whether in hard copy or computer format, to the extent related to NonFAMP Eligible Transactions from the third fiscal quarter of 2013 through the Closing Date.

"Purchased Inventory" means that portion of the Inventory that is set forth on Schedule 1.1(a).

"Purchase Price" shall have the meaning set forth in Section 2.6(a).

"Purchaser" has the meaning set forth in the preamble of this Agreement.

"Purchaser Disclosure Schedules" shall have the meaning set forth in Article V.

"Purchaser Indemnified Parties" shall have the meaning set forth in Section 9.1.

"Representatives" means, with respect to any Person, the directors, managers, employees, independent contractors, agents or consultants of such Person.

"Required Third Party Consents" means the consents and approvals set forth on Schedule 1.1(f).

"Retained Liabilities" shall have the meaning set forth in Section 2.5.

"Seller" shall have the meaning set forth in the preamble of this Agreement.

"Seller Company Identifiers" shall have the meaning set forth in Section 6.7(a).

"Seller Disclosure Schedules" shall have the meaning set forth in Article IV.

"Seller Indemnified Parties" shall have the meaning set forth in Section 9.2.

"Services Agreement" means a services agreement, dated as of the Closing Date, in the form set forth as Exhibit B hereto.

"Side Letter" shall have the meaning set forth in Section 3.1(b)(xii).

"Solvent", when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "fair saleable value" of the assets of such Person on a going concern basis will, as of such date, exceed (i) the value of all "liabilities of such Person, including contingent and other liabilities" as of such date, as such quoted terms are generally determined in accordance with applicable United States federal laws governing determinations of the insolvency of debtors and (ii) the amount that will be required to pay the probable liabilities of such Person on its existing debts (including contingent liabilities) as such debts become absolute and matured, (b) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date and (c) such Person will be able to pay its liabilities, including contingent and other liabilities, as they mature. For purposes of this definition, each of the phrases "not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged" and "able to pay its liabilities, including contingent and other liabilities, as they mature" means that such Person will be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet its obligations as they become due.

"Subsidiary" or "Subsidiaries" means an entity as to which Seller or Purchaser or any other relevant entity, as the case may be, owns directly or indirectly 50% or more of the voting power or other similar interests. Any Person which comes within this definition as of the date of this Agreement but thereafter fails to meet such definition shall from and after such time not be deemed to be a Subsidiary of Seller or Purchaser or any other relevant entity, as the case may be. Similarly, any Person which does not come within such definition as of the date of this Agreement but which thereafter meets such definition shall, from and after such time, be deemed to be a Subsidiary of Seller or Purchaser or any other relevant entity, as the case may be.

"Tax" or "Taxes" means all taxes, levies or other assessments, including income, excise, property, sales or use, value added, profits, license, withholding (with respect to compensation or otherwise), payroll, employment, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Taxing Authority, and including any interest, penalties and additions attributable thereto.

"Tax Return" or "Tax Returns" means any return, report, declaration, information return, statement or other document filed or required to be filed with any Taxing Authority, in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Taxing Authority" means any Governmental Authority, body or instrumentality exercising any authority to impose, regulate or administer the imposition of Taxes.

"Termination Agreement" shall have the meaning set forth in Section 3.1(b)(xiii).

"Territory" means the United States and its territories and possessions, including Puerto Rico and U.S. military bases abroad.

"Third Party Claim" shall have the meaning set forth in Section 9.4(a).

"Trade Secrets" shall have the meaning set forth in the definition for Intellectual Property.

"Trademark License-Back Agreement" means the Trademark License-Back Agreement dated as of April 1, 2016, by and between Purchaser and Seller.

"Transfer Taxes" means any federal, state, county, local, foreign and other sales, use, transfer, value added, conveyance, documentary transfer, stamp, recording, registration or other similar Tax (including any notarial fee) imposed in connection with, or otherwise relating to, the transactions contemplated by this Agreement or the recording of any sale, transfer or assignment of property (or any interest therein) effected pursuant to this Agreement.

"Treasury Regulations" means the regulations promulgated by the Treasury Department under the Code.

"Unaudited Financial Statements" shall have the meaning set forth in Section 4.13(b).

"URLs" shall have the meaning set forth in the definition for Intellectual Property.

Section 1.2 Other Definitional and Interpretive Provisions. (a) The words "hereof", "herein", "hereto" 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 shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "$" shall mean United States of America dollars.

(d) The term "including" (and with correlative meaning "include") shall mean "including, without limitation."

(e) Reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity.

(f) Reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended, modified or supplemented and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.

(g) When a reference is made in this Agreement to an Article, a Section, an Exhibit or a Schedule, such reference shall be to an Article of, a Section of, an Exhibit to or a Schedule to, this Agreement unless otherwise indicated.

(h) The Parties acknowledge that: (i) this Agreement is the result of negotiations between the Parties and shall not be deemed or construed as having been drafted by any one Party; (ii) each Party and its counsel have reviewed and negotiated the terms and provisions of this Agreement (including any exhibits and disclosure schedules attached hereto) and have contributed to its revision; (iii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iv) the terms and provisions of this Agreement shall be construed fairly as to all Parties and not in favor of or against any Party, regardless of which party was generally responsible for the preparation of this Agreement.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Assets. Upon the terms and subject to the conditions set forth herein, at the Closing, Seller shall, and with respect to Section 2.1(b) shall cause Akrimax to, and with respect to Section 2.1(d) shall cause Mist to, sell, convey, assign and transfer to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, Mist and Akrimax, as applicable, free and clear of all Liens, other than Permitted Encumbrances, all right, title and interest of Seller, Akrimax and Mist, as applicable, in, to and under those assets described in the following clauses (a) through (i) related to Seller's Product (collectively, the "Purchased Assets"):

(a) all the Contracts relating to the Product set forth on Schedule 2.1(a), including with respect to the Licensed Intellectual Property (the "Assumed Contracts");

(b) all of the Owned Intellectual Property (including the URL registration owned by Akrimax as set forth on Schedule 4.9(a)(ii));

(c) all customer lists for the Product and research data to the extent related to the Product and in the possession or control of Seller or any Affiliate thereof;

(d) the Purchased Inventory;

(e) all the Purchased Documents; provided, however, that Seller shall have the right to retain one copy (subject to the confidentiality provisions set forth in Section 6.11) of all or any portion of the Purchased Documents to comply with applicable Laws and regulatory guidance;

(f) all refunds for Taxes relating to the Purchased Assets with respect to a Post-Closing Tax Period;

(g) all of Seller's rights under warranties, guaranties, indemnities and similar rights against third parties, including any predecessors in title, to the extent related to the Assumed Liabilities or the Exploitation of the Purchased Assets and the Product on or after the Closing Date, including rights to proceeds under insurance policies in respect of damage or loss to the Purchased Assets which have not been fully remediated as of the Closing ("Covered Proceeds"); and

(h) all of Seller's claims, counterclaims, causes of action and all other rights of any kind against any third party in connection with the Assumed Liabilities or related to the Exploitation of the Purchased Assets on or after the Closing Date.

Section 2.2 Consents. Purchaser acknowledges that certain consents to the transactions contemplated by this Agreement (other than the Required Third Party Consents) may be required from counterparties to Contracts and that such consents may not be obtained prior to Closing. Seller shall use its commercially reasonable efforts (which shall not require Seller to pay any money or other consideration to any Person, to initiate any claim or proceeding against any Person or to otherwise grant any accommodation (financial or otherwise) to any Person) (i) to obtain such approval or consent and (ii) if such approval or consent cannot be obtained, to secure an arrangement reasonably satisfactory to Purchaser ensuring that Purchaser will receive the benefits under the Purchased Asset for which such consent is being sought and Purchaser will bear the burden of the Liabilities related to such Purchased Asset; provided, however, that notwithstanding anything to the contrary herein or otherwise (A) Seller shall have no obligation to obtain such consent or approval or to provide such an alternative arrangement other than the undertaking to use commercially reasonable efforts to obtain or provide the same as set forth in this Section 2.2, and (B) Purchaser shall indemnify Seller in respect of all Liabilities incurred by Seller in respect of any such alternative arrangement and the underlying Purchased Asset. To the extent that, in connection with obtaining a third party's consent under any Assumed Contract, one or more of the parties hereto enter into an agreement with such third party that provides for an allocation of Liability among the parties hereto with respect to such Assumed Contract that is inconsistent with the terms of this Agreement, the parties agree that, as among themselves, the provisions of this Agreement shall control.

Section 2.3 Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and Seller shall retain all right, title and interest to, in and under the Excluded Assets. "Excluded Assets" means all assets, properties, interests and rights of Seller other than the Purchased Assets to be sold by Seller, including each of the following assets:

(a) all cash, cash equivalents, bank deposits or similar cash items and accounts receivable of Seller;

(b) all books and records of Seller other than the Purchased Documents; provided, however, that Purchaser shall have the right to make copies of any portions of any such retained books and records to the extent related to any of the Purchased Assets;

(c) all rights of Seller to (i) the Seller Company Identifiers and (ii) any other Intellectual Property, other than Intellectual Property included in the Purchased Assets;

(d) all insurance policies or rights to proceeds thereof relating to the Purchased Assets or the Product (except Covered Proceeds);

(e) subject to Section 2.1(i), all rights, claims or causes of action of Seller against third parties in connection with the Exploitation of the Purchased Assets and the Product prior to the Closing Date;

(f) all Tax Returns and financial statements of Seller and all records (including working papers) related thereto;

(g) all refunds for Taxes relating to the Purchased Assets with respect to a Pre-Closing Tax Period;

(h) all of Seller's rights in respect of real property, including leasehold interests;

(i) the membership interests in and other equity or ownership interests in Seller;

(j) all rights that accrue to Seller under this Agreement and the Ancillary Agreements; and

(k) all of Seller's causes of action, claims, credits, demands or rights of set-off against third parties, to the extent related to any Excluded Asset.

Section 2.4 Assumption of Liabilities.

(a) Upon the terms and subject to the conditions of this Agreement, Purchaser agrees, effective at the Closing, to assume and to satisfy and discharge when due the Liabilities of Seller (other than the Retained Liabilities), specifically set forth below (all of such Liabilities and other than the Retained Liabilities being herein collectively referred to as the "Assumed Liabilities"):

(i) all Liabilities arising from the Exploitation of any Product after the Closing Date, including Liabilities for returns, rebates and chargebacks related to any of the Product shipped after the Closing Date;

(ii) all Liabilities for Taxes relating to the Purchased Assets or the Product with respect to a Post-Closing Tax Period, including those allocated in accordance with Section 11.8(b);

(iii) all Liabilities for materials and services relating to the Purchased Assets contracted for in the ordinary course of business prior to the Closing pursuant to an Assumed Contract, but scheduled to be delivered or provided thereafter, and all Liabilities to customers under purchase orders for Product that have not yet been shipped at Closing, in each case to the extent not related to any breach of Seller occurring prior to the Closing;

(iv) all Liabilities under Assumed Contracts (including Liabilities to customers under purchase orders made in the ordinary course of the sale and marketing of the Product consistent with past practice for any Product that has not been shipped prior to the Closing) relating to the period following the Closing Date, other than any Liabilities to the extent arising out of, or resulting from, a breach of any such Assumed Contract by Seller prior to the Closing Date;

(v) all Liabilities arising out of or relating to any product liability, breach of warranty or similar claim for injury to any Person or property that resulted from the use or misuse of the Product on or after the Closing Date or otherwise relates to the Product sold (including any Proceeding relating to any such Liabilities) on or after the Closing Date, which, in the case of any split lots of Product, shall be determined based on the percentage of any such lot sold on or after the Closing Date; and

(vi) all other Liabilities relating to the Purchased Assets or the Product, or Purchaser's use thereof, solely to the extent that such are not Retained Liabilities, including to any Governmental Authority, and all fees arising from or related to any Intellectual Property included in the Purchased Assets, but only to the extent not related to or arising out of any act, omission or event occurring prior to the Closing.

Section 2.5 Retained Liabilities. Notwithstanding any provision in this Agreement, Seller shall retain and be responsible only for the following Liabilities (the "Retained Liabilities"):

(a) all Liabilities of Seller and/or any Affiliate of Seller other than Assumed Liabilities, including all Liabilities related to the Excluded Assets and all Liabilities under Assumed Contracts relating to the period prior to the Closing Date (including the Assumed Contracts set forth on Schedule 4.12(e));

(b) all Liabilities of Seller and/or any of its Affiliates under the Ancillary Agreements;

(c) all Liabilities of Seller and/or any of its Affiliates in respect of any Proceeding (whether class, individual or otherwise in nature, in law or in equity) commenced or asserted prior to the Closing, or based on acts or omissions of Seller and/or any of its Affiliates or their respective equityholders, officers, directors or managers occurring prior to the Closing, and arising out of or to the extent relating to or otherwise in any way relating to the Purchased Assets or the Product, including, without limitation, any Liability to any equityholder of Seller or any Affiliate of Seller and including all Liabilities arising out of or related to the litigation described on Schedule 4.6 of the Seller Disclosure Schedules;

(d) all Liabilities of Seller to its suppliers for materials and services relating to the Product that were delivered or provided to Seller prior to Closing;

(e) all Liabilities arising out of or relating to any product liability, breach of warranty or similar claim for injury to any Person or property that resulted from the use or misuse of the Product prior to the Closing Date or otherwise relates to the Product sold (including any Proceeding relating to any such Liabilities) prior to the Closing Date, which, in the case of any split lots of Product, shall be determined based on the percentage of any such lot sold prior to the Closing Date;

(f) any Liability under Seller's employee benefits or compensation arrangements; and

(g) all Liabilities for Taxes relating to the Purchased Assets or the Product with respect to a Pre-Closing Tax Period, including those allocated in accordance with Section 11.8(b).

Section 2.6 Purchase Price.

(a) On the terms and subject to the conditions set forth herein, in consideration of the sale and transfer of the Purchased Assets, at the Closing, Purchaser shall (i) assume the Assumed Liabilities and (ii) pay an amount in cash equal to the sum of (*x*) Nineteen Million Eight Hundred and Eleven Thousand Dollars ($19,811,000), *plus* (*y*) the Closing Date Inventory Value, subject to adjustment pursuant to the terms of Section 2.7(g) (the "Purchase Price") to Seller in immediately available funds by wire transfer to the account(s) specified in written instructions given by Seller to Purchaser not less than two (2) Business Days prior to the Closing.

(b) To the extent that Purchaser is required under any provision of Law to deduct and withhold Taxes on any payment hereunder, Purchaser shall withhold and deduct from the Purchase Price such required amounts and such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Persons in respect of which such deductions and withholdings were made; provided, however, that Purchaser may deduct such amounts only if Purchaser shall (i) give Seller reasonable advance notice of the intention to make such deduction or withholding; (ii) explain the basis for such deduction or withholding, and (iii) cooperate with Seller to the extent reasonably requested to obtain any applicable reduction of or relief from such deduction or withholding; provided, further, that, except as otherwise required by Law or applicable court order, Purchaser shall not withhold any portion of the Purchase Price if Seller delivers a non-foreign affidavit under Section 1445 of the Code and the Treasury Regulations promulgated thereunder.

(c) The allocation of the Purchase Price among the Purchased Assets and Assumed Liabilities shall be prepared by Purchaser within ninety (90) days following the Closing. Purchaser shall deliver to Seller a copy of such proposed allocation promptly after Purchaser's determination of the proposed allocation, and Seller shall have the right to review and raise any objections in writing to the proposed allocation during the fifteen (15) day period after Seller's receipt thereof. If Seller does not notify Purchaser in writing of a disagreement with the proposed allocation during such fifteen (15) day period, the proposed allocation shall become final. If Seller disagrees with respect to any item in the allocation, the Parties shall negotiate in good faith to resolve the dispute. If the Parties are unable to agree on the allocation within thirty (30) days after the commencement of such good faith negotiations (or such longer period as Seller and Purchaser may mutually agree in writing), then the parties shall refer such dispute to an independent internationally recognized accounting firm ("Independent Accountant") at that time to review the allocation, and make a determination as to the resolution of such allocation. The determination of the Independent Accountant regarding the allocation shall be delivered as soon as practicable following engagement of the Independent Accountant, but in no event more than sixty (60) days thereafter, and shall be final, conclusive and binding upon Seller and Purchaser, and Purchaser shall revise the original proposed allocation accordingly. Seller, on the one hand, and Purchaser on the other hand, shall each pay one-half of the cost of the Independent Accountant. The finalized allocation shall be binding on Seller and Purchaser for all Tax reporting purposes and Seller and Purchaser agree to refrain from taking any position inconsistent therewith, unless required by applicable Law or a final determination of a Taxing Authority.

Section 2.7 Purchase Price Adjustment.

(a) On the Closing Date, Seller shall deliver to Purchaser a statement (the "Closing Statement") containing Seller's final calculation of the Closing Date Inventory Value and shall be accompanied with reasonably detailed documentation supporting Seller's calculation thereof. The Closing Statement will be in the form as set forth in Schedule 2.7(a).

(b) The Purchaser will have a period of twenty (20) Business Days to review the Closing Statement and all calculations set forth therein. Seller shall give Purchaser (upon reasonable advance notice and during normal business hours in a manner that does not materially interfere with Seller's business) reasonable access to the applicable personnel and books and records of Seller and its Affiliates as reasonably requested by Purchaser, as well as use commercially reasonable efforts to cause [***] to provide Purchaser reasonable access to the premises of [***] and the records kept by them of the Purchased Inventories, to reasonably enable Purchaser to fully review the Closing Statement and such access shall be provided in a timely manner to allow Purchaser to complete such review in such twenty (20) Business Day period.

(c) The Closing Statement shall be conclusive of the amount of the Closing Date Inventory Value and shall be final and binding upon the Parties unless on or before the twentieth (20^{th}) Business Day after the date on which the Closing Statement is delivered to Purchaser, Purchaser delivers to Seller a notice of objection (an "Objection Notice") to any matter stated in the Closing Statement. Any Objection Notice shall specify, in reasonable detail to the extent Purchaser has the available information, those items or amounts as to which Purchaser disputes in good faith and Purchaser shall be deemed to have agreed with all other items and amounts contained in the Closing Statement and the calculations of the Closing Date Inventory Value set forth therein.

(d) If Purchaser fails to deliver an Objection Notice within such twenty (20) Business Day period, Purchaser shall be deemed to have waived its rights to contest the Closing Statement and the calculation of the Closing Date Inventory Value set forth therein shall be deemed to be final and binding upon the Parties (the "Final Inventory Value") and such amount shall be used for the purposes of adjustment to the Purchase Price pursuant to Section 2.7(g).

(e) If Purchaser delivers an Objection Notice to Seller on or before such twenty (20) Business Day period, then the Parties shall meet within ten (10) Business Days after Purchaser delivers an Objection Notice, by telephone or at a mutually agreeable location to discuss in good faith and attempt to reconcile their differences with respect to the amount of the Closing Date Inventory Value that is being challenged by Purchaser (the "Challenged Amount(s)"). In the event the Parties are unable to reach agreement on the Challenged Amounts, either Party may at any time thereafter submit such remaining disagreements to the Independent Accountant.

(f) The Parties shall use commercially reasonable efforts to cause the Independent Accountant, once appointed, to resolve all remaining disagreements with respect to Challenged Amounts as soon as practicable, but in any event shall direct the Independent Accountant to render a determination within thirty (30) days after retention of the Independent Accountant. Each Party will be afforded the opportunity to present to the Independent Accountant any material such Party deems relevant to the determination. The Independent Accountant shall consider only those items and amounts in Purchaser's and Seller's respective calculations of the Challenged Amounts that are identified as being items and amounts to which Purchaser and Seller have been unable to agree. In resolving any disputed item, the Independent Accountant may not assign a value to any item greater than the greatest value for such item claimed by either Party or less than the smallest value for such item claimed by either Party. The Independent Accountant's determination of the Challenged Amounts shall be based solely on written materials submitted by the Parties (*i.e.*, not on independent review) and on the definitions included in this Agreement. The determination of the Independent Accountant shall be conclusive and binding upon the Parties and shall not be subject to appeal or further review and shall be deemed as the Final Inventory Value for all purposes hereunder. The costs and expenses of the Independent Accountant in determining any Challenged Amounts shall be borne equally by Purchaser, on the one hand, and Seller, on the other hand.

(g) On the date of the binding determination of the Final Inventory Value pursuant to the terms of this Section 2.7, if:

(i) the Final Inventory Value is equal to an amount that is *less* than the Closing Date Inventory Value set forth in the Closing Statement (the aggregate total amount of the shortfall equal to the sum of (*x*) the Closing Date Inventory Value, *minus* (y) the Final Inventory Value, the "Inventory Shortfall Amount"), then Seller shall, within ten (10) Business Days of the binding determination of the Final Inventory Value, pay an amount in cash equal to the Inventory Shortfall Amount to Purchaser in immediately available funds by wire transfer to the account(s) specified in written instructions provided by Purchaser to Seller; or

(ii) the Final Inventory Value is *more* than Closing Date Inventory Value set forth in the Closing Statement (the aggregate total amount of the excess equal to the sum of (*x*) the Final Inventory Value, *minus* (*y*) the Closing Date Inventory Value, the "Inventory Excess Amount"), then Purchaser shall, within ten (10) Business Days of the binding determination of the Final Inventory Value, pay an amount in cash equal to the Inventory Excess Amount to Seller in immediately available funds by wire transfer to the account(s) specified in written instructions provided by Seller to Purchaser.

(iii) Notwithstanding anything to the contrary set forth above, in no event will the Final Inventory Value be deemed to exceed [***].

ARTICLE III

CLOSING

Section 3.1 Closing. (a) The Closing shall take place remotely via the exchange of documents and signatures by electronic mail and overnight courier service on (i) the second (2^{nd}) Business Day following the satisfaction (or, to the extent permitted hereby and by applicable Law, waiver) of the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied by actions to be taken on the Closing Date, but subject to the waiver or satisfaction of such conditions) or (ii) at such other time and place as the Parties may mutually agree in writing. The date on which the Closing occurs is called the "Closing Date." The Closing shall be deemed to occur and be effective as of 12:01 a.m. on the Closing Date.

(b) At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following instruments and documents, in each case, in form and substance reasonably acceptable to Purchaser:

(i) a receipt for payment of the Purchase Price;

(ii) a certificate of an authorized officer of Seller as to the resolutions adopted by the members, board of managers or similar governing body of Seller relating to the transactions contemplated hereby;

(iii) executed copies of the Required Third Party Consents;

(iv) assignments of Assumed Contracts, duly executed by Seller or its applicable Affiliate;

(v) the Bill of Sale, duly executed by an authorized officer of Seller;

(vi) general assignments duly executed by Seller and all of the Seller Affiliates assigning to Purchaser all right, title and interest they may have in and to any of the Purchased Assets, including assignments of all URLs to the extent owned by any Seller Affiliate and used or held for use in connection with the Exploitation of the Product;

(vii) physical or, to the extent available, electronic copies of the Purchased Documents;

(viii) a duly executed non-foreign affidavit under Section 1445 of the Code and the Treasury Regulations promulgated thereunder;

(ix) the Services Agreement, duly executed by an authorized officer of Seller;

(x) evidence reasonably satisfactory to Purchaser of the termination of the Affiliate Agreements;

(xi) either (A) evidence in form and substance reasonably satisfactory to Purchaser that those Liens on the Purchased Assets (other than Permitted Encumbrances) set forth on Schedule 1.1(b) have been or will be released at the Closing or (B) written authorization from the appropriate Lien holders authorizing Purchaser to file terminations or releases of such Liens set forth on Schedule 1.1(b);

(xii) a side letter, in form and substance reasonably satisfactory to Purchaser, duly executed by authorized officers of the applicable Affiliates of Seller, addressing only those matters set forth in Exhibit C (the "Side Letter"); and

(xiii) a termination agreement, in form and substance reasonably satisfactory to Purchaser, duly executed by an authorized officer of Purchaser, Purchaser, terminating in all respects the Trademark License-Back Agreement (the "Termination Agreement").

(c) At the Closing, Purchaser shall deliver or cause to be delivered to Seller, the following: (x) the Purchase Price, as provided in Section 2.6(a), and (y) the following instruments and documents, in each case, in form and substance reasonably acceptable to Seller:

(i) Assignments of Assumed Contracts duly executed by Purchaser;

(ii) executed assumption agreements and all other instruments appropriate to evidence Purchaser's assumption of the Assumed Liabilities;

(iii) certificates of an authorized officer of Purchaser as to the resolutions adopted by the Boards of Directors of Purchaser relating to the transactions contemplated hereby;

(iv) the Services Agreement, duly executed by an authorized officer of Purchaser;

(v) the Termination Agreement, duly executed by an authorized officer of Purchaser; and

(vi) the Side Letter, duly executed by an authorized officer of Purchaser.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered section of the disclosure schedules attached hereto that relates to such Section of this Agreement (the "Seller Disclosure Schedules"), Seller hereby makes the representations and warranties contained in this Article IV to Purchaser.

Section 4.1 Organization. Seller is (i) a limited liability company duly organized, validly existing and in good standing under the Laws of Delaware and (ii) is duly qualified or licensed to do business and is in good standing in each jurisdiction in which such qualification or licensing is necessary under applicable Laws or where the Exploitation of Seller's Product requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect. Seller has no Subsidiaries.

Section 4.2 Authority; Binding Effect. (a) Seller has all requisite limited partnership power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and perform its obligations hereunder. The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary limited liability action on behalf of Seller.

(b) This Agreement has been duly executed and delivered by Seller and, assuming the valid execution and delivery by Purchaser, constitutes a valid and binding obligation of Seller, and each Ancillary Agreement will be, prior to the Closing, duly executed and delivered by Seller and will, assuming the valid execution and delivery by Purchaser, from and after the Closing, constitute a valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law) (the "Bankruptcy and Equity Exception").

Section 4.3 No Conflicts; Consents. The execution, delivery and performance of this Agreement and the Ancillary Agreements by Seller and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate any provision of the organizational documents of Seller; (ii) subject to obtaining the Required Third Party Consents as well as the other consents referred to in Schedule 4.3 of the Seller Disclosure Schedules, conflict with, or result in the breach of, constitute a default under, result in the termination, cancellation or acceleration (whether after the giving of notice or the lapse of time or both) of any right or obligation of Seller under, or to a loss of any benefit to which Seller is entitled under, any Assumed Contract, or any other Contract to which the assets of Seller or any of its Affiliates are subject to the extent such relate to the Purchased Assets; and (iii) assuming compliance with the matters set forth in Section 4.4 and Section 5.5, violate or result in a breach of or constitute a default under any Law or other restriction of any Governmental Authority to which Seller is subject; except, with respect to clauses (ii) and (iii), for any violations, breaches, conflicts, defaults, terminations, cancellations or accelerations as would not reasonably be expected to be material to the Business, Purchased Assets or the Product.

Section 4.4 Governmental Authorization. The execution and delivery of this Agreement and the Ancillary Agreements by Seller or any Affiliate thereof does not require any consent or approval of any Governmental Authority included within the Required Third Party Consents.

Section 4.5 Absence of Material Changes. Except as otherwise contemplated or permitted by this Agreement, from December 31, 2015 to the date of this Agreement:

(a) there has not been any Material Adverse Effect; and

(b) other than with respect to the transactions contemplated by this Agreement and the exploration of strategic alternatives for the Purchased Assets by Seller, Seller operated the Purchased Assets, in all material respects, in the ordinary course of business.

Section 4.6 No Litigation. No proceeding by or before any Governmental Authority is pending against or, to the Knowledge of Seller, threatened in writing against Seller with respect to the Purchased Assets that would reasonably be expected to be material to the Business, the Purchased Assets and the Product, taken as a whole, or that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or the Ancillary Agreements. None of Seller or any of its Purchased Assets are subject to any Governmental Order or arbitration award that is material to the Purchased Assets, taken as a whole, or that imposes any material limitation on the ability of Seller to operate its Business as currently conducted.

Section 4.7 Compliance with Laws. Except as to matters otherwise set forth in this Agreement:

(a) Since January 1, 2015,Seller and its Affiliates have operated the Business in material compliance with all Laws applicable to the Purchased Assets, including the FDA Act;

(b) Seller possesses all Governmental Authorizations necessary for the operation of the Business and the Purchased Assets as currently conducted; and

(c) since January 1, 2015, no Governmental Authority has notified Seller or any Affiliate of Seller in writing that Seller or an Affiliate of Seller (with respect to the Product, the Purchased Assets or the operation of the Business) is in violation of any applicable Law.

Section 4.8 Regulatory Compliance.

(a) Schedule 4.8(a) of the Seller Disclosure Schedules sets forth, as of the date hereof, a list of all product registrations with respect to the Product in the United States, which constitute all material registrations, applications, approvals, licenses or permits granted by any Governmental Authority and used by Seller or any Affiliate of Seller in the Exploitation of the Product since January 1, 2015.

(b) All of the Product sold are, and at all times since January 1, 2015, have been manufactured and marketed in accordance with applicable Laws, except where the failure to comply therewith would not reasonably be expected to be material to the Business, the Purchased Assets and the Product, taken as a whole.

(c) To the Knowledge of Seller, there are no pending requirements to conduct any Phase IV or other clinical studies with respect to any Product of Seller in the United States for any approved indication.

(d) Neither Seller nor any of Seller's Affiliates or any of their respective contractors has (nor, to the Knowledge of Seller, has any other Person) at any time since January 1, 2015 (i) received or been subject to a warning letter, untitled letter, Form FDA 483, or any other similar Governmental Authority notice or action relating to any Product; (ii) been subject to any Governmental Authority detention, seizure, injunction, consent decree, notice of criminal investigation, indictment, sentencing memorandum, plea agreement, court order, target or no-target letter, or other investigation relating to any Product; or (iii) initiated or been subject to any product recall, market withdrawal, stock replacement or post-sale warning relating to any Product.

Section 4.9 Intellectual Property.

(a) Schedule 4.9(a)(i) – (iv) of the Seller Disclosure Schedules set forth a true and correct list of all (i) URL registrations and (ii) applications and registrations for Copyrights, in each case to the extent owned by Seller or any Seller Affiliate and used or held for use in connection with the Exploitation of Product as of the date of this Agreement ("Owned Intellectual Property").

(b) Except as set forth on Schedule 4.9(b)(i) – (iii) of the Seller Disclosure Schedule:

(i) there is no action or proceeding pending, nor any notice of any objection or claim (other than objections or claims that have been previously resolved) asserted in writing or, to the Knowledge of Seller, threatened by any Person, with respect to or challenging, the ownership, validity or enforceability of any Owned Intellectual Property (or, to the Knowledge of Seller, any Intellectual Property licensed to Seller or a Seller Affiliate pursuant to an Assumed Contract or the Trademark License-Back Agreement ("Licensed Intellectual Property"));

(ii) the Owned Intellectual Property and the rights of Seller or a Seller Affiliate to any Licensed Intellectual Property are free and clear of any Liens, other than Permitted Encumbrances; and

(iii) none of the Owned Intellectual Property (nor, to the Knowledge of Seller, the rights of Seller or a Seller Affiliate to any Licensed Intellectual Property) is the subject of (A) any pending (or, to the Knowledge of Seller, threatened) material adverse claim, judgment, injunction, order, decree or agreement restricting (1) its use in connection with any Product or (2) assignment thereof to Purchaser or termination thereof as contemplated hereunder, or (B) any other pending (or, to the Knowledge of Seller, threatened) material litigation or claim of infringement.

(c) Except for the rights and assets set forth on Schedule 4.9(c) of the Seller Disclosure Schedules, the (i) Owned Intellectual Property, (ii) the rights of Seller to Licensed Intellectual Property under the Assumed Contracts or Trademark License-Back Agreement, (iii) any Intellectual Property with respect to the Seller Company Identifiers and (iv) the Licensed Know-How, collectively, include all of the material Intellectual Property used by Seller or any Affiliate of Seller to Exploit the Product since January 1, 2015.

(d) Except as set forth on Schedule 4.9(d), to the Knowledge of Seller the Exploitation of Seller's Product in the manner in which such Product has been Exploited since January 1, 2015, does not infringe, misappropriate or otherwise violate any Intellectual Property or proprietary right of any Person.

(e) Except as set forth on Schedule 4.9(e) of the Seller Disclosure Schedule, Seller has not granted any license, option or other rights with respect to any of its Owned Intellectual Property or, with respect to the Product, any rights of Seller to any Licensed Intellectual Property to any other Person, in each case to the extent such license, option or other rights is material to the Exploitation of the Product.

Section 4.10 Assets.

(a) Except as otherwise expressly provided in this Agreement, Seller owns or has the legal right to use all of its Purchased Assets. Seller has good and marketable title to all its Purchased Assets (other than Intellectual Property, which is the subject of Section 4.9), free of Liens, except for Permitted Encumbrances.

(b) Except for the rights and assets set forth on Schedule 4.10 of the Seller Disclosure Schedules, the Purchased Assets, together with the rights granted to Purchaser under the Ancillary Agreements, constitute all of the assets and rights of Seller and/or its Affiliates pertaining to the Product or used or held for use by Seller in the Exploitation of the Product. Except as set forth on Schedule 4.10 of the Seller Disclosure Schedules, (i) no Affiliate of Seller has any rights to or interest in any of the Purchased Assets, except for (A) such rights or interest that will be assigned to Purchaser at the Closing and (B) such rights or interest under the Affiliate Agreements, which Affiliate Agreements will be terminated at the Closing and (ii) Rouses Point Pharmaceuticals, LLC has no rights to or interest in any of the Purchased Assets and is not and has not been a party to any agreement with Seller with respect to or otherwise relating to the Product.

Section 4.11 Taxes.

(a) Seller has duly and timely filed, including extensions (or caused to be filed) with the appropriate Taxing Authorities all income and other material Tax Returns relating to its Purchased Assets required to be filed. No claim has ever been made in writing by a Taxing Authority in any jurisdiction where Seller does not file Tax Returns that Seller is or may be subject to taxation by that jurisdiction as a result of its operation, ownership or use of Purchased Assets.

(b) Seller has paid (or caused to be paid) all income and other material Taxes relating to its Purchased Assets due and payable (whether or not shown on any Tax Return) on or prior to the Closing Date. Seller has withheld or collected (or caused to be withheld or collected) all material Taxes relating to its Purchased Assets required to be withheld or collected.

(c) There are no Liens for Taxes, nor, to the Knowledge of Seller, is any Taxing Authority in the process of imposing any Lien, on the Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition. There are no written claims, assessments, deficiencies or other adjustments for Taxes against Seller which, if not satisfied or resolved, would result in a Lien on the Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition, that would survive the Closing Date or in a Liability of Purchaser or its Affiliates as a transferee of or successor to Seller's Purchased Assets.

(d) Seller has not waived any statute of limitations, agreed to any extension of time, or entered into any written agreement in respect of Taxes, the nonpayment or underpayment of which would result in a Lien on its Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition, that would survive the Closing Date, or in a Liability of Purchaser or its Affiliates as a transferee of or successor to such Purchased Assets.

Section 4.12 Contracts.

(a) Schedule 4.12(a) of the Seller Disclosure Schedules sets forth, as of the date of this Agreement, a true, correct and complete list of all of the Assumed Contracts (including all amendments or modifications thereto), to which Seller is a party which are used in the Exploitation of the Product or by which any of its Purchased Assets are bound, including:

(i) any Contract that, in accordance with its terms, requires aggregate payments of [***] or more within the twelve (12) month period following the date hereof and that is not cancelable without Liability on sixty (60) or fewer days' notice to the other party thereto;

(ii) any Contracts or agreements relating to or evidencing indebtedness in excess of [***] which is secured in whole or part by the Purchased Assets;

(iii) any Contracts that contain any non-compete or exclusivity provisions (or obligates Purchaser or any of its Affiliates to enter into any non-compete or exclusivity arrangements following the Closing) with respect to any line of business or geographic area;

(iv) any Contract that requires (or would require upon the happening of a contingency) the disposition of any assets or line of business of Seller prior to Closing, or by Purchaser or any of its Affiliates following the Closing;

(v) any Contract that grants a contractual counterparty "most favored nation" or similar status;

(vi) any Contract that restricts the conduct of any line of business (including the ability to research, develop, distribute, sell, supply, market or manufacture any product (including Product under development) for any indication in any product market, therapeutic area or geographic area) by Purchaser or any of its Affiliates following the Closing;

(vii) any Contract that requires or obligates Purchaser or any of its Affiliates to purchase specified minimum amounts of any product or material or to perform or conduct research, clinical trials or development for the benefit of any Person other than Purchaser or any of its Affiliates;

(viii) any Contract that prohibits or limits in any material respect the right of Seller prior to Closing, or Purchaser or any of its Affiliates following the Closing, to make, sell or distribute any Product or services or use, transfer, license, distribute or enforce any of its Intellectual Property;

(ix) any Contract that could reasonably be expected to account for sales of one or more of the Product by Seller or any Seller Affiliate of [***] or more in the aggregate during the fiscal years ending December 31, 2016 or 2017;

(x) any Contract that is a settlement agreement, other than (A) releases or separation agreements entered into with former employees or current or former independent contractors and (B) settlement agreements under which there are no continuing obligations, Liabilities or rights (excluding releases);

(xi) any Contract pursuant to which Seller is granted a license, covenant not to sue, option or other right with respect to any Licensed Intellectual Property that is material to the Exploitation of the Product;

(xii) any Contract pursuant to which Seller grants a third party a license, covenant not to sue, option or other right with respect to any Purchased Intellectual, excluding licenses, covenants not to sue, options and other rights granted in the ordinary course of business; and

(xiii) any Contract that contains any liability or obligation to indemnify any Person against any Tax Liability or to share any Tax Liability with any Person (other than commercial Contracts, the primary purpose of which is not related to Taxes, none of which are Assumed Contracts).

(b) Seller has made available to Purchaser true, complete and correct copies of all Assumed Contracts including any and all amendments, supplements or modifications thereto, or detailed descriptions of any oral Assumed Contracts, to which it is a party. Each Assumed Contract is a legal, valid and binding obligation, and is enforceable against Seller, and, to the Knowledge of Seller, the other party thereto, and is in full force and effect, subject to the Bankruptcy and Equity Exception. Neither Seller nor, to the Knowledge of Seller, any other party thereto (i) is in breach or violation of, or default under, or has delivered a notice of termination of, any such Assumed Contract and no event has occurred that, with the giving of notice or lapse of time or both, would constitute a breach or default of any such Assumed Contract, (ii) has not communicated any intention or threat to Seller, to reduce the prices it will pay to Seller pursuant thereto, to terminate or to cancel any such Assumed Contract or has failed to renew or extend the term of any such Assumed Contract upon the expiration of any such term.

(c) From and after the Closing, the Purchaser will have no obligation to make any payment to or perform any obligation for the benefit of any Affiliate of Seller (whether pursuant to an Assumed Contract or otherwise), except to the extent expressly set forth herein or in an Ancillary Agreement.

(d) Schedule 4.12(d) of the Seller Disclosure Schedules sets forth, as of the date of this Agreement, a true, correct and complete list, with respect to the Product, any Contract between Seller or any Seller Affiliate and each of (A) the ten (10) largest customers and (B) the two sole suppliers of the Product during either the fiscal year ended December 31, 2015 or the fiscal year ended December 31, 2016.

(e) Seller has (i) accurately calculated and paid all royalty payments or license fees in respect of sales of the Product for all periods ending on or prior to December 31, 2016 owed pursuant to (A) the Assumed Contracts and (B) all other contracts in connection with which Seller pays a royalty or other fee based on the sales of the Product, each of which is set forth on Schedule 4.12(e), and (ii) not received any written notice from any counterparty to any such Assumed Contract or other contract alleging that Seller has failed to pay any amounts due thereunder.

(f) No Assumed Contract contains any provision that would impose a 'failure to supply' penalty on the Purchaser following the Closing.

(g) There are no outstanding purchase orders issued by Seller or any Affiliate of Seller (including Mist) to the manufacturer or packager of the Product with a scheduled delivery date prior to January 1, 2018 or which would otherwise result in the delivery of any Product to Seller or Purchaser prior to January 1, 2018.

Section 4.13 Financial Statements.

(a) Seller has provided to Purchaser a correct and complete copy of an audited balance sheet (including any related notes thereto) of Seller for the year ended December 31, 2015 together with the audited statement of income and cash flows for the year ended December 31, 2015 (the "Audited Financial Statements"). The Audited Financial Statements were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), are consistent with and were prepared from the books and records of Seller, and fairly present in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the of the respective dates thereof and for the respective periods, except as otherwise set forth in the notes thereto.

(b) Seller has provided to Purchaser a correct and complete copy of the unaudited balance sheet of Seller for the three (3) month period ended December 31, 2016, together with the unaudited consolidated statement of income and cash flows for the three (3) month period ended on December 31, 2016 (the "Unaudited Financial Statements" and, collectively with the Audited Financial Statements, the "Financial Statements"). The Unaudited Financial Statements were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in any notes thereto), are consistent with and were prepared from the books and records of Seller, and fairly present in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the respective dates thereof and for the respective periods indicated, except that the Unaudited Financial Statements do not contain notes and are subject to normal year-end adjustments (none of which would be materially adverse).

(c) Section 4.13(c) of the Seller Disclosure Schedule sets forth, in all material respects, a complete and correct calculation of Net Sales and Gross Profits of Seller and its Affiliates, based on unaudited financial statements available as of the date hereof, with respect to the Product (calculated on a consolidated basis and consistent with and prepared from the books and records of Seller) for the year ended December 31, 2016.

(d) Seller maintains books and records accurately reflecting its material assets and material liabilities and a system of internal controls that management reasonably believes is sufficient to ensure that transactions are recorded as necessary to permit preparation of financial statements of Seller in conformity with GAAP and to maintain asset accountability, and to provide adequate assurance that material transactions and access to assets are authorized only by management. Such books and records are accurate and complete in all material respects. Seller does not maintain any off-the-book accounts. Seller has disclosed to Purchaser any known or, to the knowledge of Seller, alleged fraud, respecting Seller or any Affiliate of Seller since January 1, 2015, that involves management or other employees who have had a significant role in the internal control over financial reporting.

Section 4.14 Suppliers and Customers. No customer or supplier identified in Section 4.14 of the Seller Disclosure Schedule has, since January 1, 2016, ceased, failed to renew or materially altered its relationship with Seller or an Affiliate of Seller with respect to the Business in a manner adverse to Seller or such Affiliate or, to the Knowledge of Seller, has threatened in writing to cease or materially alter such relationship in a manner materially adverse to Seller or its Affiliate. No such customer has notified Seller or an Affiliate of Seller in writing, that it shall stop, or materially decrease the rate of, buying Product from Seller or an Affiliate of Seller which would be materially adverse to Seller or its Affiliate. No such supplier has notified Seller or an Affiliate of Seller in writing that it shall stop, or materially decrease the rate of, supplying materials, Product or services to Seller or an Affiliate of Seller with respect to the Business which would be materially adverse to Seller.

Section 4.15 Brokers. Except as set forth on Schedule 4.15 of the Seller Disclosure Schedule (whose fees will be paid by Seller), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

Section 4.16 Inventories. As of the Closing, the Purchased Inventories: (i) are in material compliance with all applicable specifications, (ii) have been manufactured in all material respects in accordance with current Good Manufacturing Practices, as set forth in the United States Code of Federal Regulations, and (iii) are not misbranded or adulterated, within the meaning of the Food, Drug and Cosmetics Act.

Section 4.17 Ordinary Course. Except as set forth on Schedule 4.17 of the Seller Disclosure Schedule, since January 1, 2016, the Seller and each of its Affiliates has maintained the Purchased Assets and Exploited the Product in the ordinary course of business consistent in all material respects, with past practice. Except as set forth on Schedule 4.17 of the Seller Disclosure Schedule, since September 30, 2016, neither Seller nor any Affiliate of the Seller has offered any discounts or sales promotions intended to increase sales of the Product, except as required under Contracts existing as of such date.

Section 4.18 Base Period AMP. The base period AMP set forth on Schedule 4.18 for the Product has been calculated in accordance with all applicable Laws, and to Seller's knowledge, there are no facts or circumstances that would require a restatement of the base period AMP for any Product.

Section 4.19 No Other Representations or Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN THIS Article IV (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES), NEITHER SELLER NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED (BY STATUTE OR OTHERWISE), REPRESENTATION OR WARRANTY WITH RESPECT TO SELLER, THE PURCHASED ASSETS, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE ASSUMED LIABILITIES AND ANY OTHER RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AND SELLER DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER MADE BY SELLER OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES, AND WITHOUT LIMITING THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH HEREIN (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES), IT IS THE EXPLICIT INTENT AND UNDERSTANDING OF EACH PARTY HERETO THAT PURCHASER TAKES THE PURCHASED ASSETS "AS IS," "WHERE IS" AND "WITH ALL KNOWN AND UNKNOWN FAULTS." EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN THIS Article IV (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES) OR IN THE ANCILLARY AGREEMENTS, SELLER HEREBY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, PROJECTION, FORECAST, STATEMENT, OR INFORMATION MADE, COMMUNICATED OR FURNISHED (ORALLY OR IN WRITING) TO PURCHASER OR ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN OR MAY BE PROVIDED TO PURCHASER BY ANY DIRECTOR, OFFICER, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF SELLER OR ANY OF ITS AFFILIATES). SELLER MAKES NO REPRESENTATIONS OR WARRANTIES TO PURCHASER REGARDING THE PROBABLE SUCCESS OR PROFITABILITY OF THE PURCHASED ASSETS OR THE PRODUCT.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as set forth in the section of the disclosure schedules attached hereto that relates to such Section of this Agreement (the "Purchaser Disclosure Schedules"), Purchaser hereby represents and warrants to Seller as follows:

Section 5.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has full corporate power and authority to conduct its business as it is presently being conducted and to own and lease its properties and assets.

Section 5.2 Corporate Authorization. No vote of holders of capital stock of Purchaser or any of its Affiliates is necessary to approve this Agreement or the transactions contemplated by this Agreement. Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it will be a party, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Purchaser of this Agreement and each such Ancillary Agreement, and the performance by Purchaser of its obligations hereunder and thereunder, have been duly authorized by all requisite or other legal entity action on the part of Purchaser.

Section 5.3 Binding Effect. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser, and each Ancillary Agreement will be, prior to the Closing, duly executed and delivered by Purchaser and will, after the Closing, constitute a valid and binding obligation of Purchaser, in each case, enforceable against Purchaser in accordance with its terms subject to the Bankruptcy and Equity Exception.

Section 5.4 No Conflict; Consents. The execution, delivery and performance by Purchaser of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of the certificate of incorporation, bylaws or other organizational documents of Purchaser; (ii) result in a breach of, or default under, or right to accelerate with respect to, any term or provision of any Contract to which Purchaser or any of its Affiliates is a party or is subject; (iii) assuming compliance with the matters set forth in Section 4.4 and Section 5.5, violate or result in a breach of or constitute a default under any Law or other restriction of any Governmental Authority to which Purchaser is subject; or (iv) require any consents, waivers, authorizations or approvals of, filings with, any Persons which have not been obtained by Purchaser (other than as contemplated by Section 5.5).

Section 5.5 Governmental Authorization. The execution and delivery of this Agreement by Purchaser do not and will not require any material consent or approval of any Governmental Authority, except for the consents or approvals set forth in Schedule 5.5 of the Purchaser Disclosure Schedules.

Section 5.6 Financing. Purchaser has, and will have at the Closing, sufficient immediately available funds necessary to pay the Purchase Price, to consummate the transactions contemplated by this Agreement and to perform its obligations in connection with this Agreement and such transactions and to pay any expenses it incurs in connection therewith. In no event shall the receipt or availability of any funds or financing by Purchaser or any of its Affiliates in connection with the transactions contemplated by this Agreement be a condition to any of Purchaser's obligations hereunder.

Section 5.7 Compliance with Laws.

(a) The businesses of each of Purchaser and its Subsidiaries are being conducted in compliance in all material respects with applicable Laws. No material audit or, to the Knowledge of Purchaser, investigation, or review by any Governmental Authority with respect to Purchaser or any of its Subsidiaries is pending or, to the knowledge of Purchaser, threatened, nor has any Governmental Authority indicated an intention to conduct the same, in each case which would be reasonably expected to adversely affect the Exploitation of the Product or Purchaser's ability to consummate the Transaction.

(b) Purchaser and each of its Subsidiaries has obtained and is in compliance with all licenses necessary for it to own, lease or operate its properties, rights and other assets and to conduct its business and operations as presently conducted in all material respects and all such licenses are in full force and effect in all material respects. No material default under, or material violation of, any material License has occurred. To Purchaser's knowledge there is not currently threatened any revocation, adverse modification or cancellation of any material license.

Section 5.8 Condition of the Purchased Assets. PURCHASER ACKNOWLEDGES AND AGREES THAT IT (I) HAS MADE ITS OWN INQUIRY AND INVESTIGATION INTO, AND, BASED THEREON, HAS FORMED AN INDEPENDENT JUDGMENT CONCERNING SELLER, THE PURCHASED ASSETS, THE PRODUCT, THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE ASSUMED LIABILITIES AND ANY OTHER ASSETS, RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AND (II) HAS BEEN FURNISHED WITH, OR GIVEN ADEQUATE ACCESS TO, SUCH INFORMATION ABOUT SELLER, THE PURCHASED ASSETS, THE PRODUCT, THE ASSUMED LIABILITIES AND ANY OTHER RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AS IT HAS REQUESTED. EXCEPT FOR THE SPECIFIC REPRESENTATIONS AND WARRANTIES EXPRESSLY MADE BY SELLER IN Article IV OF THIS AGREEMENT AND IN THE ANCILLARY AGREEMENTS, (I) PURCHASER ACKNOWLEDGES AND AGREES THAT (A) SELLER IS NOT MAKING AND HAS NOT MADE ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF THE PURCHASED ASSETS, SELLER, SELLER'S AFFILIATES, OR ANY OF SELLER'S OR ITS AFFILIATES' RESPECTIVE BUSINESSES, ASSETS, LIABILITIES, OPERATIONS, PROSPECTS OR CONDITION (FINANCIAL OR OTHERWISE), INCLUDING WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY ASSETS, THE NATURE OR EXTENT OF ANY LIABILITIES, THE PROSPECTS OF THE PURCHASED ASSETS OR THE PRODUCT, THE EFFECTIVENESS OR THE SUCCESS OF ANY OPERATIONS, OR THE ACCURACY OR COMPLETENESS OF ANY CONFIDENTIAL INFORMATION MEMORANDA, DOCUMENTS, PROJECTIONS, MATERIAL OR OTHER INFORMATION (FINANCIAL OR OTHERWISE) REGARDING THE PURCHASED ASSETS OR THE PRODUCT, SELLER OR SELLER'S AFFILIATES FURNISHED TO PURCHASER OR ITS REPRESENTATIVES OR MADE AVAILABLE TO PURCHASER AND ITS REPRESENTATIVES IN SELLER'S ELECTRONIC DATA ROOM, MANAGEMENT PRESENTATIONS OR IN ANY OTHER FORM IN EXPECTATION OF, OR IN CONNECTION WITH, THE TRANSACTIONS CONTEMPLATED HEREBY, AND (B) NO OFFICER, AGENT, REPRESENTATIVE OR EMPLOYEE OF SELLER OR ANY OF SELLER'S AFFILIATES HAS ANY AUTHORITY, EXPRESS OR IMPLIED, TO MAKE ANY REPRESENTATIONS, WARRANTIES OR AGREEMENTS NOT SPECIFICALLY SET FORTH IN THIS AGREEMENT AND IN THE ANCILLARY AGREEMENTS AND SUBJECT TO THE LIMITED REMEDIES HEREIN PROVIDED; (II) PURCHASER SPECIFICALLY DISCLAIMS THAT IT IS RELYING UPON OR HAS RELIED UPON ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES THAT MAY HAVE BEEN MADE BY ANY PERSON, AND ACKNOWLEDGES AND AGREES THAT SELLER HAS SPECIFICALLY DISCLAIMED AND DOES HEREBY SPECIFICALLY DISCLAIM ANY SUCH OTHER REPRESENTATION OR WARRANTY MADE BY ANY PERSON; (III) PURCHASER SPECIFICALLY DISCLAIMS ANY OBLIGATION OR DUTY BY SELLER TO MAKE ANY DISCLOSURES OF FACT NOT REQUIRED TO BE DISCLOSED PURSUANT TO THE SPECIFIC REPRESENTATIONS AND WARRANTIES SET FORTH IN Article IV OF THIS AGREEMENT OR IN THE ANCILLARY AGREEMENTS; AND (IV) PURCHASER IS ACQUIRING THE PURCHASED ASSETS AND THE ASSUMED LIABILITIES IN "AS IS" CONDITION AND ON A "WHERE IS" BASIS, SUBJECT ONLY TO THE SPECIFIC REPRESENTATIONS AND WARRANTIES SET FORTH IN Article IV OF THIS AGREEMENT (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULE) OR IN THE ANCILLARY AGREEMENTS AS FURTHER LIMITED BY THE SPECIFICALLY BARGAINED FOR EXCLUSIVE REMEDIES SET FORTH IN Article IX**.**

Section 5.9 Litigation. There is no material action, order, writ, injunction, judgment or decree outstanding, or Proceeding, labor dispute (other than routine grievance procedures or routine, uncontested claims for benefits under any benefit plans for any officers, employees or agents of Purchaser), arbitration, investigation or reported claim, pending or, to the Knowledge of Purchaser, threatened, before any court, Governmental Authority or arbitrator, which seeks to delay or prevent the consummation of the transactions contemplated by this Agreement or would, if successful, materially and adversely affect the Business or the Purchased Assets or ability of Purchaser to consummate the transactions contemplated by this Agreement.

Section 5.10 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

Section 5.11 Solvency. Immediately after the Closing, and after giving effect to the transactions contemplated by this Agreement, Purchaser will be Solvent.

ARTICLE VI

COVENANTS

Section 6.1 Information and Documents. (a) From and after the date hereof and pending Closing, upon reasonable advance notice, Seller shall (and shall cause each of its Affiliates to) (i) permit Purchaser and its Representatives to have reasonable access, during regular business hours to all offices and facilities, and the assets, books, records, agreements, documents, data, files and personnel of, and such other information relating to the Purchased Assets (including the Books and Records), (ii) furnish, or cause to be furnished, to Purchaser any financial and operating data and other information that is available with respect to Seller's Purchased Assets as Purchaser from time to time reasonably requests and (iii) instruct the personnel, and their counsels and financial advisors to cooperate with Purchaser in its investigation of the Purchased Assets, including instructing its accountants to give Purchaser access to their work papers; provided, however, that no such access shall unreasonably interfere in any material respect with Seller's or any of its Affiliate's operation of business; and provided further that Seller may restrict the foregoing access to the extent that (A) in the opinion of Seller's counsel (a copy of which is provided to Purchaser), any applicable Law requires Seller or any of its Affiliates to restrict or prohibit access to any information, (B) in the reasonable judgment of Seller, the disclosure of information would result in Seller or any of its Affiliates being in violation of confidentiality obligations to a third party, or (C) disclosure of any such information or document could result in the loss or waiver of the attorney-client privilege. If Seller seeks to withhold information from Purchaser for any reason permitted by this Section 6.1, Seller and Purchaser shall cooperate in good faith to implement appropriate and mutually agreeable measures to permit the disclosure of such information in a manner to remove the basis for the objection, including by arrangement of appropriate clean room procedures, redaction or entry into a customary joint defense agreement with respect to any information to be so provided. It is further agreed that, prior to Closing, except for announcements or filings required by applicable securities laws, Purchaser and its Representatives shall not make any announcements or statements targeted at, or otherwise communicate directly with, any of the customers, manufacturers or suppliers of Seller or its Affiliates, in connection with the transactions contemplated by this Agreement, whether in person or by telephone, mail or other means of communication, without the specific prior authorization by Seller, which authorization shall not be unreasonably withheld, conditioned or delayed.

(b) Prior to the Closing, all information received by Purchaser and given by or on behalf of Seller in connection with this Agreement and the transactions contemplated hereby shall be held by Purchaser and its Affiliates, agents and Representatives as "Confidential Information", as defined in, and pursuant to the terms of, the Confidentiality Agreement.

Section 6.2 Conduct.

(a) From and after the date hereof until the earlier of the date on which this Agreement is terminated pursuant to ARTICLE X and the Closing, except (1) as set forth on Schedule 6.2 of the Seller Disclosure Schedules or as otherwise required by this Agreement or (2) as Purchaser shall otherwise consent in writing, which consent shall not be unreasonably withheld, Seller agrees that it shall (and shall cause its Affiliates to) Exploit the Product and maintain the Purchased Assets in the ordinary course of business, and use commercially reasonable efforts to preserve intact the Purchased Assets and related relationships with customers, suppliers and other third parties. From and after the date hereof until the Closing, except (x) as set forth on Schedule 6.2 of the Seller Disclosure Schedules or as otherwise required by this Agreement, or (y) as Purchaser shall otherwise consent in writing, which consent shall not be unreasonably withheld, Seller covenants and agrees that, with respect to its Purchased Assets, it shall (and shall cause its Affiliates to):

(i) not incur, create or assume any Lien, other than Permitted Encumbrances;

(ii) not incur or suffer to exist any indebtedness except (A) for working capital borrowings incurred in the ordinary course of business, (B) incurrence of trade payables in the ordinary course of business or (C) indebtedness incurred in the ordinary course of business or (D) indebtedness incurred solely in connection with Retained Liabilities or Excluded Assets;

(iii) not amend, modify or terminate any material term of, or waive any material right under, any Assumed Contract or amend or modify any agreement that would increase the liability of Purchaser under the Services Agreement;

(iv) not enter into any Contract, agreement or commitment that would constitute an Assumed Contract if it were in effect on the date of this Agreement or would increase the liability of Purchaser under the Services Agreement;

(v) not divest, sell, assign, license, transfer, abandon, cancel, convey, lease or otherwise dispose of any assets that would constitute Purchased Assets;

(vi) not adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of Seller;

(vii) not change the accounting policies or procedures except to the extent required to conform with GAAP;

(viii) not settle any Proceeding (i) that would (A) materially affect the Exploitation of any Product after the Closing or adversely affect, in a material manner, the expected Net Sales or Gross Profit of the Product in respect of the period after the Closing or (B) result in its operations with respect to any Product being subject to any Governmental Order or other equitable relief or admission of wrongdoing or (ii) for an amount, individually or in the aggregate, exceeding [***]; provided, that clause (ii) shall not apply to any Proceeding that is solely related to a Retained Liability;

(ix) submit all adverse event reports required to be submitted to any Governmental Authority under any Law;

(x) not dispose of or permit to expire, terminate or otherwise lapse any rights in, to or for the use of any Purchased Intellectual Property that is material to the Exploitation of the Product;

(xi) not grant any license, covenant not to sue or other right under any Purchased Intellectual Property;

(xii) not offer any discounts or sales promotions other than as required under Contracts existing as of January 1, 2017;

(xiii) not issue any purchase orders that would result in delivery of any additional Product; and

(xiv) not authorize, agree or resolve or consent to any of the foregoing.

(b) Nothing contained in this Agreement is intended to give Purchaser, directly or indirectly, the right to control or direct any Seller's or its Affiliate's businesses or operations prior to the consummation of the transactions contemplated by this Agreement. Prior to the consummation of the transactions contemplated by this Agreement, Seller and Purchaser shall exercise, consistent with and subject to the terms and conditions of this Agreement, complete control and supervision over their respective operations.

Section 6.3 Member Approvals; Efforts to Consummate Generally.

(a) On or prior to the date hereof, Seller shall obtain all approvals of its and its Affiliates' members, board of managers or analogous governing body required to be obtained under Seller's and its Affiliates organizational documents and applicable Law in order to consummate the transactions contemplated by this Agreement.

(b) Subject to the terms and conditions of this Agreement (and without limiting the requirements of Section 6.3, each Party shall use its reasonable best efforts to cause the Closing to occur as soon as possible after the date hereof, including (i) satisfying the conditions precedent set forth in Article VIII within the control of such Party and (ii) drafting, negotiating, executing and delivering to each other in good faith such other agreements, documents, instruments and/or certificates, and doing such other acts and things, as may be reasonably necessary or desirable for the implementation of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby.

(c) Seller shall use commercially reasonable best efforts to give all notices to, make all filings with and obtain all third party consents, including the Required Third Party Consents, necessary to be obtained from any Persons (including Governmental Authorities) to consummate the transactions contemplated hereby and by the Ancillary Agreements without resulting in any breach or violation of, a default under, or an acceleration of any obligations or the creation of a Lien on the Product or the Purchased Assets (without the expenditure of any funds therefor other than filing, recordation or similar fees and related legal fees and expenses, which shall be borne by Seller).

(d) Promptly following the Closing, Seller shall provide written notice to AstraZeneca UK Limited of the consummation of the transactions contemplated hereby, which notice shall be in form and substance mutually agreeable to Seller and Purchaser.

Section 6.4 Bulk Transfer Laws. Notwithstanding anything else to the contrary in this Agreement, Purchaser hereby waives compliance by Seller with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser.

Section 6.5 Insurance. As of the Closing Date, the coverage under all insurance policies related to the Purchased Assets shall continue in force only for the benefit of Seller and not for the benefit of Purchaser or any of its Affiliates, except to the extent set forth herein. Purchaser agrees to arrange for its own insurance policies with respect to the Purchased Assets covering all periods and, except in connection with enforcing its rights to indemnification pursuant to Article IX, agrees not to seek, through any means, to benefit from any of Seller's insurance policies that may provide coverage for claims relating in any way to the Purchased Assets prior to the Closing.

Section 6.6 Trade Notification. Subject to the provisions set forth below, Seller and Purchaser shall agree on the method and content of the notifications to customers of the sale of the Purchased Assets to Purchaser. Seller and Purchaser agree that said notifications are to provide sufficient advance notice of the sale and the plans associated therewith.

Section 6.7 Seller-Labeled Product.

(a) From and after Closing, Purchaser and its Affiliates may use, reproduce and display, and Seller hereby grants (effective upon Closing) to Purchaser and its Affiliates, a non-exclusive, paid-up and royalty-free right and license to use, reproduce and display, the NDC Numbers, company names, company marks and company trade dress of Seller and its Affiliates and distributors related to the Product (collectively, the "Seller Company Identifiers"), solely to the extent the foregoing are affixed to: (i) the Purchased Inventory of finished, packaged Product that are included in the Purchased Assets, or (ii) in respect of rebate coupons or other promotional materials related to Product bearing Seller's NDC Numbers consistent with past practice; provided, that the license set forth in this Section 6.7(a) shall continue until Purchaser and its Affiliates have disposed of all such Purchased Inventory.

(b) Except as set forth in Section 6.7(a), Purchaser and its Affiliates shall have no right under this Agreement to use any of the trademarks, service marks, brand names, certification marks, trade dress, logos or domain names containing the name of any Seller or any of their respective Affiliates or distributors, or any word or expression confusingly similar thereto or constituting an abbreviation or extension thereof or any logos containing or comprising the foregoing or any NDC Numbers of Seller or any of their respective Affiliates or distributors.

(c) Immediately following the Closing, Seller shall destroy and/or cause the destruction of all Excluded Inventory and promptly provide Purchaser with written confirmation thereof.

(d) Seller shall deliver to Purchaser copies of wholesaler inventory reports and an inventory report from [***], each as of the day prior to the Closing Date, no later than February 27, 2017.

Section 6.8 NDC Numbers.

(a) As soon as reasonably possible, but in any event no later than nine (9) months after the Closing Date, Purchaser shall obtain a new NDC Number and labeler code for the Product. Purchaser, at its own expense, shall prepare and file with the FDA any and all reports, documents and materials, and take such other actions, as are necessary to undertake the foregoing.

(b) Purchaser shall fully reimburse Seller and its Affiliates and distributors for any increased cost or Liability (including any returns, rebates or chargeback claims) incurred by them and associated with any changes in pricing, including any changes in wholesale acquisition cost, made by Purchaser or any of its Affiliates to any Product that bears an NDC Number of Seller or any of its Affiliates. Purchaser shall pay any such reimbursement within thirty (30) days of receiving a written request for such reimbursement from Seller, which shall be accompanied by supporting documentation that reasonably evidences the increased cost or Liability to be reimbursed. Purchaser shall notify Seller promptly of any such changes in pricing to a Product that bears an NDC Number of Seller or any of its Affiliates or distributors.

(c) Purchaser shall fully cooperate with Seller and its Affiliates and distributors by providing whatever assistance, product sales and other information and access as may be required by Seller or any of its Affiliates or distributors to comply with any reporting obligations that arise as a result of the sale by Purchaser of Product bearing an NDC Number of Seller or any of its Affiliates, and to enable Seller and its Affiliates, one time within the period of 12 months from and after the date of last commercial sale to an end customer of Product bearing an NDC Number of Seller or any Affiliate thereof, to audit the books and records of Purchaser and its Affiliates with respect to any such sales (provided, that such audit takes place upon reasonable advance written notice to Purchaser, during normal business hours of Purchaser and does not materially interfere with Purchaser's business). Purchaser represents and warrants that all Product sales and other information provided to Seller or any of its Affiliates or distributors in connection with the foregoing shall be accurate and complete in all material respects, and shall be calculated in accordance with applicable Laws and regulatory guidance.

(d) Subject to appropriate confidentiality protection, after the Closing Date and for a period of [***] years thereafter (except with respect to government claims not subject to a statute of limitations, such as Medicaid rebate claims, which shall continue as long as there is potential for a claim), Purchaser and its Affiliates shall reasonably cooperate (at Seller's expense) with Seller and its Affiliates, distributors and Representatives, subject to confidentiality protections reasonably satisfactory to Purchaser, during normal business hours and upon reasonable advance notice, to provide reasonable access to records maintained by Purchaser and its Affiliates relating to Purchaser and its Affiliates' distribution of Seller's Seller-Labeled Product or related regulatory filing and reporting requirements and activities with respect to Seller's Seller-Labeled Product, including, without limitation, government price reporting ("Distribution Activities"), to provide reports reasonably requested by Seller or its Affiliates or distributors regarding such records and information, and to permit copying at the expense of Seller or, for the purposes of (i) any financial reporting or Tax matters relating to Distribution Activities, (ii) any claims or litigation involving Distribution Activities or (iii) any investigation being conducted by any federal, state or local Governmental Authority relating to Distribution Activities.

Section 6.9 No-Shop.

(a) From the date hereof until the Closing or earlier termination of this Agreement in accordance with the terms hereof, Seller and its Affiliates shall not, and shall not authorize or permit any of their Representatives to, directly or indirectly, (i) knowingly encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal other than to state that Seller, its Affiliates and each of their Representatives are restricted from entering into, continuing or participating in such discussions or negotiations pursuant to the terms of this Section 6.9; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller and its Affiliates shall immediately cease and cause to be terminated, and shall cause their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could reasonably be expected to lead to, an Acquisition Proposal and shall revoke all access in favor of any Person (other than Purchaser and its Representatives) to any virtual data room established for the purposes of evaluating a potential acquisition of all or a part of the Purchased Assets or the Business. For purposes of this Section 6.9, "Acquisition Proposal" shall mean any inquiry, proposal or offer from any Person (other than Purchaser or any of its Affiliates) concerning (i) the direct or indirect purchase, whether by sale, merger or otherwise, or license of all or any portion of the Purchased Assets (including by way of the purchase of the equity interests of Seller or any Affiliate thereof); or (ii) the disclosure, directly or indirectly, to any Person of any confidential information or data concerning the Purchased Assets or the Business except as necessary to conduct business in the ordinary course consistent with past practice.

(b) Seller agrees that the rights and remedies for noncompliance with this Section 6.9 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Purchaser and that money damages would not provide an adequate remedy to Purchaser.

Section 6.10 Certain Regulatory Matters. Promptly after the Closing and in any event within thirty (30) calendar days after the Closing, Seller and Purchaser shall make all appropriate filings and submissions with Governmental Authorities, including the Centers for Medicare & Medicaid Services, the Veteran's Administration and the FDA to transfer all regulatory responsibilities, if any (excluding all Retained Liabilities and except as contemplated by Section 6.8 (NDC Numbers) and the Services Agreement), attaching thereto of the Product, from Seller to Purchaser.

Section 6.11 Confidentiality. From and after the Closing:

(a) The Confidentiality Agreement will terminate without further action by the parties thereto.

(b) Seller shall treat (and shall cause each of its Affiliates to treat) as confidential and shall safeguard any and all information, knowledge and data included in the Purchased Assets by using the same degree of care, but no less than a reasonable standard of care, to prevent the unauthorized use, dissemination or disclosure of such information, knowledge and data as Seller or its Affiliates used with respect thereto prior to the execution of this Agreement.

(c) Purchaser shall treat as confidential and shall safeguard any and all information, knowledge or data included in any information relating to the business of Seller, other than the Business, Product, the Purchased Assets or the Assumed Liabilities, and except as otherwise agreed to by Seller in writing; provided, however, that nothing in this Section 6.11(c) shall prevent the disclosure of any such information, knowledge or data to any agents, advisors, directors, officers or employees of Purchaser to whom such disclosure is necessary or desirable in the conduct of Purchaser's business if such Persons are informed by Purchaser of the confidential nature of such information and are directed by Purchaser to comply with the provisions of this Section 6.11(c).

(d) Purchaser and Seller acknowledge that the confidentiality obligations set forth herein shall not extend to information, knowledge and data that is publicly available or becomes publicly available through no act or omission of the Party owing a duty of confidentiality, or becomes available on a non-confidential basis from a source other than a party owing a duty of confidentiality so long as such source is not known by such Party to be bound by a confidentiality agreement with or other obligations of secrecy to the other Party.

(e) In the event of a breach of the obligations hereunder by Purchaser or Seller, the non-breaching party, in addition to all other available remedies, will be entitled to injunctive relief to enforce the provisions of this Section 6.11 in any court of competent jurisdiction.

Section 6.12 Know-How License. Effective as of the Closing, Seller hereby grants to Purchaser (on behalf of itself and its Affiliates) a perpetual, irrevocable, transferable (as set forth in this Section 6.12), sublicensable (as set forth in this Section 6.12), non-exclusive, paid-up, royalty-free, worldwide right and license to use and otherwise exploit the trade secrets, technical information, data and know-how owned by Seller or any Affiliate of Seller related to the Product (the "Licensed Know-How") in developing, commercializing, manufacturing, using, packaging, marketing, promoting, importing, exporting, researching, transporting, selling and distributing the Product. Purchaser may (but it is not obligated to) transfer the foregoing license, and/or grant sublicenses thereunder, to (a) any of its Affiliates, and (b) any acquirer of any of the assets or business of Purchaser and its Affiliates relating to any of the Product.

Section 6.13 Correspondence. Seller authorizes Purchaser on and after the Closing Date to receive and open all mail and other communications received by Purchaser relating to the Purchased Assets and to deal with the contents of such communications in good faith and in a proper manner. Seller shall use commercially reasonable efforts to promptly deliver, or cause to be delivered, to Purchaser any mail or other communications received by Seller or any Affiliate of Seller from any Person (including the FDA) related to the Purchased Assets (including any mail or other communications in respect of the Product, the subject matter of this Agreement and the Ancillary Agreements).

Section 6.14 Pharmacovigilance. Prior to the Closing, Seller shall cooperate with Purchaser and shall facilitate and assist in negotiating arrangements between the third party that currently provides pharmacovigilance services to Seller and the third party that currently provides pharmacovigilance services to Purchaser for the reporting of adverse events and provision of other required regulating information with respect to the Product, all in form and substance reasonably satisfactory to Purchaser. Until such arrangements are in place, Seller shall promptly report adverse events to Purchaser to permit Purchaser to comply with applicable Law.

Section 6.15 [Reserved].

Section 6.16 Certain Financial Information. Within two (2) Business Days after Seller obtains audited Financial Statements for the year ended December 31, 2016, but not later than June 1, 2017, Seller shall deliver to Purchaser the audited Financial Statements of Seller for the year ended December 31, 2016, including a balance sheet, statement of operations and statement of income and cash flows certified by the Chief Financial Officer of Seller as (i) prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (ii) consistent with and were prepared from the books and records of Seller, and (iii) fairly presenting in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the date thereof and for the period thereof, except as otherwise set forth in the notes thereto. In addition, no later than March 31, 2017, Seller shall deliver to Purchaser the unaudited Financial Statements of Seller for the year ended December 31, 2016, including a balance sheet, statement of operations and statement of income and cash flows certified by the Chief Financial Officer of Seller as (A) prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (B) consistent with and were prepared from the books and records of Seller, and (C) fairly presenting in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the date thereof and for the period thereof, except as otherwise set forth in the notes thereto.

Section 6.17 Wrong-Pocket Assets. If at any time or from time to time after the Closing Date, a Seller any of its Affiliates, on the one hand, or Purchaser or any of its Affiliates, on the other, shall receive or otherwise possess any asset (including cash) that should belong to Purchaser or its Affiliates, on the one hand, or Seller or its Affiliates, on the other, pursuant to this Agreement, such Person shall promptly transfer, or cause to be transferred, such asset to the Person so entitled thereto. Prior to any such transfer in accordance with this Section 6.17, the Person receiving or possessing such asset shall hold such asset in trust for such other Person.

Section 6.18 Consultation and Cooperation. In connection with any claims with respect to, or enforcement of: (i) any of Seller's rights under warranties, guaranties, indemnitees and similar rights against third parties, including any predecessors in title, to the extent related to the Exploitation of the Purchased Assets and the Product prior to the Closing Date, or (ii) any other rights, claims or causes of action of Seller against third parties in connection with the Exploitation of the Purchased Assets and the Product prior to the Closing Date, Seller hereby agrees to consult and reasonably cooperate in good faith with Purchaser prior to the commencement of any such claim or enforcement and Seller shall refrain from commencing any Proceeding or asserting any such right to the extent Purchaser in good faith concludes that any such claim or enforcement may reasonably be expected to have an adverse effect on the ability of Purchaser to Exploit the Purchased Assets and the Product in a manner consistent with Purchaser's ordinary course of business with respect to the Purchased Assets and the Product.

ARTICLE VII

NON-COMPETE

Section 7.1 Non-Compete. For a period of seven (7) years from and after the Closing Date (the "Non-Compete Period"), neither Seller nor any Affiliate thereof (which, for the purposes of this Section 7.1, shall not include JCP IICI AIV, LP or any of its respective Affiliates) shall market or sell, or license to any other party the right to market or sell, the Product, or any "AB-rated" generic thereof, in the Territory (a "Competing Business"); provided, that, notwithstanding the foregoing, Seller and its Affiliates shall not be restricted from:

(a) collectively owning less than five percent (5%) of any class of securities of any publicly traded company conducting a Competing Business if such securities are held as a passive investment; or

(b) acquiring one or more Persons or businesses that include within its business a Competing Business, so long as (i) the Competing Business comprises no more than twenty-five percent (25%) of the acquired business (and is not reasonably expected to comprise more than twenty-five percent (25%) of the acquired business prior to the end of the Non-Compete Period), based on net sales attributable to such Competing Business as compared to the aggregate net sales of the acquired business as a whole, and (ii) Seller or its Affiliate, as applicable, completes the sale of the Competing Business within six (6) months of the acquisition; provided, however, that if such sale is subject to regulatory approval, then such six- (6) month period shall be extended until five (5) Business Days after all regulatory approvals have been received, but only to the extent that the parties to such sale are using commercially reasonable efforts to obtain any such approvals.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.1 Conditions to the Obligations of Purchaser and Seller. The respective obligations of each of the Parties to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) There shall be no Governmental Order in existence that prohibits or materially restrains the transactions contemplated by this Agreement or the Ancillary Agreements, and there shall be no Proceeding pending by any Governmental Authority seeking such a Governmental Order.

(b) The transactions contemplated by that certain Asset Purchase Agreement, dated as of the date hereof, by and between Holmdel Pharmaceuticals, LP and Purchaser shall be consummated, in accordance with the terms of such purchase agreement, concurrently with the Closing.

Section 8.2 Conditions to the Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) The representations and warranties of Seller contained herein shall be true and correct in all material respects as of the Closing, as if made as of the Closing (except for those representations and warranties that address matters as of a particular date, which need be true and correct only as of such date), (disregarding for purposes of this clause (a) any Material Adverse Effect, materiality or similar qualifier contained in such other representations and warranties, other than the representations and warranties made in Section 4.5(a)). Purchaser shall have received a certificate of Seller, dated as of the Closing Date and signed by an officer of Seller in such capacity, certifying as to the fulfillment of the foregoing.

(b) Seller shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed by it at or before the Closing. Purchaser shall have received a certificate of Seller, dated as of the Closing Date and signed by an officer of Seller in such capacity, certifying as to the fulfillment of the foregoing.

(c) Seller shall have made or caused to be made delivery to Purchaser of the items required by Section 3.1(b).

(d) No event shall have occurred since the date hereof which has had a Material Adverse Effect.

Section 8.3 Conditions to the Obligations of Seller. The obligation of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) The representations and warranties of Purchaser contained herein shall be true and correct in all material respects as of the Closing, as if made as of the Closing (except for those representations and warranties that address matters as of a particular date, which need be true in all material respects only as of such date). Seller shall have received a certificate of Purchaser, dated as of the Closing Date and signed by an officer of Purchaser in such capacity, certifying as to the fulfillment of the foregoing.

(b) Purchaser shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed by it at or before the Closing. Seller shall have received a certificate of Purchaser, dated as of the Closing Date and signed by an officer of Purchaser in such capacity, certifying as to the fulfillment of the foregoing.

(c) Purchaser and its Affiliates shall have made or caused to be made delivery to Seller of the items required by Section 3.1(c).

Section 8.4 Frustration of Closing Conditions. Neither of Seller or Purchaser may rely on the failure of any condition set forth in this Article VIII to be satisfied if such failure was caused by such Party's failure to act in good faith or to use its reasonable best efforts to cause the Closing to occur, as required by Section 6.4.

ARTICLE IX

INDEMNIFICATION

Section 9.1 Indemnification by Seller. Subject to the provisions of this Article IX, from and after the Closing, Seller agrees to and shall defend, indemnify and hold harmless Purchaser and its Affiliates, and, if applicable, their respective directors, officers, agents, employees, successors and assigns (collectively, the "Purchaser Indemnified Parties") from and against any Losses to the extent arising out of or related to:

(a) any breach of any representation or warranty of Seller or any Affiliate of Seller contained in this Agreement or any Ancillary Agreement, or any failure to perform or breach by Seller or an Affiliate of Seller of any of its covenants or agreements contained in this Agreement or any Ancillary Agreement that by their express terms contemplate performance prior to or on the Closing Date;

(b) any failure of Seller or any Affiliate of Seller to perform or any breach by Seller or any Affiliate of Seller of any of its covenants or agreements contained in this Agreement or any Ancillary Agreement that by their terms expressly contemplate performance after the Closing Date; or

(c) any Retained Liability.

Section 9.2 Indemnification by Purchaser. Subject to the provisions of this Article IX, from and after the Closing, Purchaser agrees to and shall defend, indemnify and hold harmless Seller and its Affiliates, and, if applicable, their respective directors, officers, agents, employees, successors and assigns (collectively, the "Seller Indemnified Parties") from and against any and all Losses to the extent arising out of or related to:

(a) any breach of any representation or warranty of Purchaser contained in this Agreement or any Ancillary Agreement, or any failure to perform or breach by Purchaser of any of its covenants or agreements in this Agreement or any Ancillary Agreement that by their express terms contemplate performance prior to or on the Closing Date;

(b) any failure to perform or breach by Purchaser of any of its covenants or agreements in this Agreement or any Ancillary Agreement that by their terms expressly contemplate performance after the Closing Date;

(c) any Assumed Liability, or

(d) the Exploitation of the Product by the Purchaser following the Closing (except for Liabilities expressly agreed to be borne by Seller pursuant to this Agreement or any Ancillary Agreement).

Section 9.3 Notice of Direct Claims. (a) If any of the Persons to be indemnified under this Article IX (the "Indemnified Party") has suffered or incurred any Loss subject to indemnification under this Article IX that does not involve a Third Party Claim, the Indemnified Party shall so notify the Party responsible for providing indemnification therefor under this Agreement (the "Indemnifying Party") promptly in a writing describing such Loss, the basis for indemnification hereunder, the amount or estimated amount of such Loss, if known or reasonably capable of estimation, and the method of computation of such Loss, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss shall have occurred (an "Indemnity Notice"). A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 9.3 shall not limit the obligation of the Indemnifying Party under this Article IX, except (i) to the extent such Indemnifying Party is materially prejudiced thereby or (ii) as provided by Section 9.5. In the event that the Indemnifying Party agrees to or is determined to have an obligation to reimburse the Indemnified Party for Losses as provided in this Article IX, the Indemnifying Party shall, subject to the provisions of Section 9.6, promptly (but, in any event, within 30 calendar days) pay such amount to the Indemnified Party by wire transfer of immediately available funds to the account specified in writing by the Indemnified Party; provided, that the Indemnifying Party may defer making such payment if it objects in a written statement to the claim made in an Indemnity Notice and delivers such statement to the Indemnifying Party prior to the expiration of such 30- calendar day period; provided, further that an Indemnifying Party's failure to object within such 30- calendar day period to any claim set forth in an Indemnity Notice shall be deemed to be the Indemnifying Party's acceptance of, and waiver of any objections to, such claim. If an Indemnifying Party shall so object in writing to any claim or claims made in any Indemnity Notice, the Indemnifying Party and the Indemnified Party shall attempt in good faith for a period of 20 calendar days following the Indemnified Party's receipt of such objection notice to agree upon the respective rights of the parties with respect to each of such claims. If no such agreement can be reached after such 20- calendar day period of good faith negotiation, either the Indemnifying Party or the Indemnified Party may initiate a Proceeding for purposes of having the matter settled in accordance with the terms of this Agreement.

(b) Except when a notice, report or other filing must be filed immediately pursuant to applicable Law, Purchaser shall provide notice and an opportunity to comment to Seller before Purchaser files any report, notification or filing with any Governmental Authority or third party in connection with an event that would be reasonably likely to result in a Loss subject to the indemnification provisions of Section 9.1. In the event Purchaser is required to file a report, notification or filing immediately, Purchaser shall, to the extent permitted by Law provide simultaneous notice to Seller when it submits such report, notification or filing to the applicable Governmental Authority.

Section 9.4 Third Party Claims.

(a) If any Proceeding is instituted by or against a third party with respect to which the Indemnified Party intends to seek indemnity under this Article IX (a "Third Party Claim"), the Indemnified Party shall promptly notify the Indemnifying Party of such Third Party Claim and tender to the Indemnifying Party the conduct or defense of such Third Party Claim. A failure by the Indemnified Party to give notice and to tender the conduct or defense of the Third Party Claim in a timely manner pursuant to this Section 9.4 shall not limit the obligation of the Indemnifying Party under this Article IX, except (i) to the extent such Indemnifying Party is materially prejudiced thereby, (ii) with respect to out-of-pocket expenses incurred during the period in which notice was not provided, and (iii) if such notice is not given within the applicable time period provided under Section 9.5

(b) The Indemnifying Party shall have the right to defend the Indemnified Party against such Third Party Claim as provided herein. If the Indemnifying Party notifies the Indemnified Party that the Indemnifying Party elects to assume the defense of the Third Party Claim (such election to be without prejudice to the right of the Indemnifying Party to dispute whether such claim is an indemnifiable Loss under this Article IX), then the Indemnifying Party shall have the right to defend such Third Party Claim with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party, in all appropriate proceedings, to a final conclusion or settlement in accordance with this Section 9.4(b). The Indemnifying Party shall use reasonably diligent and good faith efforts to defend or prosecute such Third Party Claim and shall keep the Indemnified Party reasonably advised of the status of such claim and defense thereof and shall consider in good faith recommendations made by the Indemnified Party with respect thereto. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; however, neither Party shall enter into any settlement agreement without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, such consent shall not be required if (i) the settlement agreement contains a complete and unconditional general release by the third party asserting the Third Party Claim to all Indemnified Parties affected by the claim, (ii) the settlement agreement does not contain any admission of liability by or other obligation on the part of the Indemnified Party or sanction or restriction upon the conduct or operation of any business by the Indemnified Party or its Affiliates and (iii) the settlement does not require any payment to be made by the Indemnified Party to any Person. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 9.4(b), and the Indemnified Party shall bear its own costs and expenses with respect to such participation; provided, however, that if the Indemnifying Party assumes control of the defense of such claim and the Indemnifying Party and the Indemnified Party have, in the opinion of legal counsel, materially conflicting interests or different defenses available with respect to such claim that cause the Indemnified Party to hire its own separate counsel with respect to such proceeding, the reasonable fees and expenses of a single counsel to the Indemnified Party shall be considered "Losses" for purposes of this Agreement.

(c) If the Indemnifying Party does not notify the Indemnified Party that the Indemnifying Party elects to defend the Indemnified Party pursuant to Section 9.4(b) within thirty (30) calendar days after receipt of any Claim Notice, then the Indemnified Party shall defend, and be reimbursed by the Indemnifying Party for its reasonable cost and expense in regard to the Third Party Claim with counsel selected by the Indemnified Party, in all appropriate proceedings, which proceedings shall be prosecuted diligently by the Indemnified Party; provided, that if it is ultimately determined that the Indemnified Party would not be entitled to indemnification hereunder, even if the facts alleged in the Third Party Claim were true as alleged, the Indemnified Party shall promptly repay in full such reimbursed amounts to the Indemnifying Party. In the circumstances described in this Section 9.4(c), the Indemnified Party shall defend any such Third Party Claim in good faith and have full control of such defense and proceedings; provided, however, that the Indemnified Party may not enter into any compromise or settlement of such Third Party Claim if indemnification is to be sought hereunder, without the Indemnifying Party's consent (which consent shall not be unreasonably withheld, conditioned or delayed). The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section 9.4(c), and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(d) If requested by the Party controlling the defense of a Third Party Claim, the other Party agrees, at the sole cost and expense of such controlling Party (but only if the controlling Party is actually entitled to indemnification hereunder), to cooperate with the controlling Party and its counsel in contesting any Third Party Claim being contested, including providing access to documents, records and information. In addition, the Party that is not controlling the defense will make its personnel available at no cost to the Indemnifying Party for conferences, discovery, proceedings, hearings, trials or appeals as may be reasonably required by the Indemnifying Party. The Party not controlling the defense also agrees to cooperate with the controlling Party and its counsel in the making of any related counterclaim against the Person asserting the Third Party Claim or any cross complaint against any Person and executing powers of attorney to the extent necessary.

Section 9.5 Expiration. Each Party's obligation to indemnify any Indemnified Party under this Article IX shall expire and terminate as follows, unless a claim therefor is asserted in writing in accordance with the terms of this Agreement prior to the applicable survival date, failing which such claim shall be waived and extinguished: the date that is (i) thirty (30) days after the statute of limitations expires with respect to any claim for indemnification under based on a breach of Section 4.1, Section 4.2, Section 4.10(a), Section 5.1, or Section 5.2 ("Fundamental Representations"), (ii) twelve (12) months from the Closing Date, in the case of any claim for indemnification based on the representations or warranties of the other Party contained in this Agreement other than the Fundamental Representations and Section 4.16, or (iii) the [***] anniversary of the Closing Date in the case of indemnification for a breach of Section 4.16 or in respect of any other matter not addressed in the foregoing sub-clauses (i) or (ii) or (iii), excluding claims related to Section 9.1(b), Section 9.1(c), Section 9.2(b), Section 9.2(c) or Section 9.2(d). Each Party's obligation to indemnify any Indemnified Party in connection with Section 9.1(b), Section 9.1(c), Section 9.2(b), Section 9.2(c) or Section 9.2(d), as applicable, shall, in each case, survive indefinitely. For the avoidance of doubt, none of the covenants or agreements contained in this Agreement shall survive the Closing other than those that by their terms expressly contemplate performance after the Closing Date, which such covenants and agreements shall survive the Closing until fully performed.

Section 9.6 Limitations on Indemnification and other Matters.

(a) De Minimis. Notwithstanding any other provision of this Agreement to the contrary, no Indemnifying Party shall be required to indemnify, defend or hold harmless any Indemnified Party pursuant to Section 9.1(a) or Section 9.2(a) against, or reimburse any Indemnified Party for, any Losses with respect to any individual claims (or series of related claims) unless such claim (or series of claims) involves Losses in excess of [***] (nor shall such item be applied to or considered for purposes of calculating the Indemnity Threshold).

(b) Threshold. Except for Losses arising out of a breach of a Fundamental Representation, no Indemnifying Party shall be liable to provide indemnification pursuant to Section 9.1(a) or Section 9.2(a) for any Losses suffered by any Indemnified Party unless the aggregate of all Losses suffered by the Indemnified Parties exceeds, on a cumulative basis, an amount equal to [***] (the "Indemnity Threshold"), and then an Indemnifying Party shall only be liable to provide indemnification to the extent of any such excess Losses.

(c) Cap. In no event shall any Indemnified Party be liable to provide indemnification pursuant to Article IX for Losses in the aggregate in excess of an amount equal to [***] (the "Cap"), other than with respect to claims for indemnification for Losses arising out of any Retained Liability or the breach of a Fundamental Representation, fraud or intentional misconduct of an Indemnifying Party in respect of a provision of this Agreement. In no event shall an Indemnifying Party be liable for Losses in excess of an aggregate amount equal to the Purchase Price.

(d) Waiver. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any such covenant or agreements, will not affect the right to indemnification or any other remedy based on such representations, warranties, covenants and agreements.

(e) Read Out of Materiality Qualifiers. Solely for purposes of calculating Losses hereunder, any materiality or Material Adverse Effect qualifications in the representations (other than Section 4.5(a) above), warranties, covenants and agreements herein shall be disregarded.

(f) Exclusion of Certain Damages. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, EXCEPT TO THE EXTENT ARISING OUT OF OR ASSERTED IN A THIRD PARTY CLAIM OR ARISING OUT OF A RETAINED LIABILITY OR AN ASSUMED LIABILITY OR FRAUD OR INTENTIONAL MISCONDUCT, NO INDEMNIFIED PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, TREBLE, REMOTE, SPECIAL, EXEMPLARY, OPPORTUNITY COST, CONSEQUENTIAL OR PUNITIVE DAMAGES OR DAMAGES FOR, MEASURED BY OR BASED ON LOST PROFITS, LOSS OF REVENUE OR INCOME, DIMUNITION IN VALUE, MULTIPLE OR EARNINGS, PROFITS OR CASH FLOWS, OR OTHER SIMILAR MEASURES OR FOR ANY LOSS OF BUSINESS REPUTATION OR OPPORTUNITY THAT ARISES OUT OF OR RELATES TO THIS AGREEMENT OR THE PERFORMANCE OR BREACH HEREOF.

(g) Adjustment to Purchase Price. Seller and Purchaser agree to treat all payments made either to or for the benefit of the other Party under this Agreement (including all payments made pursuant to Section 2.7(g) or Article IX) as adjustments to the Purchase Price for Tax purposes to the extent permitted under applicable Tax Law.

Section 9.7 Losses Net of Insurance, Etc. Any indemnifiable Losses with respect to any matter shall be net of (i) any amounts recovered by the Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party and (ii) any insurance proceeds or other cash receipts or sources of reimbursement received as an offset against such Loss (each Person named in clauses (i) and (ii), a "Collateral Source"), in each case net of any costs of recovery or collection from any such Collateral Source. No Indemnifying Party shall have an indemnification payment obligation in respect of any contingent liability unless and until such liability becomes due and payable.

Section 9.8 Reimbursement. If an Indemnified Party recovers an amount from a Collateral Source 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 IX, the Indemnified Party shall promptly remit to the Indemnifying Party the amount received from the third party in respect thereof, net of all costs associated with the recovery thereof, up to the amount of the Loss paid by the Indemnifying Party.

Section 9.9 Subrogation. If the Indemnifying Party makes any payment on any Loss pursuant to Section 9.1 or Section 9.2, the Indemnifying Party shall be subrogated, to the extent of such payment, to all rights and remedies of the Indemnified Party to any insurance benefits or other claims of the Indemnified Party with respect to such claim. Without limiting the generality or effect of any other provision hereof, each Indemnified Party shall duly execute upon request all instruments reasonably necessary to evidence and perfect the subrogation rights detailed herein and otherwise reasonably cooperate in the prosecution of such claims (at the expense of the Indemnifying Party).

Section 9.10 Sole Remedy/Waiver. Should the Closing occur, the remedies provided for in this Article IX shall be the sole and exclusive remedies of any Indemnified Party in respect of this Agreement, the Ancillary Agreements, the Purchased Assets, the Product, the Excluded Assets, the Assumed Liabilities, the Retained Liabilities or the transactions contemplated hereby or by the Ancillary Agreements, other than (i) for actions for specific performance or other equitable remedies or (ii) for claims against a Party directly arising out of the fraud or intentional misconduct of such Party. In furtherance of the foregoing, each Party hereby waives (on behalf of itself and the relevant Indemnified Parties) any provision of applicable Law to the extent that it would limit or restrict the agreement contained in this Section 9.10, and each Party hereby waives (on behalf of itself and the relevant Indemnified Parties) for periods following the Closing any and all rights, claims or causes of action it or its Affiliates or relevant Indemnified Parties may have (other than pursuant to this ARTICLE IX or as described in clauses (i) or (ii) of this Section 9.10) against the other Party or its Affiliates or Representatives.

ARTICLE X

TERMINATION

Section 10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of Purchaser and Seller;

(b) by either Purchaser or Seller, by giving written notice of such termination to the other Party, if the Closing shall not have occurred on or prior to March 31, 2017 (the "Outside Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 10.1(b) shall not be available to any Party hereto whose action or failure to fulfill any obligation under this Agreement has been a principal cause of, or resulted in, the failure of the Parties to consummate the Closing by such date;

(c) by Seller, if any of the representations or warranties of Purchaser set forth in this Agreement shall not be true and correct, or if Purchaser has failed to perform any covenant or agreement on the part of such Purchaser set forth in this Agreement (including an obligation to consummate the Closing), in each case, such that the conditions to the Closing set forth in Section 8.3(a) or Section 8.3(b) would not be satisfied as of the Closing Date and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) Business Days after written notice thereof is delivered to Purchaser;

(d) by Purchaser, if any of the representations or warranties of Seller set forth in this Agreement shall not be true and correct, or if Seller has failed to perform any covenant or agreement on the part of Seller set forth in this Agreement (including an obligation to consummate the Closing), in each case, such that the conditions to the Closing set forth in Section 8.2(a) or Section 8.2(b) would not be satisfied as of the Closing Date and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) Business Days after written notice thereof is delivered to Seller; or

Section 10.2 Effect of Termination. (a) In the event of the termination of this Agreement in accordance with Section 10.1 hereof, this Agreement shall thereafter become void and have no effect, and no Party hereto shall have any liability to the other Party hereto or their respective Affiliates, directors, officers or employees; provided, that (i) no such termination shall relieve the obligations of the Parties hereto contained in this Section 10.2 and in Section 6.1(b) ("Information and Documents"), Section 11.1 ("Notices"), Section 11.6 ("Public Disclosure"), Section 11.7 ("Return of Information"), Section 11.8 ("Expenses, Transfer Taxes and Property Taxes"), Section 11.10 ("Governing Law; Jurisdiction"), Section 11.11 ("Waiver of Jury Trial"), and Section 11.16 ("Non-Recourse") hereof and (ii) nothing herein shall relieve any Party from Liability for any breach of any representation, warranty or covenant set forth in this Agreement prior to such termination.

(b) In the event this Agreement shall be terminated and at such time any Party is in material breach of or default under any term or provision hereof, such termination shall be without prejudice to, and shall not affect, any and all rights to damages that the other Party may have hereunder or otherwise under applicable Law. The damages recoverable by the non-defaulting Party shall include all attorneys' fees reasonably incurred by such Party in connection with the transactions contemplated hereby.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices.

(a) All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted (except if not a Business Day then the next Business Day) via facsimile to the number set out below (with transmission confirmed) or to the address set out below, (c) the day following the day (except if not a Business Day then the next Business Day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective Parties, shall be sent to the applicable address or facsimile number set forth below, unless another address or facsimile number has been previously specified in writing by such Party:

To Seller:

Cranford Pharmaceuticals, LLC
11 Commerce Drive, 1st Floor
Cranford, New Jersey 07016
Facsimile: [Fax number]
Attn: Greg Ford, President

with a copy to:

Lowenstein Sandler LLP
65 Livingston Avenue
Roseland, New Jersey 07068
Facsimile: [Fax number]
Attn: Michael J. Lerner

to Purchaser:

ANI Pharmaceuticals, Inc.
210 Main Street West
Baudette, MN 56623
Telephone: [Tel. number]
Facsimile: [Fax number]
Attn: Arthur Przybyl

with a copy to:

Dentons US LLP
1221 Avenue of the Americas
New York, NY 10020
Telephone: [Tel. number]
Facsimile: [Fax number]
Attn: Paul A. Gajer

(b) This Agreement and any signed agreement entered into in connection herewith or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or scanned pages via electronic mail, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. No Party hereto or to any such contract shall raise the use of a facsimile machine or email to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine or email as a defense to the formation of a contract and each such Party forever waives any such defense. This Agreement is not binding unless and until signature pages are executed and delivered by each of Purchaser and Seller.

Section 11.2 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 Purchaser and 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.

Section 11.3 Assignment. No Party to this Agreement may assign any of its rights or obligations under this Agreement; provided, that (i) either Party may assign all or part of its rights under this Agreement without consent to any of its Affiliates, in each case, so long as such assigning Party shall remain liable in full for the performance of its obligations hereunder and for any breach thereof by its assignee, and (ii) Purchaser may assign all or part of its rights under this Agreement to any third party to whom it sells the Product in a single transaction.

Section 11.4 Entire Agreement. This Agreement (including all Schedules and Exhibits hereto) contains the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters, except for (i) the Confidentiality Agreement which will remain in full force and effect for the term provided for therein and (ii) any written agreement of the Parties that expressly provides that it is not superseded by this Agreement.

Section 11.5 Parties in Interest. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Purchaser, Seller, or their successors or permitted assigns, any rights or remedies under or by reason of this Agreement, provided, that (i) the provisions of Article IX shall inure to the benefit of the Indemnified Parties and (ii) the provisions of Section 11.17 shall inure to the benefit of the Persons referenced therein.

Section 11.6 Public Disclosure. Notwithstanding anything herein to the contrary, each of the Parties to this Agreement hereby agrees with the other Parties hereto that, except as may be required to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of one of the Parties is listed, if any, no press release or similar public announcement or communication shall, if prior to the Closing, be made or caused to be made concerning the execution or performance of this Agreement unless the Parties shall have consulted in advance with respect thereto.

Section 11.7 Return of Information. If the transactions contemplated by this Agreement are terminated as provided herein:

(a) notwithstanding anything in the Confidentiality Agreement to the contrary, Purchaser shall return to Seller or destroy all documents and other material received by Purchaser, its Affiliates and their respective Representatives from Seller, or any of its respective Affiliates, relating to the transactions contemplated hereby and by the Ancillary Agreements, whether so obtained before or after the execution hereof; and

(b) all confidential information received by Purchaser, its Affiliates and their respective Representatives with respect to a Seller, or any of its respective Affiliates, the Purchased Assets and the Assumed Liabilities shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect in accordance with its terms notwithstanding the termination of this Agreement.

Section 11.8 Expenses, Transfer Taxes and Property Taxes. (a) Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such expenses. Notwithstanding the foregoing, all Transfer Taxes shall be paid 50% by Purchaser and 50% by Seller.

(b) In the case of any taxable period that includes (but does not end on) the Closing Date, real, personal and intangible property Taxes and similar Taxes imposed with respect to the Purchased Assets ("Property Taxes") shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period on a per diem basis. Seller shall be responsible for any Property Taxes for the Pre-Closing Period and Purchaser shall be responsible for any Property Taxes for the Post-Closing Period. Seller and Purchaser shall promptly reimburse each other in accordance with such allocation for any such Property Taxes which any Party is required to pay under applicable Law. Liability for any fees payable to any Governmental Authority with respect to the Purchased Assets shall be allocated in the same manner.

Section 11.9 Schedules. The disclosure of any matter in the Disclosure Schedule shall be deemed to be a disclosure with respect to any other section or subsection of ARTICLE IV of this Agreement with respect to which its relevance is reasonably apparent on its face, but shall expressly not be deemed to constitute an admission by Seller or Purchaser, or to otherwise imply, that any such matter is material for the purposes of this Agreement.

Section 11.10 Governing Law; Jurisdiction. (a) This Agreement and its negotiation, execution, performance or non-performance, interpretation, termination, construction and all claims or causes of action (whether in contract, in tort, at law or otherwise) that may be based upon, arise out of, or relate to this Agreement, or the transactions contemplated hereby (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in connection with this Agreement or as an inducement to enter this Agreement), shall be exclusively governed by, and construed in accordance with, the laws of the State of New York regardless of Laws that might otherwise govern under any applicable conflict of laws principles.

(b) Any Proceeding based upon, arising out of, or related to this Agreement and its negotiation, execution, performance, non-performance, interpretation, termination, construction or the transactions contemplated hereby shall be heard and determined in the courts of the State of New York sitting in the Borough of Manhattan and the United States District Court for the Southern District of New York. The Parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such Proceeding and irrevocably and unconditionally waive the defense of an inconvenient forum, or lack of jurisdiction to the maintenance of any such Proceeding. The consents to jurisdiction and venue set forth herein shall not constitute general consents to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 11.10 and shall not be deemed to confer rights on any Person other than the Parties hereto. Each Party hereto agrees that the service of process upon such Party in any Proceeding arising out of or relating to this Agreement shall be effective if notice is given by overnight courier at the address set forth in Section 11.1. Each of the Parties also agrees that any final, non-appealable judgment against a Party in connection with any Proceeding arising out of or relating to this Agreement may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such judgment shall be conclusive evidence of the fact and amount of such judgment.

Section 11.11 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY PROCEEDING (WHETHER IN CONTRACT, IN TORT, AT LAW OR OTHERWISE) BASED UPON, ARISING OUT OF, OR RELATED TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Section 11.12 Counterparts. This Agreement may be executed in one or more counterparts (including by facsimile or electronic .pdf submission), each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy or otherwise) to the other Party, it being understood that both Parties need not sign the same counterpart.

Section 11.13 Headings. The heading references herein and the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 11.14 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 term or other provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid, illegal 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, entities or circumstances shall not be affected by such invalidity, illegality or unenforceability, nor shall such invalidity, illegality or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 11.15 Specific Performance. Each of the Parties acknowledges that the rights of each Party to consummate the transactions contemplated hereby are unique and recognizes and affirms that in the event of a breach of this Agreement by any Party, money damages may be inadequate and the non-breaching Party may have no adequate remedy at Law. Accordingly, the Parties agree that prior to a valid termination of this Agreement in accordance with this Agreement, such non-breaching Party shall have the right, in addition to any other rights and remedies existing in its favor at Law or in equity, to enforce its rights and the other Party's obligations hereunder not only by an Proceeding or Proceedings for damages but also by an Proceeding or Proceedings for specific performance, injunctive and/or other equitable relief (without posting of bond or other security). Each of the Parties agrees that it shall not oppose the granting of an injunction, specific performance and other equitable relief when expressly available pursuant to the terms of this Agreement, and hereby waives (x) any defenses in any Proceeding for an injunction, specific performance or other equitable relief, including the defense that the other Parties have an adequate remedy at Law or an award of specific performance is not an appropriate remedy for any reason at Law or equity and (y) any requirement under Law to post a bond, undertaking or other security as a prerequisite to obtaining equitable relief.

Section 11.16 Non-Recourse.

(a) This Agreement may only be enforced against, and any claim or cause of action based upon, arising out of or related to this Agreement may only be brought against the entities that are expressly named as Parties hereto and then only with respect to the specific obligations set forth herein with respect to such Party (or, in the case of Article VI and Article VII, the relevant Affiliates of Seller). Except to the extent a named Party to this Agreement (and then only to the extent of the specific obligations undertaken by such named Party in this Agreement) (or, in the case of Article VI and Article VII,, the relevant Affiliates of Seller), no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or other Representative of any Party hereto shall have any liability (whether in contract or in tort, in law or in equity, or based upon any theory that seeks to impose liability of an entity party against its owners or Affiliates) for any obligations or liabilities of any Party hereto under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby or in respect of any oral representations made or alleged to have been made in connection herewith (except with respect to claims of fraud or intentional misconduct).

(b) The provisions of this Section 11.16 are intended to be for the benefit of, and enforceable by, the directors, officers, employees, incorporators, members, partners, stockholders, Affiliates, agents, attorneys and other Representatives of the Parties hereto, and each such Person shall be a third party beneficiary of this Section 11.16.

Section 11.17 Conflict of Interest.

(a) Lowenstein Sandler LLP ("Lowenstein") shall be permitted to represent Seller after the Closing in connection with any matter relating to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, after the Closing, Lowenstein shall be permitted to represent Seller, any of its agents and Affiliates, or any one or more of them, in connection with any negotiation or transaction with Purchaser or any of its agents or Affiliates under or relating to this Agreement, the transactions contemplated hereby, and any related matter.

(b) Dentons US LLP ("Dentons") shall be permitted to represent Purchaser after the Closing in connection with any matter relating to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, after the Closing, Dentons shall be permitted to represent Purchaser, any of its agents and Affiliates, or any one or more of them, in connection with any negotiation or transaction with Seller or any of its agents or Affiliates under or relating to this Agreement, the transactions contemplated hereby, and any related matter.

[*Remainder of Page Intentionally Left Blank*]

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the date first written above.

CRANFORD PHARMACEUTICALS, LLC

By: /s/ J. Gregory Ford
Name: J. Gregory Ford
Title: President

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

ANI PHARMACEUTICALS, INC.

By: /s/ Stephen Carey
Name: Stephen Carey
Title: VP & CFO

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

Exhibit 10.2

EXECUTION COPY

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

ASSET PURCHASE AGREEMENT

between

HOLMDEL PHARMACEUTICALS, LP

and

ANI PHARMACEUTICALS, INC.

DATED AS OF FEBRUARY 23, 2017

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is made and entered into as of the 23rd day of February 2017, by and between Holmdel Pharmaceuticals, LP, a Delaware limited partnership ("Seller") and ANI Pharmaceuticals, Inc., a corporation organized under the laws of Delaware ("Purchaser").

RECITALS

WHEREAS, Seller holds the rights to manufacture, market, sell and distribute the Product in the Territory (the "Business"); and

WHEREAS, Seller desires to sell, transfer and assign to Purchaser, and Purchaser desires to acquire and assume from Seller, all of the Purchased Assets and Assumed Liabilities, all as more specifically provided herein.

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

ARTICLE I

DEFINITIONS AND TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Acquisition Proposal" shall have the meaning set forth in Section 6.9.

"Affiliate" means with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person at any time during the period for which the determination of affiliation is being made. Without limitation, Rouses Point Pharmaceuticals, LLC, Mist Pharmaceuticals, LLC and Akrimax shall each be deemed for all purposes hereunder an Affiliate of Seller, but in no event shall the SWK Affiliates be deemed to be Affiliates of the Seller.

"Affiliate Agreements" means those agreements listed on Schedule 1.1.

"Agreement" means this Asset Purchase Agreement.

"Akrimax" means Akrimax Pharmaceuticals, LLC.

"AMP" means the average manufacturer price, as defined at 42 U.S.C. § 1396r-8(k)(1) and 42 C.F.R. § 447.500 et seq.

"Ancillary Agreements" means, collectively, the Services Agreement, Bill of Sale, assignments of Assumed Contracts, patent assignments, trademark assignments, assumption agreements or other instruments evidencing the assumption by Purchaser of the Assumed Liabilities, and each other agreement, document, instrument and/or certificate contemplated by this Agreement to be executed by Purchaser or Seller in connection with the transactions contemplated hereby.

"Assumed Contracts" shall have the meaning set forth in Section 2.1(a).

"Assumed Liabilities" shall have the meaning set forth in Section 2.4(a).

"Audited Financial Statements" shall have the meaning set forth in Section 4.13(a).

"Bankruptcy and Equity Exception" shall have the meaning set forth in Section 4.2(b).

"Bill of Sale" means a bill of sale, dated as of the Closing Date, in the form set forth as Exhibit A hereto.

"Business" shall have the meaning set forth in the Recitals.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are authorized or obligated by applicable law or executive order to close.

"Cap" shall have the meaning set forth in Section 9.6(c).

"Challenged Amount" shall have the meaning set forth in Section 2.7(e).

"Closing" means the closing of the transactions contemplated by this Agreement pursuant to the terms of this Agreement.

"Closing Date" shall have the meaning set forth in Section 3.1(a).

"Closing Date Inventory Value" means the aggregate value of all the Purchased Inventory, determined on the basis of the cost basis of Seller or Akrimax in such Inventories, up to a maximum of [***]; provided, however, that the cost basis of any Purchased Inventories that are damaged, defective or otherwise not saleable in the ordinary course of business on customary terms shall be excluded from the calculation of Closing Date Inventory Value.

"Code" means the Internal Revenue Code of 1986, as amended, from time to time.

"Collateral Source" shall have the meaning set forth in Section 9.7.

"Competing Business" shall have the meaning set forth in Section 7.1.

"Confidential Information" shall have the meaning set forth in the Confidentiality Agreement.

"Confidentiality Agreement" means the Confidentiality Agreement between Seller and Purchaser, dated February 16, 2017, as amended or supplemented from time to time.

"Contract" means any binding contract, agreement, lease, license or commitment.

"Copyrights" shall have the meaning set forth in the definition for Intellectual Property.

"Covered Proceeds" shall have the meaning set forth in Section 2.1(h).

"[***]" means [***].

"Dentons" shall have the meaning set forth in Section 11.17(b).

"Distribution Activities" shall have the meaning set forth in Section 6.8(d).

"Excluded Assets" shall have the meaning set forth in Section 2.3.

"Excluded Inventory" means the Inventory which is not Purchased Inventory.

"Exploitation" (including, with correlative meanings, the terms "Exploit" and "Exploited") means developing, commercializing, manufacturing, labeling, packaging, marketing, promoting, selling, distributing and/or transporting.

"FDA Act" means the Food, Drug and Cosmetics Act of 1938, as amended, supplemented or replaced.

"Final Inventory Value" shall have the meaning set forth in Section 2.7(d).

"Financial Statements" shall have the meaning set forth in Section 4.13(b).

"Fundamental Representations" shall have the meaning set forth in Section 9.5.

"GAAP" means United States generally accepted accounting principles, consistently applied.

"Governmental Authority" means any supranational, national, federal, state or local or foreign judicial, legislative, executive or regulatory authority.

"Governmental Authorizations" means all licenses, permits, certificates and other authorizations and approvals pertaining to the Product under the applicable Laws of any Governmental Authority.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Gross Profit" means the amount equal to [***].

"Indemnity Notice" shall have the meaning set forth in Section 9.3(a).

"Indemnified Party" shall have the meaning set forth in Section 9.3(a).

"Indemnifying Party" shall have the meaning set forth in Section 9.3(a).

"Indemnity Threshold" shall have the meaning set forth in Section 9.6(b).

"Independent Accountant" shall have the meaning set forth in Section 2.6(c).

"Intellectual Property" means any and all worldwide rights in, arising from or associated with the following, whether protected, created or arising under the Laws of the United States or any other jurisdiction or under any international convention: (1) all patents and applications therefor and all reissues, divisions, re-examinations, renewals, extensions, provisionals, substitutions, continuations and continuations-in-part thereof, and equivalent or similar rights anywhere in the world in inventions and discoveries including, without limitation, invention disclosures ("Patent Rights"); (2) all trade secrets and other proprietary information which derives independent economic value from not being generally known to the public (collectively, "Trade Secrets"); (3) all copyrights, copyrights registrations and applications therefor ("Copyrights"); (4) all uniform resource locators, e-mail and other internet addresses and domain names and applications and registrations therefor ("URLs"); (5) all trade names, corporate names, logos, slogans, trade dress, trademarks, service marks, and trademark and service mark registrations and applications therefor and all goodwill associated therewith ("Trademarks") and (6) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

"Inventories" means all inventory of finished goods Product and all samples of Product owned by Seller or Akrimax on the Closing Date.

"Inventory Excess Amount" shall have the meaning set forth in Section 2.7(g)(ii).

"Inventory Shortfall Amount" shall have the meaning set forth in Section 2.7(g)(i).

"Knowledge of Purchaser" means the actual knowledge any of the individuals listed on Schedule 1.1(b)(i) has or would have following reasonable inquiry into the subject matter in the ordinary course of performing each of their respective duties.

"Knowledge of Seller" means the actual knowledge any of the individuals listed on Schedule 1.1(b)(ii) has or would have following reasonable inquiry into the subject matter in the ordinary course of performing each of their respective duties.

"Laws" means any federal, state, foreign or local law, common law, statute, ordinance, rule, regulation, code or Governmental Order.

"Liabilities" means any and all Losses, debts, liabilities and obligations, whether accrued or unaccrued, fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable, including all costs and expenses relating thereto.

"Licensed Intellectual Property" shall have the meaning set forth in Section 4.9(b)(i).

"Licensed Know-How" shall have the meaning set forth in Section 6.12.

"Liens" means any lien, security interest, mortgage, pledge, assessment, hypothecation, easement, title retention clause, title defect, right of first refusal, charge or similar encumbrance.

"Loss" or "Losses" means any liabilities, losses, damages, fines or penalties that are suffered or sustained, or that have required an outlay or payment of cash or other non-cash consideration, whether resulting from a judgment, a settlement or an award, including those arising out of any Proceeding, Law or Contract, including the Taxes, costs and expenses (including reasonable fees and expenses of counsel, consultants, experts, and other professional fees) associated therewith.

"Lowenstein" shall have the meaning set forth in Section 11.17(a).

"Material Adverse Effect" means any event, fact, condition, occurrence, change or effect that is or would reasonably be expected to be materially adverse to the Exploitation of the Product or the Purchased Assets, taken as a whole; provided, however, that none of the following shall be deemed, either alone or in combination, to constitute a Material Adverse Effect, or be taken into account in determining whether there has or will be a Material Adverse Effect: (a) changes in political or economic conditions (including changes in interest or exchange rates) in any country in which Purchased Assets are located or in which the Business operates, or in the securities, syndicated loan, credit or financial markets of any such country; (b) changes in general market conditions affecting the Exploitation of the Product in general or within the United States; (c) changes in GAAP; (d) changes or effects that arise out of or are attributable to the acts or omissions of, or circumstances affecting, Purchaser and/or its Affiliates; (e) changes or effects that generally affect the markets in which the Product is Exploited; (f) changes or effects that arise out of or are attributable to the commencement, occurrence, continuation or intensification or reduction or cessation of any war (whether or not declared), sabotage, armed hostilities or acts of terrorism; (g) changes or effects that arise out of or are attributable to earthquakes, hurricanes or other natural disasters, epidemics or other outbreaks of disease; (h) changes or effects that relate to any failure by Seller to meet internal projections or forecasts for any period (including with respect to the Purchased Assets or Product), or that arise out of or are attributable to market conditions with respect to the Product, including the availability of generic alternatives or alternative therapies and treatments or the availability of Patent Rights; and (i) any action taken by Seller as required by this Agreement or with Purchaser's consent, except, in the case of clauses (a), (b), (c), (e) and (f), for those changes or effects that have a disproportionate impact on the Exploitation of the Product relative to other comparable pharmaceutical product.

"NDC Number" means the unique 10-digit, 3-segment number assigned by the U.S. Food & Drug Administration to each human drug processed for commercial distribution, which number is published in the NDC Directory pursuant to Section 510 of the FDA Act.

"Net Sales" means the gross amount received by Seller or Subsidiary of Seller, as applicable, for sales of the Product (other than applicable, sales, use or VAT Taxes), *less* the deductions taken by the Seller or an Affiliate or Subsidiary of Seller, as applicable, with respect to such sales in accordance with GAAP:

(i) [***];

(ii) [***];

(iii) [***]; and

(iv) [***].

Notwithstanding the foregoing, sales of Product for patient assistance programs, research or development or complimentary samples shall not be deemed "sales" for purposes of calculating Net Sales.

"Non-Compete Period" has the meaning set forth in Section 7.1.

"NonFAMP Eligible Transactions" means those transactions relating to a Product that are used to calculate the Non-Federal Average Manufacturer Price as defined by Veteran's Health Care Act of 1992.

"Objection Notice" shall have the meaning set forth in Section 2.7(c).

"Outside Date" shall have the meaning set forth in Section 10.1(b).

"Owned Intellectual Property" shall have the meaning set forth in Section 4.9(a).

"Party" means each of Purchaser and Seller.

"Patent Rights" shall have the meaning set forth in the definition for Intellectual Property.

"Permitted Encumbrances" means (i) statutory Liens arising by operation of Law with respect to a Liability incurred in the ordinary course of business and which is not delinquent; (ii) Liens for Taxes not yet subject to penalties for nonpayment or that are being contested in good faith by appropriate proceedings; (iii) mechanics', materialmens', carriers', workmens', warehousemens', repairmens', landlords' or other like Liens and security obligations that are not delinquent; (iv) Liens set forth on Schedule 1.1(c) hereto, all of which will be released and, as appropriate, removed of record, at or prior to the Closing Date in accordance with the terms of this Agreement; and (v) Liens arising under this Agreement.

"Person" means an individual, a limited liability company, joint venture, a corporation, a partnership, an association, a trust, a division or operating group of any of the foregoing or any other entity or organization.

"Post-Closing Tax Period" means any Tax period (or portion thereof) beginning after the Closing Date.

"Pre-Closing Tax Period" means any Tax period (or portion thereof) ending on or before the Closing Date.

"Proceeding" means any claim, action, arbitration, mediation, hearing, proceeding, suit, warning letter, or notice of violation.

"Product Registrations" means all Governmental Authorizations (including NDAs, ANDAs and INDs) and comparable regulatory filings granted to Seller or any Affiliate thereof by, or applications therefor in the name of Seller or any Affiliate thereof that are pending with, any Governmental Authority (including applications that are in the process of being prepared by Seller or any Affiliate thereof) required to manufacture, commercialize, develop, package, label, store, use, market, import, export, distribute and/or sell any of the Product.

"Product" means the Product listed on Schedule 1.1(d) hereto.

"Property Taxes" shall have the meaning set forth in Section 11.8(b).

"Purchased Assets" shall have the meaning set forth in Section 2.1, it being understood that the Purchased Assets do not include the Excluded Assets.

"Purchased Documents" means originals, or if originals are unavailable, copies of all books, records, files and papers, whether in hard copy or computer format, to the extent related to the Product or Product Registrations (including with respect to research and development, medical safety or regulatory affairs), including (i) all documents, if any, relating to the calculation of baseline AMP (but excluding any proprietary methodology documents created by Seller or any of its Affiliates with respect to the calculation of baseline AMP), (ii) an electronic version of the Product's Medical Information Inquiry Database and the documents set forth in Schedule 1.1(e), (iii) any and all regulatory files (including correspondence with regulatory authorities) owned by or in the possession or control of Seller or any Affiliate thereof to the extent relating to the Purchased Assets or the operation of the Business (including safety and adverse event data) and (iv) copies of all books, records, files and papers, whether in hard copy or computer format, to the extent related to NonFAMP Eligible Transactions from the third fiscal quarter of 2013 through the Closing Date.

"Purchased Inventory" means that portion of the Inventory that is set forth on Schedule 1.1(a).

"Purchase Price" shall have the meaning set forth in Section 2.6(a).

"Purchaser" has the meaning set forth in the preamble of this Agreement.

"Purchaser Disclosure Schedules" shall have the meaning set forth in Article V.

"Purchaser Indemnified Parties" shall have the meaning set forth in Section 9.1.

"Representatives" means, with respect to any Person, the directors, managers, employees, independent contractors, agents or consultants of such Person.

"Required Third Party Consents" means the consents and approvals set forth on Schedule 1.1(f).

"Retained Liabilities" shall have the meaning set forth in Section 2.5.

"Seller" shall have the meaning set forth in the preamble of this Agreement.

"Seller Company Identifiers" shall have the meaning set forth in Section 6.7(a).

"Seller Disclosure Schedules" shall have the meaning set forth in Article IV.

"Seller Indemnified Parties" shall have the meaning set forth in Section 9.2.

"Services Agreement" means a services agreement, dated as of the Closing Date, in the form set forth as Exhibit B hereto.

"Side Letter" shall have the meaning set forth in Section 3.1(b)(xiii).

"Solvent", when used with respect to any Person, means that, as of any date of determination, (a) the amount of the "fair saleable value" of the assets of such Person on a going concern basis will, as of such date, exceed (i) the value of all "liabilities of such Person, including contingent and other liabilities" as of such date, as such quoted terms are generally determined in accordance with applicable United States federal laws governing determinations of the insolvency of debtors and (ii) the amount that will be required to pay the probable liabilities of such Person on its existing debts (including contingent liabilities) as such debts become absolute and matured, (b) such Person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date and (c) such Person will be able to pay its liabilities, including contingent and other liabilities, as they mature. For purposes of this definition, each of the phrases "not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged" and "able to pay its liabilities, including contingent and other liabilities, as they mature" means that such Person will be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet its obligations as they become due.

"Subsidiary" or "Subsidiaries" means an entity as to which Seller or Purchaser or any other relevant entity, as the case may be, owns directly or indirectly 50% or more of the voting power or other similar interests. Any Person which comes within this definition as of the date of this Agreement but thereafter fails to meet such definition shall from and after such time not be deemed to be a Subsidiary of Seller or Purchaser or any other relevant entity, as the case may be. Similarly, any Person which does not come within such definition as of the date of this Agreement but which thereafter meets such definition shall, from and after such time, be deemed to be a Subsidiary of Seller or Purchaser or any other relevant entity, as the case may be.

"SWK Affiliates" means SWK HP Holdings, L.P. together with its owners and their Affiliates.

"Tax" or "Taxes" means all taxes, levies or other assessments, including income, excise, property, sales or use, value added, profits, license, withholding (with respect to compensation or otherwise), payroll, employment, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Taxing Authority, and including any interest, penalties and additions attributable thereto.

"Tax Return" or "Tax Returns" means any return, report, declaration, information return, statement or other document filed or required to be filed with any Taxing Authority, in connection with the determination, assessment or collection of any Tax or the administration of any Laws relating to any Tax.

"Taxing Authority" means any Governmental Authority, body or instrumentality exercising any authority to impose, regulate or administer the imposition of Taxes.

"Territory" means the United States and its territories and possessions, including Puerto Rico and U.S. military bases abroad.

"Third Party Claim" shall have the meaning set forth in Section 9.4(a).

"Trade Secrets" shall have the meaning set forth in the definition for Intellectual Property.

"Trademarks" shall have the meaning set forth in the definition for Intellectual Property.

"Transfer Taxes" means any federal, state, county, local, foreign and other sales, use, transfer, value added, conveyance, documentary transfer, stamp, recording, registration or other similar Tax (including any notarial fee) imposed in connection with, or otherwise relating to, the transactions contemplated by this Agreement or the recording of any sale, transfer or assignment of property (or any interest therein) effected pursuant to this Agreement.

"Treasury Regulations" means the regulations promulgated by the Treasury Department under the Code.

"Unaudited Financial Statements" shall have the meaning set forth in Section 4.13(b).

"URLs" shall have the meaning set forth in the definition for Intellectual Property.

Section 1.2 Other Definitional and Interpretive Provisions. (a) The words "hereof", "herein", "hereto" 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 shall have a comparable meaning when used in the plural, and vice versa.

(c) The terms "dollars" and "$" shall mean United States of America dollars.

(d) The term "including" (and with correlative meaning "include") shall mean "including, without limitation."

(e) Reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity.

(f) Reference to any agreement (including this Agreement), document or instrument means such agreement, document or instrument as amended, modified or supplemented and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.

(g) When a reference is made in this Agreement to an Article, a Section, an Exhibit or a Schedule, such reference shall be to an Article of, a Section of, an Exhibit to or a Schedule to, this Agreement unless otherwise indicated.

(h) The Parties acknowledge that: (i) this Agreement is the result of negotiations between the Parties and shall not be deemed or construed as having been drafted by any one Party; (ii) each Party and its counsel have reviewed and negotiated the terms and provisions of this Agreement (including any exhibits and disclosure schedules attached hereto) and have contributed to its revision; (iii) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (iv) the terms and provisions of this Agreement shall be construed fairly as to all Parties and not in favor of or against any Party, regardless of which party was generally responsible for the preparation of this Agreement.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale of Assets. Upon the terms and subject to the conditions set forth herein, at the Closing, Seller shall, and with respect to Section 2.1(b) and Section 2.1(e) shall cause Akrimax to, sell, convey, assign and transfer to Purchaser, and Purchaser shall purchase, acquire and accept from Seller and Akrimax, as applicable, free and clear of all Liens, other than Permitted Encumbrances, all right, title and interest of Seller and Akrimax, as applicable, in, to and under those assets described in the following clauses (a) through (i) related to Seller's Product (collectively, the "Purchased Assets"):

(a) all the Contracts relating to the Product set forth on Schedule 2.1(a), including with respect to the Licensed Intellectual Property (the "Assumed Contracts");

(b) all of the Owned Intellectual Property (including the registrations for Trademarks owned by Akrimax set forth on Schedule 4.9(a)(ii), and the URL registrations owned by Akrimax as set forth on Schedule 4.9(a)(iii));

(c) the Product Registrations;

(d) all customer lists for the Product and research data to the extent related to the Product and in the possession or control of Seller or any Affiliate thereof;

(e) the Purchased Inventory;

(f) all the Purchased Documents; provided, however, that Seller shall have the right to retain one copy (subject to the confidentiality provisions set forth in Section 6.11) of all or any portion of the Purchased Documents to comply with applicable Laws and regulatory guidance;

(g) all refunds for Taxes relating to the Purchased Assets with respect to a Post-Closing Tax Period;

(h) all of Seller's rights under warranties, guaranties, indemnities and similar rights against third parties, including any predecessors in title, to the extent related to the Assumed Liabilities or the Exploitation of the Purchased Assets and the Product on or after the Closing Date, including rights to proceeds under insurance policies in respect of damage or loss to the Purchased Assets which have not been fully remediated as of the Closing ("Covered Proceeds"); and

(i) all of Seller's claims, counterclaims, causes of action and all other rights of any kind against any third party in connection with the Assumed Liabilities or related to the Exploitation of the Purchased Assets on or after the Closing Date.

Section 2.2 Consents. Purchaser acknowledges that certain consents to the transactions contemplated by this Agreement (other than the Required Third Party Consents) may be required from counterparties to Contracts and that such consents may not be obtained prior to Closing. Seller shall use its commercially reasonable efforts (which shall not require Seller to pay any money or other consideration to any Person, to initiate any claim or proceeding against any Person or to otherwise grant any accommodation (financial or otherwise) to any Person) (i) to obtain such approval or consent and (ii) if such approval or consent cannot be obtained, to secure an arrangement reasonably satisfactory to Purchaser ensuring that Purchaser will receive the benefits under the Purchased Asset for which such consent is being sought and Purchaser will bear the burden of the Liabilities related to such Purchased Asset; provided, however, that notwithstanding anything to the contrary herein or otherwise (A) Seller shall have no obligation to obtain such consent or approval or to provide such an alternative arrangement other than the undertaking to use commercially reasonable efforts to obtain or provide the same as set forth in this Section 2.2, and (B) Purchaser shall indemnify Seller in respect of all Liabilities incurred by Seller in respect of any such alternative arrangement and the underlying Purchased Asset. To the extent that, in connection with obtaining a third party's consent under any Assumed Contract, one or more of the parties hereto enter into an agreement with such third party that provides for an allocation of Liability among the parties hereto with respect to such Assumed Contract that is inconsistent with the terms of this Agreement, the parties agree that, as among themselves, the provisions of this Agreement shall control.

Section 2.3 Excluded Assets. Nothing herein contained shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser, and Seller shall retain all right, title and interest to, in and under the Excluded Assets. "Excluded Assets" means all assets, properties, interests and rights of Seller other than the Purchased Assets to be sold by Seller, including each of the following assets:

(a) all cash, cash equivalents, bank deposits or similar cash items and accounts receivable of Seller;

(b) all books and records of Seller other than the Purchased Documents; provided, however, that Purchaser shall have the right to make copies of any portions of any such retained books and records to the extent related to any of the Purchased Assets;

(c) all rights of Seller to (i) the Seller Company Identifiers and (ii) any other Intellectual Property, other than Intellectual Property included in the Purchased Assets;

(d) all insurance policies or rights to proceeds thereof relating to the Purchased Assets or the Product (except Covered Proceeds);

(e) subject to Section 2.1(i), all rights, claims or causes of action of Seller against third parties in connection with the Exploitation of the Purchased Assets and the Product prior to the Closing Date;

(f) all Tax Returns and financial statements of Seller and all records (including working papers) related thereto;

(g) all refunds for Taxes relating to the Purchased Assets with respect to a Pre-Closing Tax Period;

(h) all of Seller's rights in respect of real property, including leasehold interests;

(i) the partnership interests in and other equity or ownership interests in Seller;

(j) all rights that accrue to Seller under this Agreement and the Ancillary Agreements; and

(k) all of Seller's causes of action, claims, credits, demands or rights of set-off against third parties, to the extent related to any Excluded Asset.

Section 2.4 Assumption of Liabilities.

(a) Upon the terms and subject to the conditions of this Agreement, Purchaser agrees, effective at the Closing, to assume and to satisfy and discharge when due the Liabilities of Seller (other than the Retained Liabilities), specifically set forth below (all of such Liabilities and other than the Retained Liabilities being herein collectively referred to as the "Assumed Liabilities"):

(i) all Liabilities arising from the Exploitation of any Product after the Closing Date, including Liabilities for returns, rebates and chargebacks related to any of the Product shipped after the Closing Date;

(ii) all Liabilities for Taxes relating to the Purchased Assets or the Product with respect to a Post-Closing Tax Period, including those allocated in accordance with Section 11.8(b);

(iii) all Liabilities for materials and services relating to the Purchased Assets contracted for in the ordinary course of business prior to the Closing pursuant to an Assumed Contract, but scheduled to be delivered or provided thereafter, and all Liabilities to customers under purchase orders for Product that have not yet been shipped at Closing, in each case to the extent not related to any breach of Seller occurring prior to the Closing;

(iv) all Liabilities under Assumed Contracts (including Liabilities to customers under purchase orders made in the ordinary course of the sale and marketing of the Product consistent with past practice for any Product that has not been shipped prior to the Closing) relating to the period following the Closing Date, other than any Liabilities to the extent arising out of, or resulting from, a breach of any such Assumed Contract by Seller prior to the Closing Date;

(v) all Liabilities arising out of or relating to any product liability, breach of warranty or similar claim for injury to any Person or property that resulted from the use or misuse of the Product on or after the Closing Date or otherwise relates to the Product sold (including any Proceeding relating to any such Liabilities) on or after the Closing Date, which, in the case of any split lots of Product, shall be determined based on the percentage of any such lot sold on or after the Closing Date;

(vi) all other Liabilities relating to the Purchased Assets or the Product, or Purchaser's use thereof, solely to the extent that such are not Retained Liabilities, including to any Governmental Authority, and all fees arising from or related to any Product Registrations and Intellectual Property included in the Purchased Assets, but only to the extent not related to or arising out of any act, omission or event occurring prior to the Closing; and

(vii) all Liabilities for branded prescription drug fees occurring after January 1, 2017, it being understood and agreed, for the avoidance of doubt, that Purchaser will report ownership of Product NDCs on IRS Form 8947 beginning with the 2017 reporting year (due November 2018).

Section 2.5 Retained Liabilities. Notwithstanding any provision in this Agreement, Seller shall retain and be responsible only for the following Liabilities (the "Retained Liabilities"):

(a) all Liabilities of Seller and/or any Affiliate of Seller other than Assumed Liabilities, including all Liabilities related to the Excluded Assets and all Liabilities under Assumed Contracts relating to the period prior to the Closing Date (including the Assumed Contracts set forth on Schedule 4.12(e));

(b) all Liabilities of Seller and/or any of its Affiliates under the Ancillary Agreements;

(c) all Liabilities of Seller and/or any of its Affiliates in respect of any Proceeding (whether class, individual or otherwise in nature, in law or in equity) commenced or asserted prior to the Closing, or based on acts or omissions of Seller and/or any of its Affiliates or their respective equityholders, officers, directors or managers occurring prior to the Closing, and arising out of or to the extent relating to or otherwise in any way relating to the Purchased Assets or the Product, including, without limitation, any Liability to any equityholder of Seller or any Affiliate of Seller and including all Liabilities arising out of or related to the litigation described on Schedule 4.6 of the Seller Disclosure Schedules;

(d) all Liabilities of Seller to its suppliers for materials and services relating to the Product that were delivered or provided to Seller prior to Closing;

(e) all Liabilities arising out of or relating to any product liability, breach of warranty or similar claim for injury to any Person or property that resulted from the use or misuse of the Product prior to the Closing Date or otherwise relates to the Product sold (including any Proceeding relating to any such Liabilities) prior to the Closing Date, which, in the case of any split lots of Product, shall be determined based on the percentage of any such lot sold prior to the Closing Date;

(f) any Liability under Seller's employee benefits or compensation arrangements;

(g) all Liabilities for branded prescription drug fees occurring prior to January 1, 2017, it being understood and agreed, for the avoidance of doubt, that Seller will report ownership of Product NDCs on IRS Form 8947 for all periods up to and including the 2016 reporting year (due November 2017); and

(h) all Liabilities for Taxes relating to the Purchased Assets or the Product with respect to a Pre-Closing Tax Period, including those allocated in accordance with Section 11.8(b); and

Section 2.6 Purchase Price.

(a) On the terms and subject to the conditions set forth herein, in consideration of the sale and transfer of the Purchased Assets, at the Closing, Purchaser shall (i) assume the Assumed Liabilities and (ii) pay an amount in cash equal to the sum of (*x*) Thirty Million One Hundred and Eighty-Nine Thousand Dollars ($30,189,000), *plus* (*y*) the Closing Date Inventory Value, subject to adjustment pursuant to the terms of Section 2.7(g) (the "Purchase Price") to Seller in immediately available funds by wire transfer to the account(s) specified in written instructions given by Seller to Purchaser not less than two (2) Business Days prior to the Closing.

(b) To the extent that Purchaser is required under any provision of Law to deduct and withhold Taxes on any payment hereunder, Purchaser shall withhold and deduct from the Purchase Price such required amounts and such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Persons in respect of which such deductions and withholdings were made; provided, however, that Purchaser may deduct such amounts only if Purchaser shall (i) give Seller reasonable advance notice of the intention to make such deduction or withholding; (ii) explain the basis for such deduction or withholding, and (iii) cooperate with Seller to the extent reasonably requested to obtain any applicable reduction of or relief from such deduction or withholding; provided, further, that, except as otherwise required by Law or applicable court order, Purchaser shall not withhold any portion of the Purchase Price if Seller delivers a non-foreign affidavit under Section 1445 of the Code and the Treasury Regulations promulgated thereunder.

(c) The allocation of the Purchase Price among the Purchased Assets and Assumed Liabilities shall be prepared by Purchaser within ninety (90) days following the Closing. Purchaser shall deliver to Seller a copy of such proposed allocation promptly after Purchaser's determination of the proposed allocation, and Seller shall have the right to review and raise any objections in writing to the proposed allocation during the fifteen (15) day period after Seller's receipt thereof. If Seller does not notify Purchaser in writing of a disagreement with the proposed allocation during such fifteen (15) day period, the proposed allocation shall become final. If Seller disagrees with respect to any item in the allocation, the Parties shall negotiate in good faith to resolve the dispute. If the Parties are unable to agree on the allocation within thirty (30) days after the commencement of such good faith negotiations (or such longer period as Seller and Purchaser may mutually agree in writing), then the parties shall refer such dispute to an independent internationally recognized accounting firm ("Independent Accountant") at that time to review the allocation, and make a determination as to the resolution of such allocation. The determination of the Independent Accountant regarding the allocation shall be delivered as soon as practicable following engagement of the Independent Accountant, but in no event more than sixty (60) days thereafter, and shall be final, conclusive and binding upon Seller and Purchaser, and Purchaser shall revise the original proposed allocation accordingly. Seller, on the one hand, and Purchaser on the other hand, shall each pay one-half of the cost of the Independent Accountant. The finalized allocation shall be binding on Seller and Purchaser for all Tax reporting purposes and Seller and Purchaser agree to refrain from taking any position inconsistent therewith, unless required by applicable Law or a final determination of a Taxing Authority.

Section 2.7 Purchase Price Adjustment.

(a) On the Closing Date, Seller shall deliver to Purchaser a statement (the "Closing Statement") containing Seller's final calculation of the Closing Date Inventory Value and shall be accompanied with reasonably detailed documentation supporting Seller's calculation thereof. The Closing Statement will be in the form as set forth in Schedule 2.7(a).

(b) The Purchaser will have a period of twenty (20) Business Days to review the Closing Statement and all calculations set forth therein. Seller shall give Purchaser (upon reasonable advance notice and during normal business hours in a manner that does not materially interfere with Seller's business) reasonable access to the applicable personnel and books and records of Seller and its Affiliates as reasonably requested by Purchaser, as well as use commercially reasonable efforts to cause [***] to provide Purchaser reasonable access to the premises of [***] and the records kept by them of the Purchased Inventories, to reasonably enable Purchaser to fully review the Closing Statement and such access shall be provided in a timely manner to allow Purchaser to complete such review in such twenty (20) Business Day period.

(c) The Closing Statement shall be conclusive of the amount of the Closing Date Inventory Value and shall be final and binding upon the Parties unless on or before the twentieth (20^{th}) Business Day after the date on which the Closing Statement is delivered to Purchaser, Purchaser delivers to Seller a notice of objection (an "Objection Notice") to any matter stated in the Closing Statement. Any Objection Notice shall specify, in reasonable detail to the extent Purchaser has the available information, those items or amounts as to which Purchaser disputes in good faith and Purchaser shall be deemed to have agreed with all other items and amounts contained in the Closing Statement and the calculations of the Closing Date Inventory Value set forth therein.

(d) If Purchaser fails to deliver an Objection Notice within such twenty (20) Business Day period, Purchaser shall be deemed to have waived its rights to contest the Closing Statement and the calculation of the Closing Date Inventory Value set forth therein shall be deemed to be final and binding upon the Parties (the "Final Inventory Value") and such amount shall be used for the purposes of adjustment to the Purchase Price pursuant to Section 2.7(g).

(e) If Purchaser delivers an Objection Notice to Seller on or before such twenty (20) Business Day period, then the Parties shall meet within ten (10) Business Days after Purchaser delivers an Objection Notice, by telephone or at a mutually agreeable location to discuss in good faith and attempt to reconcile their differences with respect to the amount of the Closing Date Inventory Value that is being challenged by Purchaser (the "Challenged Amount(s)"). In the event the Parties are unable to reach agreement on the Challenged Amounts, either Party may at any time thereafter submit such remaining disagreements to the Independent Accountant.

(f) The Parties shall use commercially reasonable efforts to cause the Independent Accountant, once appointed, to resolve all remaining disagreements with respect to Challenged Amounts as soon as practicable, but in any event shall direct the Independent Accountant to render a determination within thirty (30) days after retention of the Independent Accountant. Each Party will be afforded the opportunity to present to the Independent Accountant any material such Party deems relevant to the determination. The Independent Accountant shall consider only those items and amounts in Purchaser's and Seller's respective calculations of the Challenged Amounts that are identified as being items and amounts to which Purchaser and Seller have been unable to agree. In resolving any disputed item, the Independent Accountant may not assign a value to any item greater than the greatest value for such item claimed by either Party or less than the smallest value for such item claimed by either Party. The Independent Accountant's determination of the Challenged Amounts shall be based solely on written materials submitted by the Parties (*i.e.*, not on independent review) and on the definitions included in this Agreement. The determination of the Independent Accountant shall be conclusive and binding upon the Parties and shall not be subject to appeal or further review and shall be deemed as the Final Inventory Value for all purposes hereunder. The costs and expenses of the Independent Accountant in determining any Challenged Amounts shall be borne equally by Purchaser, on the one hand, and Seller, on the other hand.

(g) On the date of the binding determination of the Final Inventory Value pursuant to the terms of this Section 2.7, if:

(i) the Final Inventory Value is equal to an amount that is *less* than the Closing Date Inventory Value set forth in the Closing Statement (the aggregate total amount of the shortfall equal to the sum of (*x*) the Closing Date Inventory Value, *minus* (y) the Final Inventory Value, the "Inventory Shortfall Amount"), then Seller shall, within ten (10) Business Days of the binding determination of the Final Inventory Value, pay an amount in cash equal to the Inventory Shortfall Amount to Purchaser in immediately available funds by wire transfer to the account(s) specified in written instructions provided by Purchaser to Seller; or

(ii) the Final Inventory Value is *more* than Closing Date Inventory Value set forth in the Closing Statement (the aggregate total amount of the excess equal to the sum of (*x*) the Final Inventory Value, *minus* (*y*) the Closing Date Inventory Value, the "Inventory Excess Amount"), then Purchaser shall, within ten (10) Business Days of the binding determination of the Final Inventory Value, pay an amount in cash equal to the Inventory Excess Amount to Seller in immediately available funds by wire transfer to the account(s) specified in written instructions provided by Seller to Purchaser.

(iii) notwithstanding anything to the contrary set forth above, in no event will the Final Inventory Value be deemed to exceed [***].

ARTICLE III

CLOSING

Section 3.1 Closing. (a) The Closing shall take place remotely via the exchange of documents and signatures by electronic mail and overnight courier service on (i) the second (2^{nd}) Business Day following the satisfaction (or, to the extent permitted hereby and by applicable Law, waiver) of the conditions set forth in Article VIII (other than the conditions that by their nature are to be satisfied by actions to be taken on the Closing Date, but subject to the waiver or satisfaction of such conditions) or (ii) at such other time and place as the Parties may mutually agree in writing. The date on which the Closing occurs is called the "Closing Date." The Closing shall be deemed to occur and be effective as of 12:01 a.m. on the Closing Date.

(b) At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following instruments and documents, in each case, in form and substance reasonably acceptable to Purchaser:

(i) a receipt for payment of the Purchase Price;

(ii) a certificate of an authorized officer of Seller as to the resolutions adopted by the general partner, board of managers or similar governing body of Seller relating to the transactions contemplated hereby;

(iii) executed copies of the Required Third Party Consents;

(iv) assignments of Assumed Contracts, duly executed by Seller or its applicable Affiliate;

(v) the Bill of Sale, duly executed by an authorized officer of Seller;

(vi) (A) general patent assignments and general trademark assignments, in recordable form, with respect to patents and trademarks included within the Purchased Assets, duly executed by Seller or Akrimax, as applicable;

(B) general assignments executed by all of the Seller Affiliates assigning to Purchaser all right, title and interest they may have in and to any of the Purchased Assets;

(C) except as provided in Section 6.3(d), assignments of all URLs, to the extent owned by Seller or Akrimax and used or held for use in connection with the Exploitation of the Product, duly executed by an authorized officer of Seller or Akrimax, as applicable;

(vii) physical or, to the extent available, electronic copies of the Purchased Documents including copies of all the Purchased Documents comprising the NDA;

(viii) executed copies of the FDA transfer letters referenced in Section 6.10;

(ix) a duly executed non-foreign affidavit under Section 1445 of the Code and the Treasury Regulations promulgated thereunder;

(x) the Services Agreement, duly executed by an authorized officer of Seller;

(xi) evidence reasonably satisfactory to Purchaser of the termination of the Affiliate Agreements;

(xii) either (A) evidence in form and substance reasonably satisfactory to Purchaser that those Liens on the Purchased Assets (other than Permitted Encumbrances) set forth on Schedule 1.1(b) have been or will be released at the Closing or (B) written authorization from the appropriate Lien holders authorizing Purchaser to file terminations or releases of such Liens set forth on Schedule 1.1(b); and

(xiii) a side letter, in form and substance reasonably satisfactory to Purchaser, duly executed by authorized officers of the applicable Affiliates of Seller, addressing only those matters set forth in Exhibit C (the "Side Letter").

(c) At the Closing, Purchaser shall deliver or cause to be delivered to Seller, the following: (x) the Purchase Price, as provided in Section 2.6(a), and (y) the following instruments and documents, in each case, in form and substance reasonably acceptable to Seller:

(i) Assignments of Assumed Contracts duly executed by Purchaser;

(ii) executed assumption agreements and all other instruments appropriate to evidence Purchaser's assumption of the Assumed Liabilities;

(iii) certificates of an authorized officer of Purchaser as to the resolutions adopted by the Boards of Directors of Purchaser relating to the transactions contemplated hereby;

(iv) the Services Agreement, duly executed by an authorized officer of Purchaser; and

(v) the Side Letter, duly executed by an authorized officer of Purchaser.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered section of the disclosure schedules attached hereto that relates to such Section of this Agreement (the "Seller Disclosure Schedules"), Seller hereby makes the representations and warranties contained in this Article IV to Purchaser.

Section 4.1 Organization. Seller is (i) a limited partnership duly organized, validly existing and in good standing under the Laws of Delaware and (ii) is duly qualified or licensed to do business and is in good standing in each jurisdiction in which such qualification or licensing is necessary under applicable Laws or where the Exploitation of Seller's Product requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect. Seller has no Subsidiaries.

Section 4.2 Authority; Binding Effect. (a) Seller has all requisite limited partnership power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and perform its obligations hereunder. The execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary limited liability action on behalf of Seller.

(b) This Agreement has been duly executed and delivered by Seller and, assuming the valid execution and delivery by Purchaser, constitutes a valid and binding obligation of Seller, and each Ancillary Agreement will be, prior to the Closing, duly executed and delivered by Seller and will, assuming the valid execution and delivery by Purchaser, from and after the Closing, constitute a valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws affecting creditors' rights generally or by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or law) (the "Bankruptcy and Equity Exception").

Section 4.3 No Conflicts; Consents. The execution, delivery and performance of this Agreement and the Ancillary Agreements by Seller and the consummation of the transactions contemplated hereby and thereby do not and will not (i) violate any provision of the organizational documents of Seller; (ii) subject to obtaining the Required Third Party Consents as well as the other consents referred to in Schedule 4.3 of the Seller Disclosure Schedules, conflict with, or result in the breach of, constitute a default under, result in the termination, cancellation or acceleration (whether after the giving of notice or the lapse of time or both) of any right or obligation of Seller under, or to a loss of any benefit to which Seller is entitled under, any Assumed Contract, or any other Contract to which the assets of Seller or any of its Affiliates are subject to the extent such relate to the Purchased Assets; and (iii) assuming compliance with the matters set forth in Section 4.4 and Section 5.5, violate or result in a breach of or constitute a default under any Law or other restriction of any Governmental Authority to which Seller is subject; except, with respect to clauses (ii) and (iii), for any violations, breaches, conflicts, defaults, terminations, cancellations or accelerations as would not reasonably be expected to be material to the Business, Purchased Assets or the Product.

Section 4.4 Governmental Authorization. The execution and delivery of this Agreement and the Ancillary Agreements by Seller or any Affiliate thereof does not require any consent or approval of any Governmental Authority included within the Required Third Party Consents.

Section 4.5 Absence of Material Changes. Except as otherwise contemplated or permitted by this Agreement, from December 31, 2015 to the date of this Agreement:

(a) there has not been any Material Adverse Effect; and

(b) other than with respect to the transactions contemplated by this Agreement and the exploration of strategic alternatives for the Purchased Assets by Seller, Seller operated the Purchased Assets, in all material respects, in the ordinary course of business.

Section 4.6 No Litigation. No proceeding by or before any Governmental Authority is pending against or, to the Knowledge of Seller, threatened in writing against Seller with respect to the Purchased Assets that would reasonably be expected to be material to the Business, the Purchased Assets and the Product, taken as a whole, or that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or the Ancillary Agreements. None of Seller or any of its Purchased Assets are subject to any Governmental Order or arbitration award that is material to the Purchased Assets, taken as a whole, or that imposes any material limitation on the ability of Seller to operate its Business as currently conducted.

Section 4.7 Compliance with Laws. Except as to matters otherwise set forth in this Agreement:

(a) Since January 1, 2015, Seller and its Affiliates have operated the Business in material compliance with all Laws applicable to the Purchased Assets, including the FDA Act;

(b) Seller possesses all Governmental Authorizations necessary for the operation of the Business and the Purchased Assets as currently conducted; and

(c) since January 1, 2015, no Governmental Authority has notified Seller or any Affiliate of Seller in writing that Seller or an Affiliate of Seller (with respect to the Product, the Purchased Assets or the operation of the Business) is in violation of any applicable Law.

Section 4.8 Product Registrations; Regulatory Compliance.

(a) Schedule 4.8(a) of the Seller Disclosure Schedules sets forth, as of the date hereof, a list of all Product Registrations with respect to the Product in the United States, which constitute all material registrations, applications, approvals, licenses or permits granted by any Governmental Authority and used by Seller or any Affiliate of Seller in the Exploitation of the Product since January 1, 2015.

(b) All of the Product sold under the Product Registrations are, and at all times since January 1, 2015, have been manufactured and marketed in accordance with the specifications and standards contained in such Product Registrations and in accordance with applicable Laws, except where the failure to comply therewith would not reasonably be expected to be material to the Business, the Purchased Assets and the Product, taken as a whole.

(c) Seller is the sole and exclusive owner of the Product Registrations, free and clear of any Liens, other than Permitted Encumbrances.

(d) (i) The Product Registrations are in full force and effect, (ii) all product fees, establishment fees and other fees invoiced by or payable to any Governmental Authority with respect to any of the Product Registrations for the annual period commencing October 1, 2016, have been paid (other than any branded prescription drug fees that are Assumed Liabilities) and (iii) there are no Proceedings pending (or, to the Knowledge of Seller, threatened) which could result in the revocation, cancellation or suspension of any of the Product Registrations.

(e) Except as set forth on Schedule 4.8(e), no right of reference has been granted to any Person with respect to any of the Product Registrations.

(f) To the Knowledge of Seller, there are no pending requirements to conduct any Phase IV or other clinical studies with respect to any Product of Seller in the United States for any approved indication.

(g) Neither Seller nor any of Seller's Affiliates or any of their respective contractors has (nor, to the Knowledge of Seller, has any other Person) at any time since January 1, 2015 (i) received or been subject to a warning letter, untitled letter, Form FDA 483, or any other similar Governmental Authority notice or action relating to any Product; (ii) been subject to any Governmental Authority detention, seizure, injunction, consent decree, notice of criminal investigation, indictment, sentencing memorandum, plea agreement, court order, target or no-target letter, or other investigation relating to any Product; or (iii) initiated or been subject to any product recall, market withdrawal, stock replacement or post-sale warning relating to any Product.

Section 4.9 Intellectual Property.

(a) Schedule 4.9(a)(i) – (iv) of the Seller Disclosure Schedules set forth a true and correct list of all (i) Patent Rights, (ii) applications and registrations for Trademarks, (iii) URL registrations and (iv) applications and registrations for Copyrights, in each case to the extent owned by Seller or any Seller Affiliate and used or held for use in connection with the Exploitation of the Product as of the date of this Agreement ("Owned Intellectual Property").

(b) Except as set forth on Schedule 4.9(b)(i) – (iii) of the Seller Disclosure Schedule:

(i) there is no action or proceeding pending, nor any notice of any objection or claim (other than objections or claims that have been previously resolved) asserted in writing or, to the Knowledge of Seller, threatened by any Person, with respect to or challenging, the ownership, validity or enforceability of any Owned Intellectual Property (or, to the Knowledge of Seller, any Intellectual Property licensed to Seller or a Seller Affiliate pursuant to an Assumed Contract ("Licensed Intellectual Property"));

(ii) the Owned Intellectual Property and the rights of Seller or a Seller Affiliate to any Licensed Intellectual Property are free and clear of any Liens, other than Permitted Encumbrances; and

(iii) none of the Owned Intellectual Property (nor, to the Knowledge of Seller, the rights of Seller or a Seller Affiliate to any Licensed Intellectual Property) is the subject of (A) any pending (or, to the Knowledge of Seller, threatened) material adverse claim, judgment, injunction, order, decree or agreement restricting (1) its use in connection with any Product or (2) assignment thereof to Purchaser as contemplated hereunder, or (B) any other pending (or, to the Knowledge of Seller, threatened) material litigation or claim of infringement.

(c) Except for the rights and assets set forth on Schedule 4.9(c) of the Seller Disclosure Schedules, the (i) Owned Intellectual Property, (ii) the rights of Seller to Licensed Intellectual Property under the Assumed Contracts, (iii) any Intellectual Property with respect to the Seller Company Identifiers and (iv) the Licensed Know-How, collectively, include all of the material Intellectual Property used by Seller or any Affiliate of Seller to Exploit the Product since January 1, 2015.

(d) Except as set forth on Schedule 4.9(d), to the Knowledge of Seller the Exploitation of Seller's Product in the manner in which such Product has been Exploited since January 1, 2015, does not infringe, misappropriate or otherwise violate any Intellectual Property or proprietary right of any Person.

(e) Except as set forth on Schedule 4.9(e) of the Seller Disclosure Schedule, Seller has not granted any license, option or other rights with respect to any of its Owned Intellectual Property or, with respect to the Product, any rights of Seller to any Licensed Intellectual Property to any other Person, in each case to the extent such license, option or other rights is material to the Exploitation of the Product.

Section 4.10 Assets.

(a) Except as otherwise expressly provided in this Agreement, Seller owns or has the legal right to use all of its Purchased Assets. Seller has good and marketable title to all its Purchased Assets (other than Product Registrations and Intellectual Property, which are the subject of Section 4.8 and Section 4.9, respectively), free of Liens, except for Permitted Encumbrances.

(b) Except for the rights and assets set forth on Schedule 4.10 of the Seller Disclosure Schedules, the Purchased Assets, together with the rights granted to Purchaser under the Ancillary Agreements, constitute all of the assets and rights of Seller and/or its Affiliates pertaining to the Product or used or held for use by Seller in the Exploitation of the Product. Except as set forth on Schedule 4.10 of the Seller Disclosure Schedules, (i) no Affiliate of Seller has any rights to or interest in any of the Purchased Assets, except for (A) such rights or interest that will be assigned to Purchaser at the Closing and (B) such rights or interest under the Affiliate Agreements, which Affiliate Agreements will be terminated at the Closing, (ii) no SWK Affiliate has any rights to or interest in (other than by virtue of any ownership interest in the Seller) any of the Purchased Assets and is not and has not been a party to any agreement with Seller with respect to or otherwise relating to the Product, and (iii) Cranford Pharmaceuticals, LLC has no rights to or interest in any of the Purchased Assets.

Section 4.11 Taxes.

(a) Seller has duly and timely filed, including extensions (or caused to be filed) with the appropriate Taxing Authorities all income and other material Tax Returns relating to its Purchased Assets required to be filed. No claim has ever been made in writing by a Taxing Authority in any jurisdiction where Seller does not file Tax Returns that Seller is or may be subject to taxation by that jurisdiction as a result of its operation, ownership or use of Purchased Assets.

(b) Seller has paid (or caused to be paid) all income and other material Taxes relating to its Purchased Assets due and payable (whether or not shown on any Tax Return) on or prior to the Closing Date. Seller has withheld or collected (or caused to be withheld or collected) all material Taxes relating to its Purchased Assets required to be withheld or collected.

(c) There are no Liens for Taxes, nor, to the Knowledge of Seller, is any Taxing Authority in the process of imposing any Lien, on the Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition. There are no written claims, assessments, deficiencies or other adjustments for Taxes against Seller which, if not satisfied or resolved, would result in a Lien on the Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition, that would survive the Closing Date or in a Liability of Purchaser or its Affiliates as a transferee of or successor to Seller's Purchased Assets.

(d) Seller has not waived any statute of limitations, agreed to any extension of time, or entered into any written agreement in respect of Taxes, the nonpayment or underpayment of which would result in a Lien on its Purchased Assets, other than for Permitted Encumbrances set forth in clause (ii) of such definition, that would survive the Closing Date, or in a Liability of Purchaser or its Affiliates as a transferee of or successor to such Purchased Assets.

Section 4.12 Contracts.

(a) Schedule 4.12(a) of the Seller Disclosure Schedules sets forth, as of the date of this Agreement, a true, correct and complete list of all of the Assumed Contracts (including all amendments or modifications thereto), to which Seller is a party which are used in the Exploitation of the Product or by which any of its Purchased Assets are bound, including:

(i) any Contract that, in accordance with its terms, requires aggregate payments of [***] or more within the twelve (12) month period following the date hereof and that is not cancelable without Liability on sixty (60) or fewer days' notice to the other party thereto;

(ii) any Contracts or agreements relating to or evidencing indebtedness in excess of [***] which is secured in whole or part by the Purchased Assets;

(iii) any Contracts that contain any non-compete or exclusivity provisions (or obligates Purchaser or any of its Affiliates to enter into any non-compete or exclusivity arrangements following the Closing) with respect to any line of business or geographic area;

(iv) any Contract that requires (or would require upon the happening of a contingency) the disposition of any assets or line of business of Seller prior to Closing, or by Purchaser or any of its Affiliates following the Closing;

(v) any Contract that grants a contractual counterparty "most favored nation" or similar status;

(vi) any Contract that restricts the conduct of any line of business (including the ability to research, develop, distribute, sell, supply, market or manufacture any product (including Product under development) for any indication in any product market, therapeutic area or geographic area) by Purchaser or any of its Affiliates following the Closing;

(vii) any Contract that requires or obligates Purchaser or any of its Affiliates to purchase specified minimum amounts of any product or material or to perform or conduct research, clinical trials or development for the benefit of any Person other than Purchaser or any of its Affiliates;

(viii) any Contract that prohibits or limits in any material respect the right of Seller prior to Closing, or Purchaser or any of its Affiliates following the Closing, to make, sell or distribute any Product or services or use, transfer, license, distribute or enforce any of its Intellectual Property;

(ix) any Contract that could reasonably be expected to account for sales of one or more of the Product by Seller or any Seller Affiliate of [***] or more in the aggregate during the fiscal years ending December 31, 2016 or 2017;

(x) any Contract that is a settlement agreement, other than (A) releases or separation agreements entered into with former employees or current or former independent contractors and (B) settlement agreements under which there are no continuing obligations, Liabilities or rights (excluding releases);

(xi) any Contract pursuant to which Seller is granted a license, covenant not to sue, option or other right with respect to any Licensed Intellectual Property that is material to the Exploitation of the Product;

(xii) any Contract pursuant to which Seller grants a third party a license, covenant not to sue, option or other right with respect to any Purchased Intellectual, excluding licenses, covenants not to sue, options and other rights granted in the ordinary course of business; and

(xiii) any Contract that contains any liability or obligation to indemnify any Person against any Tax Liability or to share any Tax Liability with any Person (other than commercial Contracts, the primary purpose of which is not related to Taxes, none of which are Assumed Contracts).

(b) Seller has made available to Purchaser true, complete and correct copies of all Assumed Contracts including any and all amendments, supplements or modifications thereto, or detailed descriptions of any oral Assumed Contracts, to which it is a party. Each Assumed Contract is a legal, valid and binding obligation, and is enforceable against Seller, and, to the Knowledge of Seller, the other party thereto, and is in full force and effect, subject to the Bankruptcy and Equity Exception. Neither Seller nor, to the Knowledge of Seller, any other party thereto (i) is in breach or violation of, or default under, or has delivered a notice of termination of, any such Assumed Contract and no event has occurred that, with the giving of notice or lapse of time or both, would constitute a breach or default of any such Assumed Contract, (ii) has not communicated any intention or threat to Seller, to reduce the prices it will pay to Seller pursuant thereto, to terminate or to cancel any such Assumed Contract or has failed to renew or extend the term of any such Assumed Contract upon the expiration of any such term.

(c) From and after the Closing, the Purchaser will have no obligation to make any payment to or perform any obligation for the benefit of any Affiliate of Seller (whether pursuant to an Assumed Contract or otherwise), except to the extent expressly set forth herein or in an Ancillary Agreement.

(d) Schedule 4.12(d) of the Seller Disclosure Schedules sets forth, as of the date of this Agreement, a true, correct and complete list, with respect to the Product, any Contract between Seller or any Seller Affiliate and each of (A) the ten (10) largest customers and (B) the two sole suppliers of the Product during either the fiscal year ended December 31, 2015 or the fiscal year ended December 31, 2016.

(e) Seller has (i) accurately calculated and paid all royalty payments or license fees owed pursuant to the Assumed Contracts set forth on Schedule 4.12(e) in respect of sales of the Product for all periods ending on or prior to December 31, 2016 and (ii) not received any written notice from any counterparty to an Assumed Contract alleging that Seller has failed to pay any amounts due thereunder.

(f) No Assumed Contract contains any provision that would impose a 'failure to supply' penalty on the Purchaser following the Closing.

(g) There are no outstanding purchase orders issued by Seller or any Affiliate of Seller (including Akrimax) to the manufacturer or packager of the Product with a scheduled delivery date prior to January 1, 2018 or which would otherwise result in the delivery of any Product to Seller or Purchaser prior to January 1, 2018.

Section 4.13 Financial Statements.

(a) Seller has provided to Purchaser a correct and complete copy of an audited balance sheet (including any related notes thereto) of Seller for the year ended December 31, 2015 together with the audited statement of income and cash flows for the year ended December 31, 2015 (the "Audited Financial Statements"). The Audited Financial Statements were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), are consistent with and were prepared from the books and records of Seller, and fairly present in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the of the respective dates thereof and for the respective periods, except as otherwise set forth in the notes thereto.

(b) Seller has provided to Purchaser a correct and complete copy of the unaudited balance sheet of Seller for the three (3) month period ended December 31, 2016, together with the unaudited consolidated statement of income and cash flows for the three (3) month period ended on December 31, 2016 (the "Unaudited Financial Statements" and, collectively with the Audited Financial Statements, the "Financial Statements"). The Unaudited Financial Statements were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in any notes thereto), are consistent with and were prepared from the books and records of Seller, and fairly present in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the respective dates thereof and for the respective periods indicated, except that the Unaudited Financial Statements do not contain notes and are subject to normal year-end adjustments (none of which would be materially adverse).

(c) Section 4.13(c) of the Seller Disclosure Schedule sets forth, in all material respects, a complete and correct calculation of Net Sales and Gross Profits of Seller and its Affiliates, based on unaudited financial statements available as of the date hereof, with respect to the Product (calculated on a consolidated basis and consistent with and prepared from the books and records of Seller) for the year ended December 31, 2016.

(d) Seller maintains books and records accurately reflecting its material assets and material liabilities and a system of internal controls that management reasonably believes is sufficient to ensure that transactions are recorded as necessary to permit preparation of financial statements of Seller in conformity with GAAP and to maintain asset accountability, and to provide adequate assurance that material transactions and access to assets are authorized only by management. Such books and records are accurate and complete in all material respects. Seller does not maintain any off-the-book accounts. Seller has disclosed to Purchaser any known or, to the knowledge of Seller, alleged fraud, respecting Seller or any Affiliate of Seller since January 1, 2015, that involves management or other employees who have had a significant role in the internal control over financial reporting.

Section 4.14 Suppliers and Customers. No customer or supplier identified in Section 4.14 of the Seller Disclosure Schedule has, since January 1, 2016, ceased, failed to renew or materially altered its relationship with Seller or an Affiliate of Seller with respect to the Business in a manner adverse to Seller or such Affiliate or, to the Knowledge of Seller, has threatened in writing to cease or materially alter such relationship in a manner materially adverse to Seller or its Affiliate. No such customer has notified Seller or an Affiliate of Seller in writing, that it shall stop, or materially decrease the rate of, buying Product from Seller or an Affiliate of Seller which would be materially adverse to Seller or its Affiliate. No such supplier has notified Seller or an Affiliate of Seller in writing that it shall stop, or materially decrease the rate of, supplying materials, Product or services to Seller or an Affiliate of Seller with respect to the Business which would be materially adverse to Seller.

Section 4.15 Brokers. Except as set forth on Schedule 4.15 of the Seller Disclosure Schedule (whose fees will be paid by Seller), no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

Section 4.16 Inventories. As of the Closing, the Purchased Inventories: (i) are in material compliance with all applicable specifications, (ii) have been manufactured in all material respects in accordance with current Good Manufacturing Practices, as set forth in the United States Code of Federal Regulations, and (iii) are not misbranded or adulterated, within the meaning of the Food, Drug and Cosmetics Act.

Section 4.17 Ordinary Course. Except as set forth on Schedule 4.17 of the Seller Disclosure Schedule, since January 1, 2016, the Seller and each of its Affiliates has maintained the Purchased Assets and Exploited the Product in the ordinary course of business consistent in all material respects, with past practice. Except as set forth on Schedule 4.17 of the Seller Disclosure Schedule, since September 30, 2016, neither Seller nor any Affiliate of the Seller has offered any discounts or sales promotions intended to increase sales of the Product, except as required under Contracts existing as of such date.

Section 4.18 Base Period AMP. The base period AMP set forth on Schedule 4.18 for the Product has been calculated in accordance with all applicable Laws, and to Seller's knowledge, there are no facts or circumstances that would require a restatement of the base period AMP for any Product.

Section 4.19 No Other Representations or Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN THIS Article IV (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES), NEITHER SELLER NOR ANY OTHER PERSON MAKES ANY OTHER EXPRESS OR IMPLIED (BY STATUTE OR OTHERWISE), REPRESENTATION OR WARRANTY WITH RESPECT TO SELLER, THE PURCHASED ASSETS, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE ASSUMED LIABILITIES AND ANY OTHER RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AND SELLER DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER MADE BY SELLER OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES, AND WITHOUT LIMITING THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH HEREIN (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES), IT IS THE EXPLICIT INTENT AND UNDERSTANDING OF EACH PARTY HERETO THAT PURCHASER TAKES THE PURCHASED ASSETS "AS IS," "WHERE IS" AND "WITH ALL KNOWN AND UNKNOWN FAULTS." EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY CONTAINED IN THIS Article IV (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULES) OR IN THE ANCILLARY AGREEMENTS, SELLER HEREBY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, PROJECTION, FORECAST, STATEMENT, OR INFORMATION MADE, COMMUNICATED OR FURNISHED (ORALLY OR IN WRITING) TO PURCHASER OR ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN OR MAY BE PROVIDED TO PURCHASER BY ANY DIRECTOR, OFFICER, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF SELLER OR ANY OF ITS AFFILIATES). SELLER MAKES NO REPRESENTATIONS OR WARRANTIES TO PURCHASER REGARDING THE PROBABLE SUCCESS OR PROFITABILITY OF THE PURCHASED ASSETS OR THE PRODUCT.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Except as set forth in the section of the disclosure schedules attached hereto that relates to such Section of this Agreement (the "Purchaser Disclosure Schedules"), Purchaser hereby represents and warrants to Seller as follows:

Section 5.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has full corporate power and authority to conduct its business as it is presently being conducted and to own and lease its properties and assets.

Section 5.2 Corporate Authorization. No vote of holders of capital stock of Purchaser or any of its Affiliates is necessary to approve this Agreement or the transactions contemplated by this Agreement. Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it will be a party, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Purchaser of this Agreement and each such Ancillary Agreement, and the performance by Purchaser of its obligations hereunder and thereunder, have been duly authorized by all requisite or other legal entity action on the part of Purchaser.

Section 5.3 Binding Effect. This Agreement has been duly executed and delivered by Purchaser and constitutes a valid and binding obligation of Purchaser, and each Ancillary Agreement will be, prior to the Closing, duly executed and delivered by Purchaser and will, after the Closing, constitute a valid and binding obligation of Purchaser, in each case, enforceable against Purchaser in accordance with its terms subject to the Bankruptcy and Equity Exception.

Section 5.4 No Conflict; Consents. The execution, delivery and performance by Purchaser of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not (i) violate any provision of the certificate of incorporation, bylaws or other organizational documents of Purchaser; (ii) result in a breach of, or default under, or right to accelerate with respect to, any term or provision of any Contract to which Purchaser or any of its Affiliates is a party or is subject; (iii) assuming compliance with the matters set forth in Section 4.4 and Section 5.5, violate or result in a breach of or constitute a default under any Law or other restriction of any Governmental Authority to which Purchaser is subject; or (iv) require any consents, waivers, authorizations or approvals of, filings with, any Persons which have not been obtained by Purchaser (other than as contemplated by Section 5.5).

Section 5.5 Governmental Authorization. The execution and delivery of this Agreement by Purchaser do not and will not require any material consent or approval of any Governmental Authority, except for the consents or approvals set forth in Schedule 5.5 of the Purchaser Disclosure Schedules.

Section 5.6 Financing. Purchaser has, and will have at the Closing, sufficient immediately available funds necessary to pay the Purchase Price, to consummate the transactions contemplated by this Agreement and to perform its obligations in connection with this Agreement and such transactions and to pay any expenses it incurs in connection therewith. In no event shall the receipt or availability of any funds or financing by Purchaser or any of its Affiliates in connection with the transactions contemplated by this Agreement be a condition to any of Purchaser's obligations hereunder.

Section 5.7 Compliance with Laws.

(a) The businesses of each of Purchaser and its Subsidiaries are being conducted in compliance in all material respects with applicable Laws. No material audit or, to the Knowledge of Purchaser, investigation, or review by any Governmental Authority with respect to Purchaser or any of its Subsidiaries is pending or, to the knowledge of Purchaser, threatened, nor has any Governmental Authority indicated an intention to conduct the same, in each case which would be reasonably expected to adversely affect the Exploitation of the Product or Purchaser's ability to consummate the Transaction.

(b) Purchaser and each of its Subsidiaries has obtained and is in compliance with all licenses necessary for it to own, lease or operate its properties, rights and other assets and to conduct its business and operations as presently conducted in all material respects and all such licenses are in full force and effect in all material respects. No material default under, or material violation of, any material License has occurred. To Purchaser's knowledge there is not currently threatened any revocation, adverse modification or cancellation of any material license.

Section 5.8 Condition of the Purchased Assets. PURCHASER ACKNOWLEDGES AND AGREES THAT IT (I) HAS MADE ITS OWN INQUIRY AND INVESTIGATION INTO, AND, BASED THEREON, HAS FORMED AN INDEPENDENT JUDGMENT CONCERNING SELLER, THE PURCHASED ASSETS, THE PRODUCT, THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE ASSUMED LIABILITIES AND ANY OTHER ASSETS, RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AND (II) HAS BEEN FURNISHED WITH, OR GIVEN ADEQUATE ACCESS TO, SUCH INFORMATION ABOUT SELLER, THE PURCHASED ASSETS, THE PRODUCT, THE ASSUMED LIABILITIES AND ANY OTHER RIGHTS OR OBLIGATIONS TO BE TRANSFERRED HEREUNDER OR PURSUANT HERETO, AS IT HAS REQUESTED. EXCEPT FOR THE SPECIFIC REPRESENTATIONS AND WARRANTIES EXPRESSLY MADE BY SELLER IN Article IV OF THIS AGREEMENT AND IN THE ANCILLARY AGREEMENTS, (I) PURCHASER ACKNOWLEDGES AND AGREES THAT (A) SELLER IS NOT MAKING AND HAS NOT MADE ANY REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AT LAW OR IN EQUITY, IN RESPECT OF THE PURCHASED ASSETS, SELLER, SELLER'S AFFILIATES, OR ANY OF SELLER'S OR ITS AFFILIATES' RESPECTIVE BUSINESSES, ASSETS, LIABILITIES, OPERATIONS, PROSPECTS OR CONDITION (FINANCIAL OR OTHERWISE), INCLUDING WITH RESPECT TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY ASSETS, THE NATURE OR EXTENT OF ANY LIABILITIES, THE PROSPECTS OF THE PURCHASED ASSETS OR THE PRODUCT, THE EFFECTIVENESS OR THE SUCCESS OF ANY OPERATIONS, OR THE ACCURACY OR COMPLETENESS OF ANY CONFIDENTIAL INFORMATION MEMORANDA, DOCUMENTS, PROJECTIONS, MATERIAL OR OTHER INFORMATION (FINANCIAL OR OTHERWISE) REGARDING THE PURCHASED ASSETS OR THE PRODUCT, SELLER OR SELLER'S AFFILIATES FURNISHED TO PURCHASER OR ITS REPRESENTATIVES OR MADE AVAILABLE TO PURCHASER AND ITS REPRESENTATIVES IN SELLER'S ELECTRONIC DATA ROOM, MANAGEMENT PRESENTATIONS OR IN ANY OTHER FORM IN EXPECTATION OF, OR IN CONNECTION WITH, THE TRANSACTIONS CONTEMPLATED HEREBY, AND (B) NO OFFICER, AGENT, REPRESENTATIVE OR EMPLOYEE OF SELLER OR ANY OF SELLER'S AFFILIATES HAS ANY AUTHORITY, EXPRESS OR IMPLIED, TO MAKE ANY REPRESENTATIONS, WARRANTIES OR AGREEMENTS NOT SPECIFICALLY SET FORTH IN THIS AGREEMENT AND IN THE ANCILLARY AGREEMENTS AND SUBJECT TO THE LIMITED REMEDIES HEREIN PROVIDED; (II) PURCHASER SPECIFICALLY DISCLAIMS THAT IT IS RELYING UPON OR HAS RELIED UPON ANY SUCH OTHER REPRESENTATIONS OR WARRANTIES THAT MAY HAVE BEEN MADE BY ANY PERSON, AND ACKNOWLEDGES AND AGREES THAT SELLER HAS SPECIFICALLY DISCLAIMED AND DOES HEREBY SPECIFICALLY DISCLAIM ANY SUCH OTHER REPRESENTATION OR WARRANTY MADE BY ANY PERSON; (III) PURCHASER SPECIFICALLY DISCLAIMS ANY OBLIGATION OR DUTY BY SELLER TO MAKE ANY DISCLOSURES OF FACT NOT REQUIRED TO BE DISCLOSED PURSUANT TO THE SPECIFIC REPRESENTATIONS AND WARRANTIES SET FORTH IN Article IV OF THIS AGREEMENT OR IN THE ANCILLARY AGREEMENTS; AND (IV) PURCHASER IS ACQUIRING THE PURCHASED ASSETS AND THE ASSUMED LIABILITIES IN "AS IS" CONDITION AND ON A "WHERE IS" BASIS, SUBJECT ONLY TO THE SPECIFIC REPRESENTATIONS AND WARRANTIES SET FORTH IN Article IV OF THIS AGREEMENT (AS MODIFIED BY THE SELLER DISCLOSURE SCHEDULE) OR IN THE ANCILLARY AGREEMENTS AS FURTHER LIMITED BY THE SPECIFICALLY BARGAINED FOR EXCLUSIVE REMEDIES SET FORTH IN Article IX**.**

Section 5.9 Litigation. There is no material action, order, writ, injunction, judgment or decree outstanding, or Proceeding, labor dispute (other than routine grievance procedures or routine, uncontested claims for benefits under any benefit plans for any officers, employees or agents of Purchaser), arbitration, investigation or reported claim, pending or, to the Knowledge of Purchaser, threatened, before any court, Governmental Authority or arbitrator, which seeks to delay or prevent the consummation of the transactions contemplated by this Agreement or would, if successful, materially and adversely affect the Business or the Purchased Assets or ability of Purchaser to consummate the transactions contemplated by this Agreement.

Section 5.10 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Purchaser.

Section 5.11 Solvency. Immediately after the Closing, and after giving effect to the transactions contemplated by this Agreement, Purchaser will be Solvent.

ARTICLE VI

COVENANTS

Section 6.1 Information and Documents. (a) From and after the date hereof and pending Closing, upon reasonable advance notice, Seller shall (and shall cause each of its Affiliates to) (i) permit Purchaser and its Representatives to have reasonable access, during regular business hours to all offices and facilities, and the assets, books, records, agreements, documents, data, files and personnel of, and such other information relating to the Purchased Assets (including the Books and Records), (ii) furnish, or cause to be furnished, to Purchaser any financial and operating data and other information that is available with respect to Seller's Purchased Assets as Purchaser from time to time reasonably requests and (iii) instruct the personnel, and their counsels and financial advisors to cooperate with Purchaser in its investigation of the Purchased Assets, including instructing its accountants to give Purchaser access to their work papers; provided, however, that no such access shall unreasonably interfere in any material respect with Seller's or any of its Affiliate's operation of business; and provided further that Seller may restrict the foregoing access to the extent that (A) in the opinion of Seller's counsel (a copy of which is provided to Purchaser), any applicable Law requires Seller or any of its Affiliates to restrict or prohibit access to any information, (B) in the reasonable judgment of Seller, the disclosure of information would result in Seller or any of its Affiliates being in violation of confidentiality obligations to a third party, or (C) disclosure of any such information or document could result in the loss or waiver of the attorney-client privilege. If Seller seeks to withhold information from Purchaser for any reason permitted by this Section 6.1, Seller and Purchaser shall cooperate in good faith to implement appropriate and mutually agreeable measures to permit the disclosure of such information in a manner to remove the basis for the objection, including by arrangement of appropriate clean room procedures, redaction or entry into a customary joint defense agreement with respect to any information to be so provided. It is further agreed that, prior to Closing, except for announcements or filings required by applicable securities laws, Purchaser and its Representatives shall not make any announcements or statements targeted at, or otherwise communicate directly with, any of the customers, manufacturers or suppliers of Seller or its Affiliates, in connection with the transactions contemplated by this Agreement, whether in person or by telephone, mail or other means of communication, without the specific prior authorization by Seller, which authorization shall not be unreasonably withheld, conditioned or delayed.

(b) Prior to the Closing, all information received by Purchaser and given by or on behalf of Seller in connection with this Agreement and the transactions contemplated hereby shall be held by Purchaser and its Affiliates, agents and Representatives as "Confidential Information", as defined in, and pursuant to the terms of, the Confidentiality Agreement.

Section 6.2 Conduct.

(a) From and after the date hereof until the earlier of the date on which this Agreement is terminated pursuant to ARTICLE X and the Closing, except (1) as set forth on Schedule 6.2 of the Seller Disclosure Schedules or as otherwise required by this Agreement or (2) as Purchaser shall otherwise consent in writing, which consent shall not be unreasonably withheld, Seller agrees that it shall (and shall cause its Affiliates to) Exploit the Product and maintain the Purchased Assets in the ordinary course of business, and use commercially reasonable efforts to preserve intact the Purchased Assets and related relationships with customers, suppliers and other third parties. From and after the date hereof until the Closing, except (x) as set forth on Schedule 6.2 of the Seller Disclosure Schedules or as otherwise required by this Agreement, or (y) as Purchaser shall otherwise consent in writing, which consent shall not be unreasonably withheld, Seller covenants and agrees that, with respect to its Purchased Assets, it shall (and shall cause its Affiliates to):

(i) not incur, create or assume any Lien, other than Permitted Encumbrances;

(ii) not incur or suffer to exist any indebtedness except (A) for working capital borrowings incurred in the ordinary course of business, (B) incurrence of trade payables in the ordinary course of business or (C) indebtedness incurred in the ordinary course of business or (D) indebtedness incurred solely in connection with Retained Liabilities or Excluded Assets;

(iii) not amend, modify or terminate any material term of, or waive any material right under, any Assumed Contract or amend or modify any agreement that would increase the liability of Purchaser under the Services Agreement;

(iv) not enter into any Contract, agreement or commitment that would constitute an Assumed Contract if it were in effect on the date of this Agreement or would increase the liability of Purchaser under the Services Agreement;

(v) not divest, sell, assign, license, transfer, abandon, cancel, convey, lease or otherwise dispose of any assets that would constitute Purchased Assets;

(vi) not adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of Seller;

(vii) not change the accounting policies or procedures except to the extent required to conform with GAAP;

(viii) not settle any Proceeding (i) that would (A) materially affect the Exploitation of any Product after the Closing or adversely affect, in a material manner, the expected Net Sales or Gross Profit of the Product in respect of the period after the Closing or (B) result in its operations with respect to any Product being subject to any Governmental Order or other equitable relief or admission of wrongdoing or (ii) for an amount, individually or in the aggregate, exceeding [***]; provided, that clause (ii) shall not apply to any Proceeding that is solely related to a Retained Liability;

(ix) not withdraw, amend, modify or terminate any Product Registrations;

(x) submit all adverse event reports required to be submitted to any Governmental Authority under any Law;

(xi) not dispose of or permit to expire, terminate or otherwise lapse any rights in, to or for the use of any Purchased Intellectual Property that is material to the Exploitation of the Product;

(xii) not grant any license, covenant not to sue or other right under any Purchased Intellectual Property;

(xiii) not offer any discounts or sales promotions other than as required under Contracts existing as of January 1, 2017;

(xiv) not issue any purchase orders that would result in delivery of any additional Product; and

(xv) not authorize, agree or resolve or consent to any of the foregoing.

(b) Nothing contained in this Agreement is intended to give Purchaser, directly or indirectly, the right to control or direct any Seller's or its Affiliate's businesses or operations prior to the consummation of the transactions contemplated by this Agreement. Prior to the consummation of the transactions contemplated by this Agreement, Seller and Purchaser shall exercise, consistent with and subject to the terms and conditions of this Agreement, complete control and supervision over their respective operations.

Section 6.3 Approvals; Efforts to Consummate Generally.

(a) On or prior to the date hereof, Seller shall obtain all approvals of its and its Affiliates' general partners, members, board of managers or analogous governing body required to be obtained under Seller's and its Affiliates organizational documents and applicable Law in order to consummate the transactions contemplated by this Agreement.

(b) Subject to the terms and conditions of this Agreement (and without limiting the requirements of Section 6.3, each Party shall use its reasonable best efforts to cause the Closing to occur as soon as possible after the date hereof, including (i) satisfying the conditions precedent set forth in Article VIII within the control of such Party and (ii) drafting, negotiating, executing and delivering to each other in good faith such other agreements, documents, instruments and/or certificates, and doing such other acts and things, as may be reasonably necessary or desirable for the implementation of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby.

(c) Seller shall use commercially reasonable best efforts to give all notices to, make all filings with and obtain all third party consents, including the Required Third Party Consents, necessary to be obtained from any Persons (including Governmental Authorities) to consummate the transactions contemplated hereby and by the Ancillary Agreements without resulting in any breach or violation of, a default under, or an acceleration of any obligations or the creation of a Lien on the Product or the Purchased Assets (without the expenditure of any funds therefor other than filing, recordation or similar fees and related legal fees and expenses, which shall be borne by Seller).

(d) Seller shall obtain and deliver to Purchaser, no later than March 31, 2017, assignments of the URLs described on Schedule 6.3(d), duly executed by an authorized person of the third party service provider holding title thereto.

Section 6.4 Bulk Transfer Laws. Notwithstanding anything else to the contrary in this Agreement, Purchaser hereby waives compliance by Seller with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser.

Section 6.5 Insurance. As of the Closing Date, the coverage under all insurance policies related to the Purchased Assets shall continue in force only for the benefit of Seller and not for the benefit of Purchaser or any of its Affiliates, except to the extent set forth herein. Purchaser agrees to arrange for its own insurance policies with respect to the Purchased Assets covering all periods and, except in connection with enforcing its rights to indemnification pursuant to Article IX, agrees not to seek, through any means, to benefit from any of Seller's insurance policies that may provide coverage for claims relating in any way to the Purchased Assets prior to the Closing.

Section 6.6 Trade Notification. Subject to the provisions set forth below, Seller and Purchaser shall agree on the method and content of the notifications to customers of the sale of the Purchased Assets to Purchaser. Seller and Purchaser agree that said notifications are to provide sufficient advance notice of the sale and the plans associated therewith.

Section 6.7 Seller-Labeled Product.

(a) From and after Closing, Purchaser and its Affiliates may use, reproduce and display, and Seller hereby grants (effective upon Closing) to Purchaser and its Affiliates, a non-exclusive, paid-up and royalty-free right and license to use, reproduce and display, the NDC Numbers, company names, company marks and company trade dress of Seller and its Affiliates and distributors related to the Product (collectively, the "Seller Company Identifiers"), solely to the extent the foregoing are affixed to: (i) the Purchased Inventory of finished, packaged Product that are included in the Purchased Assets, or (ii) in respect of rebate coupons or other promotional materials related to Product bearing Seller's NDC Numbers consistent with past practice; provided, that the license set forth in this Section 6.7(a) shall continue until Purchaser and its Affiliates have disposed of all such Purchased Inventory.

(b) Except as set forth in Section 6.7(a) and except for the rights to Trademarks that are included in the Purchased Assets, Purchaser and its Affiliates shall have no right under this Agreement to use any of the trademarks, service marks, brand names, certification marks, trade dress, logos or domain names containing the name of any Seller or any of their respective Affiliates or distributors, or any word or expression confusingly similar thereto or constituting an abbreviation or extension thereof or any logos containing or comprising the foregoing or any NDC Numbers of Seller or any of their respective Affiliates or distributors.

(c) Immediately following the Closing, Seller shall destroy and/or cause the destruction of all Excluded Inventory and promptly provide Purchaser with written confirmation thereof.

(d) Seller shall deliver to Purchaser copies of wholesaler inventory reports and an inventory report from [***], each as of the day prior to the Closing Date, no later than February 27, 2017.

Section 6.8 NDC Numbers.

(a) As soon as reasonably possible, but in any event no later than nine (9) months after the Closing Date, Purchaser shall obtain a new NDC Number and labeler code for the Product. Purchaser, at its own expense, shall prepare and file with the FDA any and all reports, documents and materials, and take such other actions, as are necessary to undertake the foregoing.

(b) Purchaser shall fully reimburse Seller and its Affiliates and distributors for any increased cost or Liability (including any returns, rebates or chargeback claims) incurred by them and associated with any changes in pricing, including any changes in wholesale acquisition cost, made by Purchaser or any of its Affiliates to any Product that bears an NDC Number of Seller or any of its Affiliates. Purchaser shall pay any such reimbursement within thirty (30) days of receiving a written request for such reimbursement from Seller, which shall be accompanied by supporting documentation that reasonably evidences the increased cost or Liability to be reimbursed. Purchaser shall notify Seller promptly of any such changes in pricing to a Product that bears an NDC Number of Seller or any of its Affiliates or distributors.

(c) Purchaser shall fully cooperate with Seller and its Affiliates and distributors by providing whatever assistance, product sales and other information and access as may be required by Seller or any of its Affiliates or distributors to comply with any reporting obligations that arise as a result of the sale by Purchaser of Product bearing an NDC Number of Seller or any of its Affiliates, and to enable Seller and its Affiliates, one time within the period of 12 months from and after the date of last commercial sale to an end customer of Product bearing an NDC Number of Seller or any Affiliate thereof, to audit the books and records of Purchaser and its Affiliates with respect to any such sales (provided, that such audit takes place upon reasonable advance written notice to Purchaser, during normal business hours of Purchaser and does not materially interfere with Purchaser's business). Purchaser represents and warrants that all Product sales and other information provided to Seller or any of its Affiliates or distributors in connection with the foregoing shall be accurate and complete in all material respects, and shall be calculated in accordance with applicable Laws and regulatory guidance.

(d) Subject to appropriate confidentiality protection, after the Closing Date and for a period of [***] years thereafter (except with respect to government claims not subject to a statute of limitations, such as Medicaid rebate claims, which shall continue as long as there is potential for a claim), Purchaser and its Affiliates shall reasonably cooperate (at Seller's expense) with Seller and its Affiliates, distributors and Representatives, subject to confidentiality protections reasonably satisfactory to Purchaser, during normal business hours and upon reasonable advance notice, to provide reasonable access to records maintained by Purchaser and its Affiliates relating to Purchaser and its Affiliates' distribution of Seller's Seller-Labeled Product or related regulatory filing and reporting requirements and activities with respect to Seller's Seller-Labeled Product, including, without limitation, government price reporting ("Distribution Activities"), to provide reports reasonably requested by Seller or its Affiliates or distributors regarding such records and information, and to permit copying at the expense of Seller or, for the purposes of (i) any financial reporting or Tax matters relating to Distribution Activities, (ii) any claims or litigation involving Distribution Activities or (iii) any investigation being conducted by any federal, state or local Governmental Authority relating to Distribution Activities.

(e) Seller will maintain Seller's NDC numbers for the Product at all times after the Closing Date until the shelf life of all Purchased Inventory has expired based on the respective expiration dates set forth on the labels for the Product included in the Purchased Inventory and thereafter remove (or delist) the Product from the DailyMed website as soon as reasonably practicable. Seller will work with the Purchaser to update the prescribing information, or other required update, in the drug listing files to maintain regulatory compliance when necessary prior to the delisting.

Section 6.9 No-Shop.

(a) From the date hereof until the Closing or earlier termination of this Agreement in accordance with the terms hereof, Seller and its Affiliates shall not, and shall not authorize or permit any of their Representatives to, directly or indirectly, (i) knowingly encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal other than to state that Seller, its Affiliates and each of their Representatives are restricted from entering into, continuing or participating in such discussions or negotiations pursuant to the terms of this Section 6.9; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller and its Affiliates shall immediately cease and cause to be terminated, and shall cause their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could reasonably be expected to lead to, an Acquisition Proposal and shall revoke all access in favor of any Person (other than Purchaser and its Representatives) to any virtual data room established for the purposes of evaluating a potential acquisition of all or a part of the Purchased Assets or the Business. For purposes of this Section 6.9, "Acquisition Proposal" shall mean any inquiry, proposal or offer from any Person (other than Purchaser or any of its Affiliates) concerning (i) the direct or indirect purchase, whether by sale, merger or otherwise, or license of all or any portion of the Purchased Assets (including by way of the purchase of the equity interests of Seller or any Affiliate thereof); or (ii) the disclosure, directly or indirectly, to any Person of any confidential information or data concerning the Purchased Assets or the Business except as necessary to conduct business in the ordinary course consistent with past practice.

(b) Seller agrees that the rights and remedies for noncompliance with this Section 6.9 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Purchaser and that money damages would not provide an adequate remedy to Purchaser.

Section 6.10 Transfer of Product Registrations, Related Applications and Dossiers.

(a) On the Closing Date, Seller shall deliver a letter to the FDA transferring the rights to the Product Registrations to Purchaser (or its designee) in the form attached hereto as Exhibit D. On the Closing Date, Purchaser shall deliver a letter to the FDA assuming responsibility for the Product Registrations from Seller. As soon as practical after the Closing Date and in no event more than sixty (60) calendar days following the Closing Date, Seller shall deliver to Purchaser, or its Affiliate as directed by Purchaser, in physical and electronic form, the regulatory documentation in the possession or control of Seller or any Affiliate of Seller related to such Product Registrations.

(b) Promptly after the Closing and in any event within thirty (30) calendar days after the Closing, Seller and Purchaser shall make all appropriate filings and submissions with Governmental Authorities, including the Centers for Medicare & Medicaid Services, the Veteran's Administration and the FDA to transfer all regulatory responsibilities, if any (excluding all Retained Liabilities and except as contemplated by Section 6.8 (NDC Numbers) and the Services Agreement) attaching thereto of the Product, from Seller to Purchaser.

(c) Without limiting the Parties' respective obligations under Section 6.10(a) with respect to any Product that is marketed in the United States on the basis of an existing Product Registration, (i) Seller shall use all commercially reasonable efforts to complete the transfer of the corresponding Product Registrations as promptly as practicable after the Closing Date to the benefit of Purchaser or its Affiliates as directed by Purchaser in accordance with this Section 6.10(c) and (ii) Purchaser or its Affiliates shall use all commercially reasonable efforts to assist Seller in the transfer of such Product Registrations, accept the transfer of the corresponding Product Registrations and formalize with Seller and any applicable Governmental Authority, as promptly as practicable after the Closing Date, all necessary documents. Following the transfer of the Product Registration, neither Seller nor any Affiliate of Seller shall retain any rights in the Product Registration, including any rights to use or reference.

Section 6.11 Confidentiality. From and after the Closing:

(a) The Confidentiality Agreement will terminate without further action by the parties thereto.

(b) Seller shall treat (and shall cause each of its Affiliates to treat) as confidential and shall safeguard any and all information, knowledge and data included in the Purchased Assets by using the same degree of care, but no less than a reasonable standard of care, to prevent the unauthorized use, dissemination or disclosure of such information, knowledge and data as Seller or its Affiliates used with respect thereto prior to the execution of this Agreement.

(c) Purchaser shall treat as confidential and shall safeguard any and all information, knowledge or data included in any information relating to the business of Seller, other than the Business, Product, the Purchased Assets or the Assumed Liabilities, and except as otherwise agreed to by Seller in writing; provided, however, that nothing in this Section 6.11(c) shall prevent the disclosure of any such information, knowledge or data to any agents, advisors, directors, officers or employees of Purchaser to whom such disclosure is necessary or desirable in the conduct of Purchaser's business if such Persons are informed by Purchaser of the confidential nature of such information and are directed by Purchaser to comply with the provisions of this Section 6.11(c).

(d) Purchaser and Seller acknowledge that the confidentiality obligations set forth herein shall not extend to information, knowledge and data that is publicly available or becomes publicly available through no act or omission of the Party owing a duty of confidentiality, or becomes available on a non-confidential basis from a source other than a party owing a duty of confidentiality so long as such source is not known by such Party to be bound by a confidentiality agreement with or other obligations of secrecy to the other Party.

(e) In the event of a breach of the obligations hereunder by Purchaser or Seller, the non-breaching party, in addition to all other available remedies, will be entitled to injunctive relief to enforce the provisions of this Section 6.11 in any court of competent jurisdiction.

Section 6.12 Know-How License. Effective as of the Closing, Seller hereby grants to Purchaser (on behalf of itself and its Affiliates) a perpetual, irrevocable, transferable (as set forth in this Section 6.12), sublicensable (as set forth in this Section 6.12), non-exclusive, paid-up, royalty-free, worldwide right and license to use and otherwise exploit the trade secrets, technical information, data and know-how owned by Seller or any Affiliate of Seller related to the Product (the "Licensed Know-How") in developing, commercializing, manufacturing, using, packaging, marketing, promoting, importing, exporting, researching, transporting, selling and distributing the Product. Purchaser may (but it is not obligated to) transfer the foregoing license, and/or grant sublicenses thereunder, to (a) any of its Affiliates, and (b) any acquirer of any of the assets or business of Purchaser and its Affiliates relating to any of the Product.

Section 6.13 Correspondence. Seller authorizes Purchaser on and after the Closing Date to receive and open all mail and other communications received by Purchaser relating to the Purchased Assets and to deal with the contents of such communications in good faith and in a proper manner. Seller shall use commercially reasonable efforts to promptly deliver, or cause to be delivered, to Purchaser any mail or other communications received by Seller or any Affiliate of Seller from any Person (including the FDA) related to the Purchased Assets (including any mail or other communications in respect of the Product, the subject matter of this Agreement and the Ancillary Agreements).

Section 6.14 Pharmacovigilance. Prior to the Closing, Seller shall cooperate with Purchaser and shall facilitate and assist in negotiating arrangements between the third party that currently provides pharmacovigilance services to Seller and the third party that currently provides pharmacovigilance services to Purchaser for the reporting of adverse events and provision of other required regulating information with respect to the Product, all in form and substance reasonably satisfactory to Purchaser. Until such arrangements are in place, Seller shall promptly report adverse events to Purchaser to permit Purchaser to comply with applicable Law.

Section 6.15 [Reserved].

Section 6.16 Certain Financial Information. Within two (2) Business Days after Seller obtains audited Financial Statements for the year ended December 31, 2016, but not later than June 1, 2017, Seller shall deliver to Purchaser the audited Financial Statements of Seller for the year ended December 31, 2016, including a balance sheet, statement of operations and statement of income and cash flows certified by the Chief Financial Officer of Seller as (i) prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (ii) consistent with and were prepared from the books and records of Seller, and (iii) fairly presenting in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the date thereof and for the period thereof, except as otherwise set forth in the notes thereto. In addition, no later than March 31, 2017, Seller shall deliver to Purchaser the unaudited Financial Statements of Seller for the year ended December 31, 2016, including a balance sheet, statement of operations and statement of income and cash flows certified by the Chief Financial Officer of Seller as (A) prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (B) consistent with and were prepared from the books and records of Seller, and (C) fairly presenting in all material respects the financial condition, results of its operations and income and cash flows of Seller as of the date thereof and for the period thereof, except as otherwise set forth in the notes thereto.

Section 6.17 Wrong-Pocket Assets. If at any time or from time to time after the Closing Date, a Seller any of its Affiliates, on the one hand, or Purchaser or any of its Affiliates, on the other, shall receive or otherwise possess any asset (including cash) that should belong to Purchaser or its Affiliates, on the one hand, or Seller or its Affiliates, on the other, pursuant to this Agreement, such Person shall promptly transfer, or cause to be transferred, such asset to the Person so entitled thereto. Prior to any such transfer in accordance with this Section 6.17, the Person receiving or possessing such asset shall hold such asset in trust for such other Person.

Section 6.18 Consultation and Cooperation. In connection with any claims with respect to, or enforcement of: (i) any of Seller's rights under warranties, guaranties, indemnitees and similar rights against third parties, including any predecessors in title, to the extent related to the Exploitation of the Purchased Assets and the Product prior to the Closing Date, or (ii) any other rights, claims or causes of action of Seller against third parties in connection with the Exploitation of the Purchased Assets and the Product prior to the Closing Date, Seller hereby agrees to consult and reasonably cooperate in good faith with Purchaser prior to the commencement of any such claim or enforcement and Seller shall refrain from commencing any Proceeding or asserting any such right to the extent Purchaser in good faith concludes that any such claim or enforcement may reasonably be expected to have an adverse effect on the ability of Purchaser to Exploit the Purchased Assets and the Product in a manner consistent with Purchaser's ordinary course of business with respect to the Purchased Assets and the Product.

ARTICLE VII

NON-COMPETE

Section 7.1 Non-Compete. For a period of seven (7) years from and after the Closing Date (the "Non-Compete Period"), neither Seller nor any Affiliate thereof (which, for clarity shall not include any SWK Affiliate) shall market or sell, or license to any other party the right to market or sell, the Product, or any "AB-rated" generic thereof, in the Territory (a "Competing Business"); provided, that, notwithstanding the foregoing, Seller and its Affiliates shall not be restricted from:

(a) collectively owning less than five percent (5%) of any class of securities of any publicly traded company conducting a Competing Business if such securities are held as a passive investment; or

(b) acquiring one or more Persons or businesses that include within its business a Competing Business, so long as (i) the Competing Business comprises no more than twenty-five percent (25%) of the acquired business (and is not reasonably expected to comprise more than twenty-five percent (25%) of the acquired business prior to the end of the Non-Compete Period), based on net sales attributable to such Competing Business as compared to the aggregate net sales of the acquired business as a whole, and (ii) Seller or its Affiliate, as applicable, completes the sale of the Competing Business within six (6) months of the acquisition; provided, however, that if such sale is subject to regulatory approval, then such six- (6) month period shall be extended until five (5) Business Days after all regulatory approvals have been received, but only to the extent that the parties to such sale are using commercially reasonable efforts to obtain any such approvals.

ARTICLE VIII

CONDITIONS TO CLOSING

Section 8.1 Conditions to the Obligations of Purchaser and Seller. The respective obligations of each of the Parties to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) There shall be no Governmental Order in existence that prohibits or materially restrains the transactions contemplated by this Agreement or the Ancillary Agreements, and there shall be no Proceeding pending by any Governmental Authority seeking such a Governmental Order.

(b) The transactions contemplated by that certain Asset Purchase Agreement, dated as of the date hereof, by and between Cranford Pharmaceuticals, LLC and Purchaser shall be consummated, in accordance with the terms of such purchase agreement, concurrently with the Closing.

Section 8.2 Conditions to the Obligations of Purchaser. The obligation of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) The representations and warranties of Seller contained herein shall be true and correct in all material respects as of the Closing, as if made as of the Closing (except for those representations and warranties that address matters as of a particular date, which need be true and correct only as of such date), (disregarding for purposes of this clause (a) any Material Adverse Effect, materiality or similar qualifier contained in such other representations and warranties, other than the representations and warranties made in Section 4.5(a)). Purchaser shall have received a certificate of Seller, dated as of the Closing Date and signed by an officer of Seller in such capacity, certifying as to the fulfillment of the foregoing.

(b) Seller shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed by it at or before the Closing. Purchaser shall have received a certificate of Seller, dated as of the Closing Date and signed by an officer of Seller in such capacity, certifying as to the fulfillment of the foregoing.

(c) Seller shall have made or caused to be made delivery to Purchaser of the items required by Section 3.1(b).

(d) No event shall have occurred since the date hereof which has had a Material Adverse Effect.

Section 8.3 Conditions to the Obligations of Seller. The obligation of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the following conditions precedent:

(a) The representations and warranties of Purchaser contained herein shall be true and correct in all material respects as of the Closing, as if made as of the Closing (except for those representations and warranties that address matters as of a particular date, which need be true in all material respects only as of such date). Seller shall have received a certificate of Purchaser, dated as of the Closing Date and signed by an officer of Purchaser in such capacity, certifying as to the fulfillment of the foregoing.

(b) Purchaser shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed by it at or before the Closing. Seller shall have received a certificate of Purchaser, dated as of the Closing Date and signed by an officer of Purchaser in such capacity, certifying as to the fulfillment of the foregoing.

(c) Purchaser and its Affiliates shall have made or caused to be made delivery to Seller of the items required by Section 3.1(c).

Section 8.4 Frustration of Closing Conditions. Neither of Seller or Purchaser may rely on the failure of any condition set forth in this Article VIII to be satisfied if such failure was caused by such Party's failure to act in good faith or to use its reasonable best efforts to cause the Closing to occur, as required by Section 6.4.

ARTICLE IX

INDEMNIFICATION

Section 9.1 Indemnification by Seller. Subject to the provisions of this Article IX, from and after the Closing, Seller agrees to and shall defend, indemnify and hold harmless Purchaser and its stockholders and Affiliates, and, if applicable, their respective directors, officers, agents, employees, successors and assigns (collectively, the "Purchaser Indemnified Parties") from and against any Losses to the extent arising out of or related to:

(a) any breach of any representation or warranty of Seller or any Affiliate of Seller contained in this Agreement or any Ancillary Agreement, or any failure to perform or breach by Seller or an Affiliate of Seller of any of its covenants or agreements contained in this Agreement or any Ancillary Agreement that by their express terms contemplate performance prior to or on the Closing Date;

(b) any failure of Seller or any Affiliate of Seller to perform or any breach by Seller or any Affiliate of Seller of any of its covenants or agreements contained in this Agreement or any Ancillary Agreement that by their terms expressly contemplate performance after the Closing Date; or

(c) any Retained Liability.

Section 9.2 Indemnification by Purchaser. Subject to the provisions of this Article IX, from and after the Closing, Purchaser agrees to and shall defend, indemnify and hold harmless Seller and its members and Affiliates, and, if applicable, their respective directors, officers, agents, employees, successors and assigns (collectively, the "Seller Indemnified Parties") from and against any and all Losses to the extent arising out of or related to:

(a) any breach of any representation or warranty of Purchaser contained in this Agreement or any Ancillary Agreement, or any failure to perform or breach by Purchaser of any of its covenants or agreements in this Agreement or any Ancillary Agreement that by their express terms contemplate performance prior to or on the Closing Date;

(b) any failure to perform or breach by Purchaser of any of its covenants or agreements in this Agreement or any Ancillary Agreement that by their terms expressly contemplate performance after the Closing Date;

(c) any Assumed Liability, or

(d) the Exploitation of the Product by the Purchaser following the Closing (except for Liabilities expressly agreed to be borne by Seller pursuant to this Agreement or any Ancillary Agreement).

Section 9.3 Notice of Direct Claims. (a) If any of the Persons to be indemnified under this Article IX (the "Indemnified Party") has suffered or incurred any Loss subject to indemnification under this Article IX that does not involve a Third Party Claim, the Indemnified Party shall so notify the Party responsible for providing indemnification therefor under this Agreement (the "Indemnifying Party") promptly in a writing describing such Loss, the basis for indemnification hereunder, the amount or estimated amount of such Loss, if known or reasonably capable of estimation, and the method of computation of such Loss, all with reasonable particularity and containing a reference to the provisions of this Agreement in respect of which such Loss shall have occurred (an "Indemnity Notice"). A failure by the Indemnified Party to give notice in a timely manner pursuant to this Section 9.3 shall not limit the obligation of the Indemnifying Party under this Article IX, except (i) to the extent such Indemnifying Party is materially prejudiced thereby or (ii) as provided by Section 9.5. In the event that the Indemnifying Party agrees to or is determined to have an obligation to reimburse the Indemnified Party for Losses as provided in this Article IX, the Indemnifying Party shall, subject to the provisions of Section 9.6, promptly (but, in any event, within 30 calendar days) pay such amount to the Indemnified Party by wire transfer of immediately available funds to the account specified in writing by the Indemnified Party; provided, that the Indemnifying Party may defer making such payment if it objects in a written statement to the claim made in an Indemnity Notice and delivers such statement to the Indemnifying Party prior to the expiration of such 30- calendar day period; provided, further that an Indemnifying Party's failure to object within such 30- calendar day period to any claim set forth in an Indemnity Notice shall be deemed to be the Indemnifying Party's acceptance of, and waiver of any objections to, such claim. If an Indemnifying Party shall so object in writing to any claim or claims made in any Indemnity Notice, the Indemnifying Party and the Indemnified Party shall attempt in good faith for a period of 20 calendar days following the Indemnified Party's receipt of such objection notice to agree upon the respective rights of the parties with respect to each of such claims. If no such agreement can be reached after such 20- calendar day period of good faith negotiation, either the Indemnifying Party or the Indemnified Party may initiate a Proceeding for purposes of having the matter settled in accordance with the terms of this Agreement.

(b) Except when a notice, report or other filing must be filed immediately pursuant to applicable Law, Purchaser shall provide notice and an opportunity to comment to Seller before Purchaser files any report, notification or filing with any Governmental Authority or third party in connection with an event that would be reasonably likely to result in a Loss subject to the indemnification provisions of Section 9.1. In the event Purchaser is required to file a report, notification or filing immediately, Purchaser shall, to the extent permitted by Law provide simultaneous notice to Seller when it submits such report, notification or filing to the applicable Governmental Authority.

Section 9.4 Third Party Claims.

(a) If any Proceeding is instituted by or against a third party with respect to which the Indemnified Party intends to seek indemnity under this Article IX (a "Third Party Claim"), the Indemnified Party shall promptly notify the Indemnifying Party of such Third Party Claim and tender to the Indemnifying Party the conduct or defense of such Third Party Claim. A failure by the Indemnified Party to give notice and to tender the conduct or defense of the Third Party Claim in a timely manner pursuant to this Section 9.4 shall not limit the obligation of the Indemnifying Party under this Article IX, except (i) to the extent such Indemnifying Party is materially prejudiced thereby, (ii) with respect to out-of-pocket expenses incurred during the period in which notice was not provided, and (iii) if such notice is not given within the applicable time period provided under Section 9.5

(b) The Indemnifying Party shall have the right to defend the Indemnified Party against such Third Party Claim as provided herein. If the Indemnifying Party notifies the Indemnified Party that the Indemnifying Party elects to assume the defense of the Third Party Claim (such election to be without prejudice to the right of the Indemnifying Party to dispute whether such claim is an indemnifiable Loss under this Article IX), then the Indemnifying Party shall have the right to defend such Third Party Claim with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party, in all appropriate proceedings, to a final conclusion or settlement in accordance with this Section 9.4(b). The Indemnifying Party shall use reasonably diligent and good faith efforts to defend or prosecute such Third Party Claim and shall keep the Indemnified Party reasonably advised of the status of such claim and defense thereof and shall consider in good faith recommendations made by the Indemnified Party with respect thereto. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof; however, neither Party shall enter into any settlement agreement without the written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, such consent shall not be required if (i) the settlement agreement contains a complete and unconditional general release by the third party asserting the Third Party Claim to all Indemnified Parties affected by the claim, (ii) the settlement agreement does not contain any admission of liability by or other obligation on the part of the Indemnified Party or sanction or restriction upon the conduct or operation of any business by the Indemnified Party or its Affiliates and (iii) the settlement does not require any payment to be made by the Indemnified Party to any Person. The Indemnified Party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 9.4(b), and the Indemnified Party shall bear its own costs and expenses with respect to such participation; provided, however, that if the Indemnifying Party assumes control of the defense of such claim and the Indemnifying Party and the Indemnified Party have, in the opinion of legal counsel, materially conflicting interests or different defenses available with respect to such claim that cause the Indemnified Party to hire its own separate counsel with respect to such proceeding, the reasonable fees and expenses of a single counsel to the Indemnified Party shall be considered "Losses" for purposes of this Agreement.

(c) If the Indemnifying Party does not notify the Indemnified Party that the Indemnifying Party elects to defend the Indemnified Party pursuant to Section 9.4(b) within thirty (30) calendar days after receipt of any Claim Notice, then the Indemnified Party shall defend, and be reimbursed by the Indemnifying Party for its reasonable cost and expense in regard to the Third Party Claim with counsel selected by the Indemnified Party, in all appropriate proceedings, which proceedings shall be prosecuted diligently by the Indemnified Party; provided, that if it is ultimately determined that the Indemnified Party would not be entitled to indemnification hereunder, even if the facts alleged in the Third Party Claim were true as alleged, the Indemnified Party shall promptly repay in full such reimbursed amounts to the Indemnifying Party. In the circumstances described in this Section 9.4(c), the Indemnified Party shall defend any such Third Party Claim in good faith and have full control of such defense and proceedings; provided, however, that the Indemnified Party may not enter into any compromise or settlement of such Third Party Claim if indemnification is to be sought hereunder, without the Indemnifying Party's consent (which consent shall not be unreasonably withheld, conditioned or delayed). The Indemnifying Party may participate in, but not control, any defense or settlement controlled by the Indemnified Party pursuant to this Section 9.4(c), and the Indemnifying Party shall bear its own costs and expenses with respect to such participation.

(d) If requested by the Party controlling the defense of a Third Party Claim, the other Party agrees, at the sole cost and expense of such controlling Party (but only if the controlling Party is actually entitled to indemnification hereunder), to cooperate with the controlling Party and its counsel in contesting any Third Party Claim being contested, including providing access to documents, records and information. In addition, the Party that is not controlling the defense will make its personnel available at no cost to the Indemnifying Party for conferences, discovery, proceedings, hearings, trials or appeals as may be reasonably required by the Indemnifying Party. The Party not controlling the defense also agrees to cooperate with the controlling Party and its counsel in the making of any related counterclaim against the Person asserting the Third Party Claim or any cross complaint against any Person and executing powers of attorney to the extent necessary.

Section 9.5 Expiration. Each Party's obligation to indemnify any Indemnified Party under this Article IX shall expire and terminate as follows, unless a claim therefor is asserted in writing in accordance with the terms of this Agreement prior to the applicable survival date, failing which such claim shall be waived and extinguished: the date that is (i) thirty (30) days after the statute of limitations expires with respect to any claim for indemnification under based on a breach of Section 4.1, Section 4.2, Section 4.10(a), Section 5.1, or Section 5.2 ("Fundamental Representations"), (ii) twelve (12) months from the Closing Date, in the case of any claim for indemnification based on the representations or warranties of the other Party contained in this Agreement other than the Fundamental Representations and Section 4.16, or (iii) the [***] anniversary of the Closing Date in the case of indemnification for a breach of Section 4.16 or in respect of any other matter not addressed in the foregoing sub-clauses (i) or (ii) or (iii), excluding claims related to Section 9.1(b), Section 9.1(c), Section 9.2(b), Section 9.2(c) or Section 9.2(d). Each Party's obligation to indemnify any Indemnified Party in connection with Section 9.1(b), Section 9.1(c), Section 9.2(b), Section 9.2(c) or Section 9.2(d), as applicable, shall, in each case, survive indefinitely. For the avoidance of doubt, none of the covenants or agreements contained in this Agreement shall survive the Closing other than those that by their terms expressly contemplate performance after the Closing Date, which such covenants and agreements shall survive the Closing until fully performed.

Section 9.6 Limitations on Indemnification and other Matters.

(a) De Minimis. Notwithstanding any other provision of this Agreement to the contrary, no Indemnifying Party shall be required to indemnify, defend or hold harmless any Indemnified Party pursuant to Section 9.1(a) or Section 9.2(a) against, or reimburse any Indemnified Party for, any Losses with respect to any individual claims (or series of related claims) unless such claim (or series of claims) involves Losses in excess of [***] (nor shall such item be applied to or considered for purposes of calculating the Indemnity Threshold).

(b) Threshold. Except for Losses arising out of a breach of a Fundamental Representation, no Indemnifying Party shall be liable to provide indemnification pursuant to Section 9.1(a) or Section 9.2(a) for any Losses suffered by any Indemnified Party unless the aggregate of all Losses suffered by the Indemnified Parties exceeds, on a cumulative basis, an amount equal to [***] (the "Indemnity Threshold"), and then an Indemnifying Party shall only be liable to provide indemnification to the extent of any such excess Losses.

(c) Cap. In no event shall any Indemnified Party be liable to provide indemnification pursuant to Article IX for Losses in the aggregate in excess of an amount equal to [***] (the "Cap"), other than with respect to claims for indemnification for Losses arising out of any Retained Liability or the breach of a Fundamental Representation, fraud or intentional misconduct of an Indemnifying Party in respect of a provision of this Agreement. In no event shall an Indemnifying Party be liable for Losses in excess of an aggregate amount equal to the Purchase Price.

(d) Waiver. The waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or compliance with any such covenant or agreements, will not affect the right to indemnification or any other remedy based on such representations, warranties, covenants and agreements.

(e) Read Out of Materiality Qualifiers. Solely for purposes of calculating Losses hereunder, any materiality or Material Adverse Effect qualifications in the representations (other than Section 4.5(a) above), warranties, covenants and agreements herein shall be disregarded.

(f) Exclusion of Certain Damages. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, EXCEPT TO THE EXTENT ARISING OUT OF OR ASSERTED IN A THIRD PARTY CLAIM OR ARISING OUT OF A RETAINED LIABILITY OR AN ASSUMED LIABILITY OR FRAUD OR INTENTIONAL MISCONDUCT, NO INDEMNIFIED PARTY SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, TREBLE, REMOTE, SPECIAL, EXEMPLARY, OPPORTUNITY COST, CONSEQUENTIAL OR PUNITIVE DAMAGES OR DAMAGES FOR, MEASURED BY OR BASED ON LOST PROFITS, LOSS OF REVENUE OR INCOME, DIMUNITION IN VALUE, MULTIPLE OR EARNINGS, PROFITS OR CASH FLOWS, OR OTHER SIMILAR MEASURES OR FOR ANY LOSS OF BUSINESS REPUTATION OR OPPORTUNITY THAT ARISES OUT OF OR RELATES TO THIS AGREEMENT OR THE PERFORMANCE OR BREACH HEREOF.

(g) Adjustment to Purchase Price. Seller and Purchaser agree to treat all payments made either to or for the benefit of the other Party under this Agreement (including all payments made pursuant to Section 2.7(g) or Article IX) as adjustments to the Purchase Price for Tax purposes to the extent permitted under applicable Tax Law.

Section 9.7 Losses Net of Insurance, Etc. Any indemnifiable Losses with respect to any matter shall be net of (i) any amounts recovered by the Indemnified Party pursuant to any indemnification by or indemnification agreement with any third party and (ii) any insurance proceeds or other cash receipts or sources of reimbursement received as an offset against such Loss (each Person named in clauses (i) and (ii), a "Collateral Source"), in each case net of any costs of recovery or collection from any such Collateral Source. No Indemnifying Party shall have an indemnification payment obligation in respect of any contingent liability unless and until such liability becomes due and payable.

Section 9.8 Reimbursement. If an Indemnified Party recovers an amount from a Collateral Source 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 IX, the Indemnified Party shall promptly remit to the Indemnifying Party the amount received from the third party in respect thereof, net of all costs associated with the recovery thereof, up to the amount of the Loss paid by the Indemnifying Party.

Section 9.9 Subrogation. If the Indemnifying Party makes any payment on any Loss pursuant to Section 9.1 or Section 9.2, the Indemnifying Party shall be subrogated, to the extent of such payment, to all rights and remedies of the Indemnified Party to any insurance benefits or other claims of the Indemnified Party with respect to such claim. Without limiting the generality or effect of any other provision hereof, each Indemnified Party shall duly execute upon request all instruments reasonably necessary to evidence and perfect the subrogation rights detailed herein and otherwise reasonably cooperate in the prosecution of such claims (at the expense of the Indemnifying Party).

Section 9.10 Sole Remedy/Waiver. Should the Closing occur, the remedies provided for in this Article IX shall be the sole and exclusive remedies of any Indemnified Party in respect of this Agreement, the Ancillary Agreements, the Purchased Assets, the Product, the Excluded Assets, the Assumed Liabilities, the Retained Liabilities or the transactions contemplated hereby or by the Ancillary Agreements, other than (i) for actions for specific performance or other equitable remedies or (ii) for claims against a Party directly arising out of the fraud or intentional misconduct of such Party. In furtherance of the foregoing, each Party hereby waives (on behalf of itself and the relevant Indemnified Parties) any provision of applicable Law to the extent that it would limit or restrict the agreement contained in this Section 9.10, and each Party hereby waives (on behalf of itself and the relevant Indemnified Parties) for periods following the Closing any and all rights, claims or causes of action it or its Affiliates or relevant Indemnified Parties may have (other than pursuant to this ARTICLE IX or as described in clauses (i) or (ii) of this Section 9.10) against the other Party or its Affiliates or Representatives.

ARTICLE X

TERMINATION

Section 10.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by written agreement of Purchaser and Seller;

(b) by either Purchaser or Seller, by giving written notice of such termination to the other Party, if the Closing shall not have occurred on or prior to March 31, 2017 (the "Outside Date"); provided, however, that the right to terminate this Agreement pursuant to this Section 10.1(b) shall not be available to any Party hereto whose action or failure to fulfill any obligation under this Agreement has been a principal cause of, or resulted in, the failure of the Parties to consummate the Closing by such date;

(c) by Seller, if any of the representations or warranties of Purchaser set forth in this Agreement shall not be true and correct, or if Purchaser has failed to perform any covenant or agreement on the part of such Purchaser set forth in this Agreement (including an obligation to consummate the Closing), in each case, such that the conditions to the Closing set forth in Section 8.3(a) or Section 8.3(b) would not be satisfied as of the Closing Date and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) Business Days after written notice thereof is delivered to Purchaser;

(d) by Purchaser, if any of the representations or warranties of Seller set forth in this Agreement shall not be true and correct, or if Seller has failed to perform any covenant or agreement on the part of Seller set forth in this Agreement (including an obligation to consummate the Closing), in each case, such that the conditions to the Closing set forth in Section 8.2(a) or Section 8.2(b) would not be satisfied as of the Closing Date and the breach or breaches causing such representations or warranties not to be true and correct, or the failures to perform any covenant or agreement, as applicable, are not cured within twenty (20) Business Days after written notice thereof is delivered to Seller; or

Section 10.2 Effect of Termination. (a) In the event of the termination of this Agreement in accordance with Section 10.1 hereof, this Agreement shall thereafter become void and have no effect, and no Party hereto shall have any liability to the other Party hereto or their respective Affiliates, directors, officers or employees; provided, that (i) no such termination shall relieve the obligations of the Parties hereto contained in this Section 10.2 and in Section 6.1(b) ("Information and Documents"), Section 11.1 ("Notices"), Section 11.6 ("Public Disclosure"), Section 11.7 ("Return of Information"), Section 11.8 ("Expenses, Transfer Taxes and Property Taxes"), Section 11.10 ("Governing Law; Jurisdiction"), Section 11.11 ("Waiver of Jury Trial"), and Section 11.16 ("Non-Recourse") hereof and (ii) nothing herein shall relieve any Party from Liability for any breach of any representation, warranty or covenant set forth in this Agreement prior to such termination.

(b) In the event this Agreement shall be terminated and at such time any Party is in material breach of or default under any term or provision hereof, such termination shall be without prejudice to, and shall not affect, any and all rights to damages that the other Party may have hereunder or otherwise under applicable Law. The damages recoverable by the non-defaulting Party shall include all attorneys' fees reasonably incurred by such Party in connection with the transactions contemplated hereby.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices.

(a) All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted (except if not a Business Day then the next Business Day) via facsimile to the number set out below (with transmission confirmed) or to the address set out below, (c) the day following the day (except if not a Business Day then the next Business Day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective Parties, shall be sent to the applicable address or facsimile number set forth below, unless another address or facsimile number has been previously specified in writing by such Party:

To Seller:

Holmdel Pharmaceuticals, LP
c/o HP General Partner, LLC
15770 Dallas Parkway, Suite 1290
Dallas, Texas 75248
Facsimile:
Attn:

with a copy to:

Lowenstein Sandler LLP
65 Livingston Avenue
Roseland, New Jersey 07068
Facsimile: [Fax number]
Attn: Michael J. Lerner

to Purchaser:

ANI Pharmaceuticals, Inc.
210 Main Street West
Baudette, MN 56623
Telephone: [Tel. number]
Facsimile: [Fax number]
Attn: Arthur Przybyl

with a copy to:

Dentons US LLP
1221 Avenue of the Americas
New York, NY 10020
Telephone: [Tel. number]
Facsimile: [Fax number]
Attn: Paul A. Gajer

(b) This Agreement and any signed agreement entered into in connection herewith or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or scanned pages via electronic mail, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. No Party hereto or to any such contract shall raise the use of a facsimile machine or email to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine or email as a defense to the formation of a contract and each such Party forever waives any such defense. This Agreement is not binding unless and until signature pages are executed and delivered by each of Purchaser and Seller.

Section 11.2 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 Purchaser and 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.

Section 11.3 Assignment. No Party to this Agreement may assign any of its rights or obligations under this Agreement; provided, that (i) either Party may assign all or part of its rights under this Agreement without consent to any of its Affiliates, in each case, so long as such assigning Party shall remain liable in full for the performance of its obligations hereunder and for any breach thereof by its assignee, and (ii) Purchaser may assign all or part of its rights under this Agreement to any third party to whom it sells the Product in a single transaction.

Section 11.4 Entire Agreement. This Agreement (including all Schedules and Exhibits hereto) contains the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters, except for (i) the Confidentiality Agreement which will remain in full force and effect for the term provided for therein and (ii) any written agreement of the Parties that expressly provides that it is not superseded by this Agreement.

Section 11.5 Parties in Interest. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Purchaser, Seller, or their successors or permitted assigns, any rights or remedies under or by reason of this Agreement, provided, that (i) the provisions of Article IX shall inure to the benefit of the Indemnified Parties and (ii) the provisions of Section 11.17 shall inure to the benefit of the Persons referenced therein.

Section 11.6 Public Disclosure. Notwithstanding anything herein to the contrary, each of the Parties to this Agreement hereby agrees with the other Parties hereto that, except as may be required to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of one of the Parties is listed, if any, no press release or similar public announcement or communication shall, if prior to the Closing, be made or caused to be made concerning the execution or performance of this Agreement unless the Parties shall have consulted in advance with respect thereto. It is understood and agreed that the foregoing shall not prevent any member of the Seller or their respective Affiliates (including the SWK Affiliates), from disclosing any publicly available information relating to the transactions contemplated hereby in connection with any disclosure it may be required to provide to comply with the requirements of any applicable Laws, and the rules and regulations of each stock exchange upon which the securities of any such Person may be listed.

Section 11.7 Return of Information. If the transactions contemplated by this Agreement are terminated as provided herein:

(a) notwithstanding anything in the Confidentiality Agreement to the contrary, Purchaser shall return to Seller or destroy all documents and other material received by Purchaser, its Affiliates and their respective Representatives from Seller, or any of its respective Affiliates, relating to the transactions contemplated hereby and by the Ancillary Agreements, whether so obtained before or after the execution hereof; and

(b) all confidential information received by Purchaser, its Affiliates and their respective Representatives with respect to a Seller, or any of its respective Affiliates, the Purchased Assets and the Assumed Liabilities shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect in accordance with its terms notwithstanding the termination of this Agreement.

Section 11.8 Expenses, Transfer Taxes and Property Taxes. (a) Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such expenses. Notwithstanding the foregoing, all Transfer Taxes shall be paid 50% by Purchaser and 50% by Seller.

(b) In the case of any taxable period that includes (but does not end on) the Closing Date, real, personal and intangible property Taxes and similar Taxes imposed with respect to the Purchased Assets ("Property Taxes") shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period on a per diem basis. Seller shall be responsible for any Property Taxes for the Pre-Closing Period and Purchaser shall be responsible for any Property Taxes for the Post-Closing Period. Seller and Purchaser shall promptly reimburse each other in accordance with such allocation for any such Property Taxes which any Party is required to pay under applicable Law. Liability for any fees payable to any Governmental Authority with respect to the Purchased Assets shall be allocated in the same manner.

Section 11.9 Schedules. The disclosure of any matter in the Disclosure Schedule shall be deemed to be a disclosure with respect to any other section or subsection of ARTICLE IV of this Agreement with respect to which its relevance is reasonably apparent on its face, but shall expressly not be deemed to constitute an admission by Seller or Purchaser, or to otherwise imply, that any such matter is material for the purposes of this Agreement.

Section 11.10 Governing Law; Jurisdiction. (a) This Agreement and its negotiation, execution, performance or non-performance, interpretation, termination, construction and all claims or causes of action (whether in contract, in tort, at law or otherwise) that may be based upon, arise out of, or relate to this Agreement, or the transactions contemplated hereby (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in connection with this Agreement or as an inducement to enter this Agreement), shall be exclusively governed by, and construed in accordance with, the laws of the State of New York regardless of Laws that might otherwise govern under any applicable conflict of laws principles.

(b) Any Proceeding based upon, arising out of, or related to this Agreement and its negotiation, execution, performance, non-performance, interpretation, termination, construction or the transactions contemplated hereby shall be heard and determined in the courts of the State of New York sitting in the Borough of Manhattan and the United States District Court for the Southern District of New York. The Parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such Proceeding and irrevocably and unconditionally waive the defense of an inconvenient forum, or lack of jurisdiction to the maintenance of any such Proceeding. The consents to jurisdiction and venue set forth herein shall not constitute general consents to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 11.10 and shall not be deemed to confer rights on any Person other than the Parties hereto. Each Party hereto agrees that the service of process upon such Party in any Proceeding arising out of or relating to this Agreement shall be effective if notice is given by overnight courier at the address set forth in Section 11.1. Each of the Parties also agrees that any final, non-appealable judgment against a Party in connection with any Proceeding arising out of or relating to this Agreement may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such judgment shall be conclusive evidence of the fact and amount of such judgment.

Section 11.11 WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY PROCEEDING (WHETHER IN CONTRACT, IN TORT, AT LAW OR OTHERWISE) BASED UPON, ARISING OUT OF, OR RELATED TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THE PARTIES HERETO ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE PARTIES HERETO FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Section 11.12 Counterparts. This Agreement may be executed in one or more counterparts (including by facsimile or electronic ..pdf submission), each of which shall be deemed an original, and all of which shall constitute one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by telecopy or otherwise) to the other Party, it being understood that both Parties need not sign the same counterpart.

Section 11.13 Headings. The heading references herein and the table of contents hereto are for convenience purposes only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

Section 11.14 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 term or other provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid, illegal 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, entities or circumstances shall not be affected by such invalidity, illegality or unenforceability, nor shall such invalidity, illegality or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

Section 11.15 Specific Performance. Each of the Parties acknowledges that the rights of each Party to consummate the transactions contemplated hereby are unique and recognizes and affirms that in the event of a breach of this Agreement by any Party, money damages may be inadequate and the non-breaching Party may have no adequate remedy at Law. Accordingly, the Parties agree that prior to a valid termination of this Agreement in accordance with this Agreement, such non-breaching Party shall have the right, in addition to any other rights and remedies existing in its favor at Law or in equity, to enforce its rights and the other Party's obligations hereunder not only by an Proceeding or Proceedings for damages but also by an Proceeding or Proceedings for specific performance, injunctive and/or other equitable relief (without posting of bond or other security). Each of the Parties agrees that it shall not oppose the granting of an injunction, specific performance and other equitable relief when expressly available pursuant to the terms of this Agreement, and hereby waives (x) any defenses in any Proceeding for an injunction, specific performance or other equitable relief, including the defense that the other Parties have an adequate remedy at Law or an award of specific performance is not an appropriate remedy for any reason at Law or equity and (y) any requirement under Law to post a bond, undertaking or other security as a prerequisite to obtaining equitable relief.

Section 11.16 Non-Recourse.

(a) This Agreement may only be enforced against, and any claim or cause of action based upon, arising out of or related to this Agreement may only be brought against the entities that are expressly named as Parties hereto and then only with respect to the specific obligations set forth herein with respect to such Party (or, in the case of Article VI and Article VII, the relevant Affiliates of Seller). Except to the extent a named Party to this Agreement (and then only to the extent of the specific obligations undertaken by such named Party in this Agreement) (or, in the case of Article VI and Article VII,, the relevant Affiliates of Seller), no past, present or future director, officer, employee, incorporator, member, partner, stockholder, Affiliate, agent, attorney or other Representative of any Party hereto shall have any liability (whether in contract or in tort, in law or in equity, or based upon any theory that seeks to impose liability of an entity party against its owners or Affiliates) for any obligations or liabilities of any Party hereto under this Agreement or for any claim based on, in respect of, or by reason of, the transactions contemplated hereby or in respect of any oral representations made or alleged to have been made in connection herewith (except with respect to claims of fraud or intentional misconduct).

(b) The provisions of this Section 11.16 are intended to be for the benefit of, and enforceable by, the directors, officers, employees, incorporators, members, partners, stockholders, Affiliates, agents, attorneys and other Representatives of the Parties hereto, and each such Person shall be a third party beneficiary of this Section 11.16.

Section 11.17 Conflict of Interest.

(a) Lowenstein Sandler LLP ("Lowenstein") shall be permitted to represent Seller after the Closing in connection with any matter relating to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, after the Closing, Lowenstein shall be permitted to represent Seller, any of its agents and Affiliates, or any one or more of them, in connection with any negotiation or transaction with Purchaser or any of its agents or Affiliates under or relating to this Agreement, the transactions contemplated hereby, and any related matter.

(b) Dentons US LLP ("Dentons") shall be permitted to represent Purchaser after the Closing in connection with any matter relating to the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, after the Closing, Dentons shall be permitted to represent Purchaser, any of its agents and Affiliates, or any one or more of them, in connection with any negotiation or transaction with Seller or any of its agents or Affiliates under or relating to this Agreement, the transactions contemplated hereby, and any related matter.

[*Remainder of Page Intentionally Left Blank*]

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

IN WITNESS WHEREOF, the Parties have executed or caused this Agreement to be executed as of the date first written above.

HOLMDEL PHARMACEUTICALS, LP

By: HP General Partner, LLC
it's general partner

By: /s/ Joseph J. Krivulka
Name: Joseph J. Krivulka
Title: Manager

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

Confidential Materials Omitted and Filed Separately with the Securities and Exchange Commission Pursuant to a Request for Confidential Treatment under Rule 406 under the Securities Act of 1933, as amended. Confidential Portions are marked: [***]

ANI PHARMACEUTICALS, INC.

By: /s/ Stephen Carey
Name: Stephen Carey
Title: VP & CFO

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

Exhibit 31.1

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

I, Arthur S. Przybyl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ANI Pharmaceuticals, 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.

Date: May 4, 2017

/s/ Arthur S. Przybyl
Arthur S. Przybyl
President and
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

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

I, Stephen P. Carey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ANI Pharmaceuticals, 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.

Date: May 4, 2017

/s/ Stephen P. Carey

Stephen P. Carey
Vice President, Finance and
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the quarterly report on Form 10-Q of ANI Pharmaceuticals, Inc. (the "Company") for the quarterly period ended March 31, 2017 (the "Report") as filed with the Securities and Exchange Commission on the date hereof, the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify that, to such officer's knowledge:

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

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

This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Dated: May 4, 2017

/s/ Arthur S. Przybyl
Arthur S. Przybyl
President and
Chief Executive Officer
(principal executive officer)

Dated: May 4, 2017

/s/ Stephen P. Carey
Stephen P. Carey
Vice President, Finance and
Chief Financial Officer
(principal financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Document And Entity Information - shares	3 Months Ended Mar. 31, 2017	Apr. 27, 2017
Document Information [Line Items]		
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Mar. 31, 2017	
Document Fiscal Year Focus	2017	
Document Fiscal Period Focus	Q1	
Entity Registrant Name	ANI PHARMACEUTICALS INC	
Entity Central Index Key	0001023024	
Current Fiscal Year End Date	--12-31	
Entity Filer Category	Accelerated Filer	
Trading Symbol	ANIP	
Class C Special Stock [Member]		
Document Information [Line Items]		
Entity Common Stock, Shares Outstanding		10,864
Common Stock [Member]		
Document Information [Line Items]		
Entity Common Stock, Shares Outstanding		11,637,505

Condensed Consolidated Balance Sheets - USD ($) $ in Thousands	Mar. 31, 2017	Dec. 31, 2016
Current Assets		
Cash and cash equivalents	$ 10,826	$ 27,365
Accounts receivable, net of $29,481 and $31,535 of adjustments for chargebacks and other allowances at March 31, 2017 and December 31, 2016, respectively	46,697	45,895
Inventories, net	45,893	26,183
Prepaid expenses and other current assets	3,565	3,564
Total Current Assets	106,981	103,007
Property and equipment, net	12,897	10,998
Restricted cash	5,001	5,002
Deferred tax asset, net of valuation allowance	26,962	26,227
Intangible assets, net	203,459	175,792
Goodwill	1,838	1,838
Total Assets	357,138	322,864
Current Liabilities		
Accounts payable	4,785	3,389
Accrued expenses and other	2,087	927
Accrued royalties	10,331	11,956
Accrued compensation and related expenses	1,135	1,631
Current income taxes payable	3,656	2,398
Accrued government rebates	4,655	5,891
Returned goods reserve	5,776	5,756
Total Current Liabilities	32,425	31,948
Long-term Liabilities		
Long-term royalties	0	625
Line of credit	30,000	0
Convertible notes, net of discount and deferred financing costs	122,501	120,643
Total Liabilities	184,926	153,216
Commitments and Contingencies (Note 11)		
Stockholders' Equity		
Common Stock, $0.0001 par value, 33,333,334 shares authorized; 11,640,000 shares issued and outstanding at March 31, 2017; 11,588,701 shares issued and outstanding at December 31, 2016	1	1
Class C Special Stock, $0.0001 par value, 781,281 shares authorized; 10,864 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	0	0
Preferred Stock, $0.0001 par value, 1,666,667 shares authorized; 0 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	0	0
Additional paid-in capital	173,989	172,563
Accumulated deficit	(1,778)	(2,916)
Total Stockholders' Equity	172,212	169,648
Total Liabilities and Stockholders' Equity	$ 357,138	$ 322,864

Condensed Consolidated Balance Sheets [Parenthetical] - USD ($) $ in Thousands	Mar. 31, 2017	Dec. 31, 2016
Adjustments for chargebacks and other allowances	$ 29,481	$ 31,535
Preferred Stock, Par or Stated Value Per Share (in dollars per share)	$ 0.0001	$ 0.0001
Preferred Stock, Shares Authorized	1,666,667	1,666,667
Preferred Stock, Shares Issued	0	0
Preferred Stock, Shares Outstanding	0	0
Common Stock [Member]		
Common Stock, Par Value (in dollars per share)	$ 0.0001	$ 0.0001
Common Stock, Authorized Shares	33,333,334	33,333,334
Common Stock, Issued Shares	11,640,000	11,588,701
Common Stock, Outstanding Shares	11,640,000	11,588,701
Class C Special Stock [Member]		
Common Stock, Par Value (in dollars per share)	$ 0.0001	$ 0.0001
Common Stock, Authorized Shares	781,281	781,281
Common Stock, Issued Shares	10,864	10,864
Common Stock, Outstanding Shares	10,864	10,864

Condensed Consolidated Statements of Earnings - USD ($) shares in Thousands, $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Net Revenues	$ 36,628	$ 20,555
Operating Expenses:		
Cost of sales (excluding depreciation and amortization)	16,386	3,410
Research and development	1,618	966
Selling, general, and administrative	7,293	5,904
Depreciation and amortization	6,706	4,609
Total Operating Expenses	32,003	14,889
Operating Income	4,625	5,666
Other Expense, net		
Interest expense, net	(2,932)	(2,782)
Other (expense)/income, net	(18)	2
Income Before Provision for Income Taxes	1,675	2,886
Provision for income taxes	(523)	(1,540)
Net Income	$ 1,152	$ 1,346
Basic and Diluted Earnings Per Share:		
Basic Earnings Per Share (in dollars per share)	$ 0.1	$ 0.12
Diluted Earnings Per Share (in dollars per share)	$ 0.1	$ 0.12
Basic Weighted-Average Shares Outstanding (in shares)	11,527	11,395
Diluted Weighted-Average Shares Outstanding (in shares)	11,653	11,489

Condensed Consolidated Statements of Cash Flows - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Cash Flows From Operating Activities		
Net income	$ 1,152	$ 1,346
Adjustments to reconcile net loss to net cash and cash equivalents provided by operating activities:		
Stock-based compensation	1,386	1,105
Deferred taxes	(735)	(81)
Depreciation and amortization	6,706	4,609
Non-cash interest relating to convertible notes and loan cost amortization	1,882	1,725
Changes in operating assets and liabilities:		
Accounts receivable, net	(802)	(549)
Inventories, net	(2,810)	(535)
Prepaid expenses and other current assets	(25)	201
Accounts payable	1,318	889
Accrued royalties	(2,250)	2,827
Accrued compensation and related expenses	(496)	(466)
Current income taxes, net	1,258	(23)
Accrued government rebates	(1,236)	(1,207)
Returned goods reserve	20	18
Accrued expenses and other	1,161	1,110
Net Cash and Cash Equivalents Provided by Operating Activities	6,529	10,969
Cash Flows From Investing Activities		
Acquisition of product rights and other related assets	(50,956)	(84,182)
Acquisition of property and equipment	(2,138)	(1,369)
Net Cash and Cash Equivalents Used in Investing Activities	(53,094)	(85,551)
Cash Flows From Financing Activities		
Net borrowings under line of credit agreement	30,000	0
Proceeds from stock option exercises	25	144
Excess tax benefit from share-based compensation awards	0	1
Repurchase of common stock under the stock repurchase program	0	(2,500)
Net Cash and Cash Equivalents Provided by/(Used in) Financing Activities	30,025	(2,355)
Change in Cash, Cash Equivalents, and Restricted Cash	(16,540)	(76,937)
Cash, cash equivalents, and restricted cash, beginning of period	32,367	154,684
Cash, cash equivalents, and restricted cash, end of period	15,827	77,747
Reconciliation of cash, cash equivalents, and restricted cash, beginning of period		
Cash and cash equivalents	27,365	154,684
Restricted cash	5,002	0
Cash, cash equivalents, and restricted cash, beginning of period	32,367	154,684
Reconciliation of cash, cash equivalents, and restricted cash, end of period		
Cash and cash equivalents	10,826	77,747
Restricted cash	5,001	0

Cash, cash equivalents, and restricted cash, end of period	15,827	77,747
Supplemental disclosure for cash flow information:		
Cash paid for income taxes, net	4	1,643
Supplemental non-cash investing and financing activities:		
Accrued royalties related to asset purchase	0	1,199
Property and equipment purchased and included in accounts payable	$ 78	$ 85

BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS

DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Months Ended

Mar. 31, 2017

1. BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS

Overview

ANI Pharmaceuticals, Inc. and its consolidated subsidiaries (together, "ANI," the "Company," "we," "us," or "our") is an integrated specialty focused on delivering value to our customers by developing, manufacturing, and marketing high quality branded and generic prescription pha niche and high barrier to entry opportunities including controlled substances, anti-cancer (oncolytics), hormones and steroids, and complex fo pharmaceutical manufacturing facilities located in Baudette, Minnesota are capable of producing oral solid dose products, as well as liquids a substances, and potent products that must be manufactured in a fully-contained environment. Our strategy is to use our assets to develop, acq market branded and generic specialty prescription pharmaceuticals. By executing this strategy, we believe we will be able to continue to grow diversify our product portfolio, and create long-term value for our investors.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting princip the United States of America ("U.S. GAAP"). In our opinion, the accompanying unaudited interim condensed consolidated financial statemer consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations, and cash flows. sheet at December 31, 2016, has been derived from audited financial statements of that date. The unaudited interim condensed consolidated r necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosure normally included in fi prepared in accordance with U.S. GAAP have been omitted pursuant to instructions, rules, and regulations prescribed by the United States Se Commission. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unau consolidated financial statements are read in conjunction with the audited financial statements and notes previously distributed in our Annual the year ended December 31, 2016. Certain prior period information has been reclassified to conform to the current period presentation. Pleas *Accounting Pronouncements.*

Principles of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of ANI Pharmaceuticals, Inc. and its subsidiaries. Al and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and ex period. In the accompanying unaudited interim condensed consolidated financial statements, estimates are used for, but not limited to, stock-b allowance for doubtful accounts, accruals for chargebacks, administrative fees and rebates, government rebates, returns and other allowances obsolescence, valuation of financial instruments and intangible assets, accruals for contingent liabilities, fair value of long-lived assets, defer allowance, purchase price allocations, and the depreciable lives of long-lived assets. Because of the uncertainties inherent in such estimates, a from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for reasonableness.

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance with respect to measuring credit losses on financial instru receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospect expect that the adoption of this guidance will likely change the way we assess the collectability of our receivables and recoverability of other have not yet begun to evaluate the specific impacts of this guidance nor have we determined the manner in which we will adopt this guidance

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities relate balance sheet and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning and early adoption is permitted. The guidance must be adopted on a modified retrospective basis and provides for certain practical expedients evaluating the impact that the adoption of this guidance will have on our consolidated financial statements. We currently expect that the adop likely change the way we account for our operating leases and will likely result in recording the future benefits of those leases and the related on our consolidated balance sheets. We have not yet begun to evaluate the specific impacts of this guidance.

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, al industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regardi

timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year d standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginni 2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reportin net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying per the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts an transition, with the same effective date. We do not intend to adopt the guidance early. We expect that the adoption of this guidance will likely recognize revenue generated under customer contracts. However, we are currently reviewing our contracts with customers to determine if the contracts will be impacted by the adoption of this guidance and, if so, if that impact will be material to our consolidated financial statements. determined the manner in which we will adopt this guidance.

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued guidance to simplify the measurement of goodwill. The guidance eliminates Step 2 from the goodwill impa the amendments in this guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a rep carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider incom deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The guidance also eliminates reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step impairment test. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amo guidance is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fi adoption is permitted for interim or annual goodwill impairment tests performed for testing dates after January 1, 2017. We adopted this guid 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consol

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of adding guidance to assist entities with transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when a and activities is not a business, provides a framework to assist entities in evaluating whether both an input and substantive process are present definition of the term output. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, includ those fiscal years, and early adoption is permitted. The guidance must be adopted on a prospective basis. We adopted this guidance in the firs as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial

In November 2016, the FASB issued guidance to reduce diversity in practice that exists in the classification and presentation of changes in re statement of cash flows. The revised guidance requires that amounts generally described as restricted cash and restricted cash equivalents be cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The guidan fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption was permitted, including period. If an entity adopted the guidance in an interim period, any adjustments should have been reflected as of the beginning of the fiscal ye period. The guidance must be adopted on a retrospective basis. We adopted this guidance in the first quarter of 2017, effective as of January basis, and all periods have been presented under this guidance. The adoption of this new guidance resulted in the inclusion of our $5.0 millio cash and cash equivalents balance in our consolidated statement of cash flows for all reporting periods presented in 2017 and onward.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, inc debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settl proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The guidance is eff entities for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption is permitted, incl interim period. If an entity adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year period. The guidance must be adopted on a retrospective basis and must be applied to all periods presented, but may be applied prospectively application would be impracticable. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective b new guidance did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued guidance simplifying the accounting for and financial statement disclosure of stock-based compensation aw in the accounting for excess tax benefits and tax deficiencies, and changes in the accounting for forfeitures associated with share-based award adopted this guidance in the first quarter of 2017, effective as of January 1, 2017. Pursuant to the adoption requirements for excess tax benefi no longer recognize excess tax benefits or tax deficiencies in Additional Paid in Capital ("APIC"); rather, we recognize them prospectively as current period provision/(benefit) before income taxes. We did not reverse our current APIC pool, which was $3.1 million as of December 31 the impact of classifying excess tax benefits as an operating activity in the statement of cash flows on a prospective basis. Pursuant to the ado forfeitures, we now account for forfeitures as they occur rather than using an estimated forfeiture rate; the change in accounting resulted in a effect adjustment increasing our accumulated deficit as of January 1, 2017. The adoption of the remaining amendments did not have a materi consolidated financial statements.

We have evaluated all other issued and unadopted Accounting Standards Updates and believe the adoption of these standards will not have a condensed consolidated statements of earnings, balance sheets, or cash flows.

REVENUE RECOGNITION AND RELATED ALLOWANCES

Revenue Recognition [Abstract]

REVENUE RECOGNITION AND RELATED ALLOWANCES

3 Months Ended

Mar. 31, 2017

2. REVENUE RECOGNITION AND RELATED ALLOWANCES

Revenue Recognition

Revenue is recognized for product sales and contract manufacturing product sales upon passing of risk and title to the customer, when estima discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determin reasonably assured, and we have no further performance obligations. Contract manufacturing arrangements are typically less than two weeks the revenue is recognized upon completion of the aforementioned factors rather than using a proportional performance method of revenue rec discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments reduce gross revenues t accompanying unaudited interim condensed consolidated statements of earnings, and are presented as current liabilities or reductions in accou accompanying unaudited interim condensed consolidated balance sheets (see "Accruals for Chargebacks, Rebates, Returns, and Other Allowa have not entered into revenue arrangements with multiple elements.

We record revenue related to marketing and distribution agreements with third parties in which we sell products under Abbreviated New Dru or New Drug Applications ("NDAs") owned or licensed by these third parties. We have assessed and determined that we are the principal for marketing and distribution agreements and recognize the revenue on a gross basis when risk and title are passed to the customer, when estima discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determin reasonably assured, and we have no further performance obligations. Under these agreements, we pay these third parties a specified percentag earned on sales of the products. These profit-sharing percentages are recognized in cost of sales in our consolidated statements of earnings an royalties in our consolidated balance sheets until payment has occurred.

Occasionally, we engage in contract services, which include product development services, laboratory services, and royalties on net sales of c manufactured products. For these services, revenue is recognized according to the terms of the agreement with the customer, which sometime measurable risk-based milestones, and when we have a contractual right to receive such payment, the contract price is fixed or determinable, resulting receivable is reasonably assured, and we have no further performance obligations under the agreement.

Accruals for Chargebacks, Rebates, Returns, and Other Allowances

Our generic and branded product revenues are typically subject to agreements with customers allowing chargebacks, government rebates, pro administrative fees and other rebates, and prompt payment discounts. We accrue for these items at the time of sale and continually monitor ar as additional information becomes available. We adjust the accruals at the end of each reporting period, to reflect any such updates to the rele circumstances. Accruals are relieved upon receipt of payment from the customer or upon issuance of credit to the customer.

The following table summarizes activity in the consolidated balance sheets for accruals and allowances for the three months ended March 31, respectively:

(in thousands)	Accruals for Chargebacks, Rebates, Returns, and Other Allowances				
	Chargebacks	Government Rebates	Returns	Administrative Fees and Other Rebates	Prompt Payment Discounts
Balance at December 31, 2015	$ 11,381	$ 4,631	$ 2,648	$ 1,653	$ 674
Accruals/Adjustments	14,778	2,607	1,637	2,089	813
Credits Taken Against Reserve	(15,256)	(3,814)	(1,619)	(1,470)	(835
Balance at March 31, 2016	$ 10,903	$ 3,424	$ 2,666	$ 2,272	$ 652
Balance at December 31, 2016	$ 26,785	$ 5,891	$ 5,756	$ 3,550	$ 1,554
Accruals/Adjustments	38,191	1,821	1,855	5,030	1,662
Credits Taken Against Reserve	(40,442)	(3,057)	(1,835)	(4,755)	(1,737
Balance at March 31, 2017	$ 24,534	$ 4,655	$ 5,776	$ 3,825	$ 1,479

Credit Concentration

Our customers are primarily wholesale distributors, chain drug stores, group purchasing organizations, and pharmaceutical companies.

During the three months ended March 31, 2017, three customers represented 31%, 25%, and 20% of net revenues, respectively. As of March receivable from these customers totaled 79% of accounts receivable, net. During the three months ended March 31, 2016, three customers rep 16% of net revenues, respectively.

INDEBTEDNESS

3 Months Ended
Mar. 31, 2017

Debt Disclosure [Abstract]
INDEBTEDNESS

3. INDEBTEDNESS

Convertible Senior Notes

In December 2014, we issued $143.8 million of our Convertible Senior Notes due 2019 (the "Notes") in a registered public offering. The No annually in arrears starting on June 1, 2015 and are due December 1, 2019. The initial conversion price was $69.48 per share. Simultaneo Notes, we entered into "bond hedge" (or purchased call) and "warrant" (or written call) transactions with an affiliate of one of the offeri synthetically raise the initial conversion price of the Notes to $96.21 per share and reduce the potential common stock dilution that may arise Notes.

The Notes are convertible at the option of the holder under certain circumstances and upon conversion we may elect to settle such conversion stock, cash, or a combination thereof. As a result of our cash conversion option, we separately accounted for the value of the embedded conv discount (with an offset to APIC) of $33.6 million. Deferred financing costs are recorded as a reduction of long-term debt in the consolidated being amortized as additional non-cash interest expense on a straight-line basis over the term of the debt, since this method was not significar effective interest method.

The carrying value of the Notes is as follows as of:

(in thousands)	March 31, 2017	December 31, 2016
Principal amount	$ 143,750	$ 143,750
Unamortized debt discount	(18,997)	(20,644)
Deferred financing costs	(2,252)	(2,463)
Net carrying value	$ 122,501	$ 120,643

We had accrued interest of $1.4 million and $0.4 million related to the Notes recorded in accrued expenses, other in our consolidated balance and December 31, 2016, respectively.

The following table sets forth the components of total interest expense related to the Notes recognized in the accompanying unaudited interim statements of earnings for the three months ended March 31, 2017 and 2016:

	Three Months Ended	
(in thousands)	March 31, 2017	March 31, 2016
Contractual coupon	$ 1,078	$ 1,078
Amortization of debt discount	1,647	1,562
Amortization of finance fees	211	211
Capitalized interest	(90)	(47)
	$ 2,846	$ 2,804

As of March 31, 2017, the effective interest rate on the Notes was 7.9%, on an annualized basis.

Line of Credit

In May 2016, we entered into a credit arrangement (the "Line of Credit") with Citizens Bank Capital, a division of Citizens Asset F Agreement"). The Citizens Agreement provides for a $30.0 million asset-based revolving credit loan facility, with availability subject to a of eligible accounts receivable and inventory and the satisfaction of conditions precedent specified in the Citizens Agreement. The Citizens accordion feature, whereby we may increase the revolving commitment up to an additional $10.0 million subject to certain terms and conditio matures on May 12, 2019, at which time all amounts outstanding will be due and payable. Amounts drawn bear an interest rate equal to, at rate plus 1.25%, 1.50%, or 1.75% per annum, depending upon availability under the Citizens Agreement, or an alternative base rate plus eith per annum, depending upon availability under the Citizens Agreement. We incur a commitment fee on undrawn amounts equal to 0.25% per

In February 2017, we drew down $30.0 million on the Line of Credit. As part of the draw down, we implemented the accordion feature and i to $40.0 million. As of March 31, 2017, we had a $30.0 million outstanding balance on the Line of Credit. In the second quarter of 2016, we debt issuance costs related to the Line of Credit, which will be amortized over the three year life of the Line of Credit. The $0.2 million rema deferred debt issuance costs are included in prepaid expenses and other current assets in the accompanying unaudited interim condensed cons March 31, 2017. During the three months ended March 31, 2017, we recorded $89 thousand of interest expense related to the Line of Credit.

EARNINGS PER SHARE

3 Months Ended
Mar. 31, 2017

Earnings Per Share [Abstract]

EARNINGS PER SHARE

4. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of outstanding during the period.

For periods of net income, and when the effects are not anti-dilutive, we calculate diluted earnings per share by dividing net income available by the weighted-average number of shares outstanding plus the impact of all potential dilutive common shares, consisting primarily of comm be purchased under our Employee Stock Purchase Plan ("ESPP"), unvested restricted stock awards, stock purchase warrants, and any convers (Note 3), using the treasury stock method. As of January 1, 2017, we adopted guidance regarding the treatment of excess tax benefits for stoc awards and, as a result, we no longer include an assumed proceeds from an excess tax benefit in our diluted shares calculation. For periods of share is calculated similarly to basic loss per share.

Our unvested restricted shares contain non-forfeitable rights to dividends, and therefore are considered to be participating securities; in period calculation of basic and diluted earnings per share excludes from the numerator net income attributable to the unvested restricted shares, and those shares from the denominator.

For purposes of determining diluted earnings per share, we have elected a policy to assume that the principal portion of the Notes (Note 3) is the principal portion of the Notes has no effect on either the numerator or denominator when determining diluted earnings per share. Any con be settled in shares and is incorporated in diluted earnings per share using the treasury method. The warrants issued in conjunction with the is 3) are considered to be dilutive when they are in-the-money relative to our average stock price during the period; the bond hedge purchased i issuance of the Notes is always considered to be anti-dilutive.

Earnings per share for the three months ended March 31, 2017 and 2016 are calculated for basic and diluted earnings per share as follows:

(in thousands, except per share amounts)	Basic		Diluted	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Net income	$ 1,152	$ 1,346	$ 1,152	$ 1,346
Net income allocated to restricted stock	(11)	(7)	(11)	(7)
Net income allocated to common shares	$ 1,141	$ 1,339	$ 1,141	$ 1,339
Basic Weighted-Average Shares Outstanding	11,527	11,395	11,527	11,395
Dilutive effect of stock options and ESPP			126	94
Diluted Weighted-Average Shares Outstanding			11,653	11,489
Earnings Per Share	$ 0.10	$ 0.12	$ 0.10	$ 0.12

The number of anti-dilutive shares, which have been excluded from the computation of diluted earnings per share, including the shares under million and 4.5 million for the three months ended March 31, 2017 and 2016, respectively. Anti-dilutive shares consist of out-of-the-money C of-the-money common stock options, common stock options that are anti-dilutive when calculating the impact of the potential dilutive comm treasury stock method, underlying shares related to out-of-the-money bonds issued as convertible debt, and out-of-the-money warrants exerci

INVENTORIES

3 Months Ended
Mar. 31, 2017

Inventory Disclosure [Abstract]

INVENTORIES

5. INVENTORIES

Inventories consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Raw materials	$ 17,480	$ 14,138
Packaging materials	1,078	930
Work-in-progress	605	477
Finished goods[(1)]	26,990	10,812
	46,153	26,357
Reserve for excess/obsolete inventories	(260)	(174)
Inventories, net	$ 45,893	$ 26,183

(1) Includes finished goods acquired in asset purchases (Note 12).

Vendor Concentration

We source the raw materials for our products, including active pharmaceutical ingredients ("API"), from both domestic and international sup
single source of API is qualified for use in each product due to the cost and time required to validate a second source of supply. As a result,
current vendors to reliably supply the API required for ongoing product manufacturing. During the three months ended March 31, 2017, we
33% of our inventory (exclusive of inventory acquired in asset purchases (Note 12)) from two suppliers. As of March 31, 2017, the amounts
were immaterial. During the three months ended March 31, 2016, we purchased approximately 50% of our inventory from three suppliers.

PROPERTY, PLANT, AND EQUIPMENT	3 Months Ended Mar. 31, 2017
Property, Plant and Equipment [Abstract]	
PROPERTY, PLANT, AND EQUIPMENT	

6. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Land	$ 160	$ 160
Buildings	3,756	3,756
Machinery, furniture, and equipment	8,919	8,176
Construction in progress	5,766	4,293
	18,601	16,385
Less: accumulated depreciation	(5,704)	(5,387)
Property, Plant, and Equipment, net	$ 12,897	$ 10,998

Depreciation expense was $0.3 million and $0.2 million for the three months ended March 31, 2017 and 2016, respectively. During the three
2017 and 2016, there was $0.1 million and $47 thousand of interest capitalized into construction in progress, respectively. Construction in pr
projects, primarily related to new equipment to expand our manufacturing capability as our product lines continue to grow.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As a result of our 2013 merger with BioSante Pharmaceuticals, Inc. ("BioSante"), we recorded goodwill of $1.8 million in our one reporting
recoverability of the carrying value of goodwill as of October 31st of each year, and whenever events occur or circumstances change that wou
reduce the fair value of our reporting unit below its carrying value. There have been no events or changes in circumstances that would have r
reporting unit below its carrying value during the three months ended March 31, 2017. No impairment losses were recognized during the thre
2017 or 2016.

Definite-lived Intangible Assets

Acquisition of New Drug Applications and Product Rights

In February 2017, we entered into an agreement with Cranford Pharmaceuticals, LLC to purchase a distribution license, trademark, and certa
for Inderal XL for $20.2 million in cash. We made the $20.2 million cash payment using cash on hand. We accounted for this transaction as a
capitalized $40 thousand of costs directly related to the transaction. The $15.1 million product rights intangible asset acquired in the asset pu
in full over its estimated useful life of 10 years. Please see Note 12 for further details regarding the transaction.

In February 2017, we entered into an agreement with Holmdel Pharmaceuticals, LP to purchase the NDA, trademark, and certain finished go
XL, including a license to an Orange Book listed patent, for $30.6 million in cash. We made the $30.6 million cash payment using $30.0 mill
of Credit (Note 3) and $0.6 million of cash on hand. We accounted for this transaction as an asset purchase. We also capitalized $0.1 million
the transaction. The $19.0 million product rights intangible asset acquired in the asset purchase is being amortized in full over its estimated us
Please see Note 12 for further details regarding the transaction.

In April 2016, we purchased the rights, title, and interest in the NDA for Inderal LA, as well as certain documentation, trademark rights, and
Cranford Pharmaceuticals, LLC for $60.0 million in cash up front and milestone payments based on future gross profits from sales of produc
made the $60.0 million upfront cash payment using cash on hand, capitalized $0.3 million of costs directly related to the transaction, and rec
minimum milestone payments for a total purchase price of $64.2 million. We accounted for this transaction as an asset purchase and the resul
asset is being amortized in full over its estimated useful life of 10 years. The resultant $0.6 million non-compete agreement associated with th
amortized in full over its estimated useful life of seven years.

In September 2015, we entered into an agreement to purchase the NDAs for Corticotropin and Corticotropin-Zinc from Merck Sharp & Dohr
in cash and a percentage of future net sales. The transaction closed in January 2016, and we made the $75.0 million cash payment using cash
capitalized $0.3 million of costs directly related to the transaction. We accounted for this transaction as an asset purchase. The $75.3 million
amortized in full over their estimated useful lives of 10 years.

Marketing and Distribution Rights

In January 2016, we purchased from H2-Pharma, LLC the rights to market, sell, and distribute the authorized generic of Lipofen® and a gene
cream product, along with the rights to an early-stage development project, for total consideration of $10.0 million. The consideration consist
$8.8 million and the assumption of $1.2 million in existing royalties owed on the acquired rights. We capitalized $42 thousand of costs direct
We accounted for this transaction as an asset purchase. No value was ascribed to the early-stage development project because the developmen
preliminary stage, with no expenses incurred or research performed to date. The $10.0 million marketing and distribution rights assets are bei
their average estimated useful lives of approximately four years.

The components of net definite-lived intangible assets are as follows:

(in thousands)	March 31, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired ANDA intangible assets	$ 42,076	$ (9,440)	$ 42,076	$ (8,390)
NDAs and product rights	184,306	(21,748)	150,250	(17,081)
Marketing and distribution rights	11,042	(3,312)	11,042	(2,662)
Non-compete agreement	624	(89)	624	(67)
	$ 238,048	$ (34,589)	$ 203,992	$ (28,200)

Definite-lived intangible assets are stated at cost, net of amortization, generally using the straight line method over the expected useful lives o
the case of the Inderal XL and InnoPran XL asset purchases, because we anticipate that the acquired assets will provide a greater economic b
we are amortizing 80% of the value of the intangible assets over the first five years of useful lives of the assets and amortizing the remaining
intangible assets over the second five years of useful lives of the assets. Amortization expense was $6.4 million and $4.4 million for the three
2017 and 2016, respectively.

We test for impairment of definite-lived intangible assets when events or circumstances indicate that the carrying value of the assets may not
triggering events were identified during the three months ended March 31, 2017 and 2016 and therefore no impairment loss was recognized i
March 31, 2017 or 2016.

Expected future amortization expense is as follows:

(in thousands)		
2017 (remainder of the year)	$	20,337
2018		26,825
2019		26,825
2020		26,343
2021		24,898
2022 and thereafter		78,231
Total	$	203,459

STOCK-BASED COMPENSATION

Disclosure of Compensation Related Costs, Share-based Payments [Abstract]

STOCK-BASED COMPENSATION

3 Months Ended Mar. 31, 2017

8. STOCK-BASED COMPENSATION

In July 2016, we commenced administration of the ANI Pharmaceuticals, Inc. 2016 Employee Stock Purchase Plan. As of March 31, 2017, w of common stock available under the ESPP. Under the ESPP, participants can purchase shares of our stock at a 15% discount. In the three mo 2017, we recognized $1 thousand and $14 thousand of stock-based compensation expense related to the ESPP in cost of sales and sales, gene expense in our accompanying unaudited interim condensed consolidated statements of earnings, respectively.

All equity-based service awards are granted under the ANI Pharmaceuticals, Inc. Amended and Restated 2008 Stock Incentive Plan (the "200 2017, 20 thousand shares of our common stock remained available for issuance under the 2008 Plan.

The following table summarizes stock-based compensation expense incurred under the 2008 Plan and included in our accompanying unaudit consolidated statements of earnings:

(in thousands)	Three Months Ended March 31,	
	2017	2016
Cost of sales	$ 23	$ (10)
Research and development	139	27
Selling, general, and adminstrative	1,209	1,088
	$ 1,371	$ 1,105

A summary of stock option and restricted stock activity under the 2008 Plan during the three months ended March 31, 2017 and 2016 is pres

(in thousands)	Options	RSAs
Outstanding December 31, 2015	474	63
Granted	10	-
Options Exercised/RSAs Vested	(22)	-
Forfeited	(7)	-
Outstanding March 31, 2016	455	63
Outstanding December 31, 2016	578	63
Granted	182	50
Options Exercised/RSAs Vested	(1)	(4)
Forfeited	(2)	-
Outstanding March 31, 2017	757	109

STOCKHOLDER'S EQUITY		3 Months Ended Mar. 31, 2017
Stockholders Equity Note [Abstract]		
SHAREHOLDER'S EQUITY	9.	STOCKHOLDER'S EQUITY

Stock Repurchase Program

In October 2015, our Board of Directors authorized a program to repurchase up to $25.0 million of our outstanding common stock through D authorization allowed for repurchases to be conducted through open market or privately negotiated transactions. Shares acquired under the st were returned to the status of authorized but unissued shares of common stock.

In January 2016, we purchased 65 thousand shares under the stock repurchase program for $2.5 million. This program terminated on Decemb

INCOME TAXES	3 Months Ended Mar. 31, 2017
Income Tax Disclosure [Abstract]	
INCOME TAXES	

10. INCOME TAXES

We use the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on differences b reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when th to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are en

The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or al will not be realized. The utilization of our NOL carryforwards will be limited in future years as prescribed by Section 382 of the U.S. Interna both March 31, 2017 and December 31, 2016, we had provided a valuation allowance against certain state net operating loss ("NOL") carryfo

We use a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or tax return, as well as guidance on derecognition, classification, interest and penalties, and financial statement reporting disclosures. For those a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. We have not identified any uncertain inco have a material impact on the consolidated financial statements. We recognize interest and penalties accrued on any unrecognized tax exposu income tax expense; we did not have any such amounts accrued as of March 31, 2017 and December 31, 2016. We are subject to taxation in v of our income tax returns remain subject to examination by tax authorities due to the availability of NOL carryforwards.

For interim periods, we recognize an income tax provision/(benefit) based on our estimated annual effective tax rate expected for the entire y estimated effective tax rate is based on the statutory tax rates then in effect, as adjusted for estimated changes in temporary and estimated per excludes certain discrete items whose tax effect is recognized in the interim period in which they occur. These changes in temporary differenc and discrete items result in variances to the effective tax rate from period to period. We also have elected to exclude the impacts from signific subsequent events from our interim estimated annual effective rate until the period in which they occur. Our estimated annual effective tax ra year as our on-going estimates of pre-tax income, changes in temporary differences, and permanent differences are revised, and as discrete ite

The estimated consolidated effective tax rate for the three months ended March 31, 2017 was 31.2% of pre-tax income reported in the period. estimated annual effective rate anticipated for the year ending December 31, 2017 plus the effects of certain discrete items occurring in the fi tax rate for the three months ended March 31, 2017 was impacted primarily by the Domestic Production Activities Deduction, as well as the period awards of stock-based compensation, stock option exercises, and disqualifying dispositions of incentive stock options, all of which im effective rate in the period in which they occur.

The 53.4% effective tax rate for the three months ended March 31, 2016 was primarily driven by permanent differences related to our interna surrounding our Corticotropin NDAs, which resulted in significant non-deductible amortization and interest expense in 2016.

COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies Disclosure [Abstract]

COMMITMENTS AND CONTINGENCIES

3 Months Ended Mar. 31, 2017

11. COMMITMENTS AND CONTINGENCIES

Government Regulation

Our products and facilities are subject to regulation by a number of federal and state governmental agencies. The FDA, in particular, maintain formulation, manufacture, distribution, packaging, and labeling of all of our products. The Drug Enforcement Administration ("DEA") maint products that are controlled substances.

Unapproved Products

Two of our products, Esterified Estrogen with Methyltestosterone ("EEMT") and Opium Tincture, are marketed without approved NDAs or A months ended March 31, 2017 and 2016, net revenues for these products totaled $6.2 million and $9.0 million, respectively.

The FDA's policy with respect to the continued marketing of unapproved products is stated in the FDA's September 2011 Compliance Policy "Marketed New Drugs without Approved NDAs or ANDAs." Under this policy, the FDA has stated that it will follow a risk-based approach against such unapproved products. The FDA evaluates whether to initiate enforcement action on a case-by-case basis, but gives higher priorit against products in certain categories, such as those marketed as unapproved drugs with potential safety risks or that lack evidence of effectiv long as we comply with applicable manufacturing standards, the FDA will not take action against us under the current enforcement policy. Th however, that the FDA will continue this policy or not take a contrary position with any individual product or group of products. If the FDA v position, we may be required to seek FDA approval for these products or withdraw such products from the market. If we decide to withdraw market, our net revenues for generic pharmaceutical products would decline materially, and if we decide to seek FDA approval, we would fac might need to suspend sales of the products until such approval was obtained, and there are no assurances that we would receive such approv

In addition, one group of products that we manufacture on behalf of a contract customer is marketed by that customer without an approved N enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw them fr contract manufacturing revenues for these unapproved products for the three months ended March 31, 2017 and 2016 were $0.6 million and $

We receive royalties on the net sales of a group of contract-manufactured products, which are marketed by the contract customer without an a took enforcement action against such customer, the customer may be required to seek FDA approval for the group of products or withdraw th royalties on the net sales of these unapproved products for the three months ended March 31, 2017 and 2016 were less than 1% of total reven

Louisiana Medicaid Lawsuit

On September 11, 2013, the Attorney General of the State of Louisiana filed a lawsuit in Louisiana state court against numerous pharmaceuti us, under various state laws, alleging that each defendant caused the state's Medicaid agency to provide reimbursement for drug products that approved by the FDA and therefore allegedly not reimbursable under the federal Medicaid program. The lawsuit relates to three cough and co manufactured and sold by our former Gulfport, Mississippi operation, which was sold in September 2010. Through its lawsuit, the state seeks statutory fines, penalties, attorneys' fees, and costs. While we cannot predict the outcome of the lawsuit at this time, we could be subject to m and fines. We intend to vigorously defend against all claims in the lawsuit.

Other Commitments and Contingencies

All manufacturers of the drug Reglan and its generic equivalent metoclopramide, including ANI, have faced allegations from plaintiffs in var California, New Jersey, and Pennsylvania, claiming bodily injuries as a result of ingestion of metoclopramide or its brand name, Reglan, prio 2009 Black Box warning requirement. In August 2012, we were dismissed with prejudice from all New Jersey cases. In August 2016, we sett California cases. We consider our exposure to this litigation to be limited due to several factors: (1) the only generic metoclopramide that we implementation of the FDA's warning requirement was an oral solution introduced after May 28, 2008; (2) our market share for the oral solut portion of the overall metoclopramide market; and (3) once we received a request for change of labeling from the FDA, we submitted our pro days, and such changes were subsequently approved by the FDA.

At the present time, we are unable to assess the likely outcome of the cases in the remaining states. Our insurance company has assumed the d paid all losses in settlement of the California cases. We cannot provide assurances that the outcome of these matters will not have an adverse financial condition, and operating results. Furthermore, like all pharmaceutical manufacturers, we may be exposed to other product liability c could limit our coverage under future insurance policies or cause those policies to become more expensive, which could harm our business, f operating results.

We launched Erythromycin Ethylsuccinate ("EES") on September 27, 2016 under a previously approved ANDA. In August, we filed with the product under a Changes Being Effected in 30 Days submission (a "CBE-30 submission"). Under a CBE-30 submission, certain defined char made if the FDA does not object in writing within 30 days. The FDA's regulations, guidance documents, and historic actions support the filin types of changes that we proposed for our EES ANDA. We received no formal written letter from the FDA within 30 days of the CBE-30 sub launched the product in accordance with FDA regulations. On December 16, 2016, and nearly four months after our CBE-30 submission, the written notice that a Prior Approval Supplement ("PAS") was required for this ANDA. Under a PAS, proposed changes to an ANDA cannot b prior review and approval by the FDA. Because we did not receive this notice in the timeframe prescribed by the FDA's regulations, we belie ANDA is valid, and as such continue to market the product. In addition, we filed a PAS which was accepted by the FDA and has an assigned We reserve all of our legal options in this matter.

FAIR VALUE DISCLOSURES

[Fair Value Disclosures [Abstract]]

FAIR VALUE DISCLOSURES

3 Months Ended Mar. 31, 2017

12. FAIR VALUE DISCLOSURES

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the mos the measurement date. U.S. GAAP establishes a hierarchical disclosure framework that prioritizes and ranks the level of observability of inpu value.

The inputs used in measuring the fair value of cash and cash equivalents are considered to be level 1 in accordance with the three-tier fair valu values are based on period-end statements supplied by the various banks and brokers that held the majority of our funds. The fair value of shor (primarily accounts receivable, prepaid expenses, accounts payable, accrued expenses, borrowings under line of credit, and other current li carrying values because of their short-term nature. While our Notes are recorded on our accompanying unaudited interim condensed consolid net carrying value of $122.5 million as of March 31, 2017, the Notes are being traded on the bond market and their full fair value is $151.3 mi price on March 31, 2017, a Level 1 input.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Our contingent value rights ("CVRs"), which were granted coincident with our merger with BioSante and expire in June 2023, are considered and are classified as liabilities. As such, the CVRs were recorded as purchase consideration at their estimated fair value, using level 3 inputs, each reporting period until settlement. The fair value of CVRs is estimated using the present value of our projection of the expected payments the CVR agreement, which is the primary unobservable input. If our projection or expected payments were to increase substantially, the value increase as a result. The present value of the liability was calculated using a discount rate of 15%. We determined that the fair value of the CV such fair value, was immaterial as of March 31, 2017 and December 31, 2016. We also determined that the changes in such fair value were in 2017 and December 31, 2016.

Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We do not have any financial assets and liabilities that are measured at fair value on a non-recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

We do not have any non-financial assets and liabilities that are measured at fair value on a recurring basis.

Non-Financial Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

We measure our long-lived assets, including property, plant, and equipment, intangible assets, and goodwill, at fair value on a non-recurring b recognized at fair value when they are deemed to be other-than-temporarily impaired. No such fair value impairment was recognized in the th 31, 2017 and 2016.

Acquired Non-Financial Assets Measured at Fair Value

In February 2017, we entered into an agreement with Cranford Pharmaceuticals, LLC to purchase a distribution license, trademark, and certa for Inderal XL for $20.2 million in cash (Note 7). We made the $20.2 million cash payment using cash on hand and capitalized $40 thousand the asset purchase. We accounted for this transaction as an asset purchase. The $15.1 million product rights intangible asset was recorded at i determined using Level 3 unobservable inputs. In order to determine the fair value of the product rights intangible asset, we used the present flows related to the product rights, using a discount rate of 10%. The product rights will be amortized in full over its 10 year useful life, and w impairment when events or circumstances indicate that the carrying value of the asset may not be recoverable. No such triggering events were period from the date of acquisition to March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31 $5.0 million of finished goods inventory. The fair value of the finished goods inventory was determined based on the estimated selling price t finished goods, less costs to sell, including a reasonable margin.

In February 2017, we entered into an agreement with Holmdel Pharmaceuticals, LP to purchase the NDA, trademark, and certain finished goo XL, including a license to an Orange Book listed patent, for $30.6 million in cash (Note 7). We made the $30.6 million cash payment using $ our Line of Credit (Note 3) and $0.6 million of cash on hand. We also capitalized $0.1 million of costs directly related to the asset purchase. W transaction as an asset purchase. The $19.0 million product rights intangible asset was recorded at its relative fair value, determined using Le In order to determine the fair value of the product rights intangible asset, we used the present value of the estimated cash flows related to the discount rate of 10%. The product rights will be amortized in full over its 10 year useful life, and will be tested for impairment when events c that the carrying value of the asset may not be recoverable. No such triggering events were identified during the period from the date of acqui and therefore no impairment loss was recognized for the three months ended March 31, 2017. We also recorded $11.6 million of finished goo value of the finished goods inventory was determined based on the estimated selling price to be generated from the finished goods, less costs reasonable margin.

In April 2016, we purchased the rights, title, and interest in the NDA for Inderal LA, as well as certain documentation, trademark rights, and Cranford Pharmaceuticals, LLC for $60.0 million in cash and milestone payments based on future gross profits from sales of products under addition, at closing, we transferred $5.0 million to an escrow account as security for future milestone payments. This escrow account balance released in less than one year and is included in restricted cash in our accompanying consolidated balance sheet as of December 31, 2016. We upfront cash payment using cash on hand, capitalized $0.3 million of costs directly related to the transaction, and recognized $3.9 million of payments for a total purchase price of $64.2 million. We accounted for this transaction as an asset purchase. These assets were recorded at the which were determined based on Level 3 unobservable inputs. We recorded $10.9 million of finished goods. The fair value of the finished go on the estimated selling price to be generated from the finished goods, less costs to sell, including a reasonable margin. We recorded the $3.9

milestone payments as accrued royalties. In order to determine the fair value of the NDA, we used the present value of the estimated cash flo
rights, using a discount rate of 12%. The $52.4 million NDA is being amortized in full over its 10 year useful life. We recorded $0.6 million
agreement associated with the transaction. In order to determine the fair value of the non-compete agreement, we used the probability-weight
using a discount rate of 10%. The non-compete agreement is being amortized in full over its seven year useful life. The intangible assets will
when events or circumstances indicate that the carrying value of the assets may not be recoverable. No such triggering events were identified
March 31, 2017 and therefore no impairment loss was recognized for the three months ended March 31, 2017.

In January 2016, we purchased from Merck Sharp & Dohme B.V. the NDAs for two previously marketed generic drug products for $75.0 mi
percentage of future net sales from product sales (Note 7). In addition, we capitalized $0.3 million in legal costs directly related to the transac
transaction as an asset purchase. These assets were recorded at their relative fair values, which were determined based on Level 3 unobservab
determine the fair value of the NDAs, we used the present value of the estimated cash flows related to the product rights, using a discount rat
being amortized in full over their 10 year useful lives, and will be tested for impairment when events or circumstances indicate that the carryi
not be recoverable. No such triggering events were identified during the three months ended March 31, 2017 and therefore no impairment los
three months ended March 31, 2017.

BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS (Policies)

DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3 Months Ended

Mar. 31, 2017

Basis of Presentation

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting princip
the United States of America ("U.S. GAAP"). In our opinion, the accompanying unaudited interim condensed consolidated financial statemer
consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations, and cash flows.
sheet at December 31, 2016, has been derived from audited financial statements of that date. The unaudited interim condensed consolidated r
necessarily indicative of the results that may occur for the full fiscal year. Certain information and footnote disclosure normally included in fi
prepared in accordance with U.S. GAAP have been omitted pursuant to instructions, rules, and regulations prescribed by the United States Se
Commission. We believe that the disclosures provided herein are adequate to make the information presented not misleading when these unau
consolidated financial statements are read in conjunction with the audited financial statements and notes previously distributed in our Annual
the year ended December 31, 2016. Certain prior period information has been reclassified to conform to the current period presentation. Pleas
Accounting Pronouncements.

Principles of consolidation

Principles of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of ANI Pharmaceuticals, Inc. and its subsidiaries. Al
and transactions are eliminated in consolidation.

Use of Estimates

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reporte
liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and ex
period. In the accompanying unaudited interim condensed consolidated financial statements, estimates are used for, but not limited to, stock-l
allowance for doubtful accounts, accruals for chargebacks, administrative fees and rebates, government rebates, returns and other allowances
obsolescence, valuation of financial instruments and intangible assets, accruals for contingent liabilities, fair value of long-lived assets, defer
allowance, purchase price allocations, and the depreciable lives of long-lived assets. Because of the uncertainties inherent in such estimates, a
from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for reasonableness.

Recent Accounting Pronouncements

Recent Accounting Pronouncements

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued guidance with respect to measuring credit losses on financial instru
receivables. The guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss
The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity
events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within
adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The adoption of
this guidance must be applied on a modified retrospective basis and the adoption of the remaining amendments must be applied on a prospect
expect that the adoption of this guidance will likely change the way we assess the collectability of our receivables and recoverability of other
have not yet begun to evaluate the specific impacts of this guidance nor have we determined the manner in which we will adopt this guidance

In February 2016, the FASB issued guidance for accounting for leases. The guidance requires lessees to recognize assets and liabilities relate
balance sheet and expands disclosure requirements regarding leasing arrangements. The guidance is effective for reporting periods beginning
and early adoption is permitted. The guidance must be adopted on a modified retrospective basis and provides for certain practical expedients
evaluating the impact that the adoption of this guidance will have on our consolidated financial statements. We currently expect that the adop
likely change the way we account for our operating leases and will likely result in recording the future benefits of those leases and the related
on our consolidated balance sheets. We have not yet begun to evaluate the specific impacts of this guidance.

In May 2014, the FASB issued guidance for revenue recognition for contracts, superseding the previous revenue recognition requirements, al
industry-specific guidance. The guidance requires an entity to review contracts in five steps: 1) identify the contract, 2) identify performance
the transaction price, 4) allocate the transaction price, and 5) recognize revenue. The new standard will result in enhanced disclosures regardi
timing, and uncertainty of revenue arising from contracts with customers. In August 2015, the FASB issued guidance approving a one-year d
standard effective for reporting periods beginning after December 15, 2017, with early adoption permitted only for reporting periods beginnir
2016. In March 2016, the FASB issued guidance to clarify the implementation guidance on principal versus agent considerations for reportin
net, with the same deferred effective date. In April 2016, the FASB issued guidance to clarify the implementation guidance on identifying per
the accounting for licenses of intellectual property, with the same deferred effective date. In May 2016, the FASB issued guidance rescinding
revenue recognition, pursuant to two SEC Staff Announcements at the March 3, 2016 Emerging Issues Task Force meeting. In May 2016, the
guidance to clarify the implementation guidance on assessing collectability, presentation of sales tax, noncash consideration, and contracts an
transition, with the same effective date. We do not intend to adopt the guidance early. We expect that the adoption of this guidance will likely
recognize revenue generated under customer contracts. However, we are currently reviewing our contracts with customers to determine if the
contracts will be impacted by the adoption of this guidance and, if so, if that impact will be material to our consolidated financial statements.
determined the manner in which we will adopt this guidance.

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued guidance to simplify the measurement of goodwill. The guidance eliminates Step 2 from the goodwill impa the amendments in this guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a rep carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider incom deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss. The guidance also eliminates reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step impairment test. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amo guidance is effective for public business entities for fiscal years beginning after December 15, 2019, including interim periods within those fi adoption is permitted for interim or annual goodwill impairment tests performed for testing dates after January 1, 2017. We adopted this guid 2017, effective as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consol

In January 2017, the FASB issued guidance clarifying the definition of a business with the objective of adding guidance to assist entities with transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when a and activities is not a business, provides a framework to assist entities in evaluating whether both an input and substantive process are present definition of the term output. The guidance is effective for public business entities for fiscal years beginning after December 15, 2017, includ those fiscal years, and early adoption is permitted. The guidance must be adopted on a prospective basis. We adopted this guidance in the firs as of January 1, 2017, on a prospective basis. The adoption of this new guidance did not have a material impact on our consolidated financial

In November 2016, the FASB issued guidance to reduce diversity in practice that exists in the classification and presentation of changes in re statement of cash flows. The revised guidance requires that amounts generally described as restricted cash and restricted cash equivalents be cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The guidan fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption was permitted, including period. If an entity adopted the guidance in an interim period, any adjustments should have been reflected as of the beginning of the fiscal yea period. The guidance must be adopted on a retrospective basis. We adopted this guidance in the first quarter of 2017, effective as of January basis, and all periods have been presented under this guidance. The adoption of this new guidance resulted in the inclusion of our $5.0 millio cash and cash equivalents balance in our consolidated statement of cash flows for all reporting periods presented in 2017 and onward.

In August 2016, the FASB issued guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, inc debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settl proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The guidance is eff entities for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption is permitted, incl interim period. If an entity adopts the guidance in an interim period, any adjustments should be reflected as of the beginning of the fiscal year period. The guidance must be adopted on a retrospective basis and must be applied to all periods presented, but may be applied prospectively application would be impracticable. We adopted this guidance in the first quarter of 2017, effective as of January 1, 2017, on a retrospective b new guidance did not have a material impact on our consolidated financial statements.

In March 2016, the FASB issued guidance simplifying the accounting for and financial statement disclosure of stock-based compensation aw in the accounting for excess tax benefits and tax deficiencies, and changes in the accounting for forfeitures associated with share-based award adopted this guidance in the first quarter of 2017, effective as of January 1, 2017. Pursuant to the adoption requirements for excess tax benefi no longer recognize excess tax benefits or tax deficiencies in Additional Paid in Capital ("APIC"); rather, we recognize them prospectively as current period provision/(benefit) before income taxes. We did not reverse our current APIC pool, which was $3.1 million as of December 31 the impact of classifying excess tax benefits as an operating activity in the statement of cash flows on a prospective basis. Pursuant to the ado forfeitures, we now account for forfeitures as they occur rather than using an estimated forfeiture rate; the change in accounting resulted in a effect adjustment increasing our accumulated deficit as of January 1, 2017. The adoption of the remaining amendments did not have a materi consolidated financial statements.

We have evaluated all other issued and unadopted Accounting Standards Updates and believe the adoption of these standards will not have a condensed consolidated statements of earnings, balance sheets, or cash flows.

REVENUE RECOGNITION AND RELATED ALLOWANCES (Tables)

Revenue Recognition [Abstract]

Schedule of Valuation and Qualifying Accounts Disclosure

3 Months Ended

Mar. 31, 2017

The following table summarizes activity in the consolidated balance sheets for accruals and allowances for the three months ended March 31, respectively:

(in thousands)	Accruals for Chargebacks, Rebates, Returns, and Other Allowances				
	Chargebacks	Government Rebates	Returns	Administrative Fees and Other Rebates	Prompt Payment Discounts
Balance at December 31, 2015	$ 11,381	$ 4,631	$ 2,648	$ 1,653	$ 674
Accruals/Adjustments	14,778	2,607	1,637	2,089	813
Credits Taken Against Reserve	(15,256)	(3,814)	(1,619)	(1,470)	(835
Balance at March 31, 2016	$ 10,903	$ 3,424	$ 2,666	$ 2,272	$ 652
Balance at December 31, 2016	$ 26,785	$ 5,891	$ 5,756	$ 3,550	$ 1,554
Accruals/Adjustments	38,191	1,821	1,855	5,030	1,662
Credits Taken Against Reserve	(40,442)	(3,057)	(1,835)	(4,755)	(1,737
Balance at March 31, 2017	$ 24,534	$ 4,655	$ 5,776	$ 3,825	$ 1,479

INDEBTEDNESS (Tables)

	3 Months Ended Mar. 31, 2017
Debt Disclosure [Abstract]	

Convertible Debt

The carrying value of the Notes is as follows as of:

(in thousands)	March 31, 2017	December 31, 2016
Principal amount	$ 143,750	$ 143,750
Unamortized debt discount	(18,997)	(20,644)
Deferred financing costs	(2,252)	(2,463)
Net carrying value	$ 122,501	$ 120,643

Interest Income and Interest Expense Disclosure

The following table sets forth the components of total interest expense related to the Notes recognized in the accompanying unaudited interim statements of earnings for the three months ended March 31, 2017 and 2016:

	Three Months Ended	
(in thousands)	March 31, 2017	March 31, 2016
Contractual coupon	$ 1,078	$ 1,078
Amortization of debt discount	1,647	1,562
Amortization of finance fees	211	211
Capitalized interest	(90)	(47)
	$ 2,846	$ 2,804

EARNINGS PER SHARE (Tables)

3 Months Ended Mar. 31, 2017

Earnings Per Share [Abstract]

Schedule of Earnings Per Share, Basic and Diluted

Earnings per share for the three months ended March 31, 2017 and 2016 are calculated for basic and diluted earnings per share as follows:

(in thousands, except per share amounts)	Basic		Diluted	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2017	2016	2017	2016
Net income	$ 1,152	$ 1,346	$ 1,152	$ 1,346
Net income allocated to restricted stock	(11)	(7)	(11)	(7)
Net income allocated to common shares	$ 1,141	$ 1,339	$ 1,141	$ 1,339
Basic Weighted-Average Shares Outstanding	11,527	11,395	11,527	11,395
Dilutive effect of stock options and ESPP			126	94
Diluted Weighted-Average Shares Outstanding			11,653	11,489
Earnings Per Share	$ 0.10	$ 0.12	$ 0.10	$ 0.12

INVENTORIES (Tables)

	3 Months Ended Mar. 31, 2017
Inventory Disclosure [Abstract]	
Schedule of Inventory, Current	Inventories consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Raw materials	$ 17,480	$ 14,138
Packaging materials	1,078	930
Work-in-progress	605	477
Finished goods[(1)]	26,990	10,812
	46,153	26,357
Reserve for excess/obsolete inventories	(260)	(174)
Inventories, net	$ 45,893	$ 26,183

(1) Includes finished goods acquired in asset purchases (Note 12).

PROPERTY, PLANT, AND EQUIPMENT (Tables)

3 Months Ended
Mar. 31, 2017

Property, Plant and Equipment [Abstract]

Property, Plant and Equipment

Property, plant, and equipment consist of the following as of:

(in thousands)	March 31, 2017	December 31, 2016
Land	$ 160	$ 160
Buildings	3,756	3,756
Machinery, furniture, and equipment	8,919	8,176
Construction in progress	5,766	4,293
	18,601	16,385
Less: accumulated depreciation	(5,704)	(5,387)
Property, Plant, and Equipment, net	$ 12,897	$ 10,998

GOODWILL AND INTANGIBLE ASSETS (Tables)

3 Months Ended

Mar. 31, 2017

GOODWILL AND INTANGIBLE ASSETS

Schedule of Intangible Assets and Goodwill

The components of net definite-lived intangible assets are as follows:

(in thousands)	March 31, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired ANDA intangible assets	$ 42,076	$ (9,440)	$ 42,076	$ (8,390)
NDAs and product rights	184,306	(21,748)	150,250	(17,081)
Marketing and distribution rights	11,042	(3,312)	11,042	(2,662)
Non-compete agreement	624	(89)	624	(67)
	$ 238,048	$ (34,589)	$ 203,992	$ (28,200)

Finite-lived Intangible Assets Amortization Expense

Expected future amortization expense is as follows:

(in thousands)	
2017 (remainder of the year)	$ 20,337
2018	26,825
2019	26,825
2020	26,343
2021	24,898
2022 and thereafter	78,231
Total	$ 203,459

STOCK-BASED COMPENSATION (Tables)

Disclosure of Compensation Related Costs, Share-based Payments [Abstract]

Schedule of Employee Service Share-based Compensation, Allocation of Recognized Period Costs

3 Months Ended Mar. 31, 2017

The following table summarizes stock-based compensation expense incurred under the 2008 Plan and included in our accompanying unaudit consolidated statements of earnings:

(in thousands)	Three Months Ended March 31,	
	2017	2016
Cost of sales	$ 23	$ (10)
Research and development	139	27
Selling, general, and adminstrative	1,209	1,088
	$ 1,371	$ 1,105

Schedule of Share-based Compansation, Stock Option And Restricted Stock, Activity

A summary of stock option and restricted stock activity under the 2008 Plan during the three months ended March 31, 2017 and 2016 is pres

(in thousands)	Options	RSAs
Outstanding December 31, 2015	474	63
Granted	10	-
Options Exercised/RSAs Vested	(22)	-
Forfeited	(7)	-
Outstanding March 31, 2016	455	63
Outstanding December 31, 2016	578	63
Granted	182	50
Options Exercised/RSAs Vested	(1)	(4)
Forfeited	(2)	-
Outstanding March 31, 2017	757	109

BUSINESS, PRESENTATION, AND RECENT ACCOUNTING PRONOUNCEMENTS (Details Textual) - USD ($) $ in Thousands	12 Months Ended Dec. 31, 2016	Mar. 31, 2017	Jan. 31, 2017	Mar. 31, 2016	Dec. 31, 2015
Restricted Cash and Cash Equivalents, Noncurrent	$ 5,002	$ 5,001		$ 0	$ 0
Adjustments for New Accounting Pronouncement [Member]					
New Accounting Pronouncement or Change in Accounting Principle, Cumulative Effect of Change on Equity or Net Assets			$ 14		
Adjustments for New Accounting Pronouncement [Member] | Additional Paid-in Capital [Member]					
APIC Pool Not Tax Effected	$ 3,100				

REVENUE RECOGNITION AND RELATED ALLOWANCES (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	$ 31,535	
Ending balance	29,481	
Chargebacks [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	26,785	$ 11,381
Accruals/Adjustments	38,191	14,778
Credits Taken Against Reserve	(40,442)	(15,256)
Ending balance	24,534	10,903
Government Rebates [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	5,891	4,631
Accruals/Adjustments	1,821	2,607
Credits Taken Against Reserve	(3,057)	(3,814)
Ending balance	4,655	3,424
Allowance for Sales Returns [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	5,756	2,648
Accruals/Adjustments	1,855	1,637
Credits Taken Against Reserve	(1,835)	(1,619)
Ending balance	5,776	2,666
Administrative Fees And Other Rebates [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	3,550	1,653
Accruals/Adjustments	5,030	2,089
Credits Taken Against Reserve	(4,755)	(1,470)
Ending balance	3,825	2,272
Prompt Payment Discounts [Member]		
Valuation and Qualifying Accounts Disclosure [Line Items]		
Beginning balance	1,554	674
Accruals/Adjustments	1,662	813
Credits Taken Against Reserve	(1,737)	(835)
Ending balance	$ 1,479	$ 652

REVENUE RECOGNITION AND RELATED ALLOWANCES (Details Textual)	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Customer One [Member]		
Concentration Risk, Percentage	31.00%	29.00%
Customer Two [Member]		
Concentration Risk, Percentage	25.00%	20.00%
Customer Three [Member]		
Concentration Risk, Percentage	20.00%	16.00%
Customer One Two And Three [Member]		
Concentration Risk, Percentage	79.00%	

INDEBTEDNESS (Details) - USD ($) $ in Thousands	Mar. 31, 2017	Dec. 31, 2016
Principal amount	$ 143,750	$ 143,750
Unamortized debt discount	(18,997)	(20,644)
Deferred financing costs	(2,252)	(2,463)
Net carrying value	$ 122,501	$ 120,643

INDEBTEDNESS (Details 1) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Contractual coupon	$ 1,078	$ 1,078
Amortization of debt discount	1,647	1,562
Amortization of finance fees	211	211
Capitalized interest	(90)	(47)
Interest Expense, Debt	$ 2,846	$ 2,804

INDEBTEDNESS (Details Textual) - USD ($) $ / shares in Units, $ in Thousands	Feb. 28, 2017	1 Months Ended May 31, 2016	3 Months Ended Mar. 31, 2017	Mar. 31, 2016	Dec. 31, 2016	Jun. 30, 2016	Dec. 31, 2014
Long-term Debt, Gross			$ 143,750		$ 143,750		
Debt Instrument, Unamortized Discount			18,997		20,644		
Line of Credit Facility, Maximum Borrowing Capacity	$ 40,000						
Deferred Finance Costs, Net			2,252		2,463		
Interest Income (Expense), Nonoperating, Net			(2,932)	$ (2,782)			
Long-term Line of Credit			30,000				
Proceeds from Lines of Credit	$ 30,000		30,000	$ 0			
Prepaid Expenses and Other Current Assets [Member]							
Deferred Costs, Current			$ 200				
Convertible Senior Notes [Member]							
Long-term Debt, Gross							$ 143,800
Long-term Debt, Percentage Bearing Fixed Interest, Percentage Rate							3.00%
Debt Instrument, Unamortized Discount							$ 33,600
Class of Warrant or Right, Exercise Price of Warrants or Rights							$ 96.21
Debt Instrument, Interest Rate, Effective Percentage			7.90%				
Debt Instrument, Convertible, Conversion Price							$ 69.48
Convertible Senior Notes [Member] | Accrued Liabilities [Member]							
Interest Payable, Current			$ 1,400		$ 400		
Line of Credit [Member]							
Line of Credit Facility, Maximum Borrowing Capacity		$ 30,000					

Debt Instrument, Maturity Date	May 12, 2019		
Line of Credit Facility, Commitment Fee Percentage	0.25%		
Debt Instrument, Description of Variable Rate Basis	LIBOR rate plus 1.25%, 1.50%, or 1.75% per annum, depending upon availability under the Citizens Agreement, or an alternative base rate plus either 0.25%, 0.50%, or 0.75% per annum,		
Deferred Finance Costs, Net			$ 300
Interest Income (Expense), Nonoperating, Net		$ 89	
Line Of Credit Facility Additional Revolving Commitment	$ 10,000		

EARNINGS PER SHARE (Details) - USD ($) $ / shares in Units, shares in Thousands, $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Net income, Basic	$ 1,152	$ 1,346
Net income, Diluted	1,152	1,346
Net income allocated to common shares, Basic	1,141	1,339
Net income allocated to common shares, Diluted	$ 1,141	$ 1,339
Basic Weighted-Average Shares Outstanding, Basic	11,527	11,395
Dilutive effect of stock options and ESPP, Diluted	126	94
Diluted Weighted-Average Shares Outstanding, Diluted	11,653	11,489
Earnings Per Share, Basic	$ 0.1	$ 0.12
Earnings Per Share, Diluted	$ 0.1	$ 0.12
Restricted Stock [Member]		
Net income allocated to restricted stock, Basic	$ (11)	$ (7)
Net income allocated to restricted stock, Diluted	$ (11)	$ (7)

EARNINGS PER SHARE (Details Textual) - shares shares in Millions	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Antidilutive Securities Excluded from Computation of Earnings Per Share, Amount	4.6	4.5

INVENTORIES (Details) - USD ($) $ in Thousands		Mar. 31, 2017	Dec. 31, 2016
Inventories			
Raw materials		$ 17,480	$ 14,138
Packaging materials		1,078	930
Work-in-progress		605	477
Finished goods	[1]	26,990	10,812
Inventory, Gross, Total		46,153	26,357
Reserve for excess/obsolete inventories		(260)	(174)
Inventories, net		$ 45,893	$ 26,183

[1] Includes finished goods acquired in asset purchases (Note 12).

INVENTORIES (Details Textual) - Sales Revenue, Net [Member]	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Three Suppliers (2016) [Member]		
Concentration Risk, Percentage		50.00%
Two suppliers 2017 [Member]		
Concentration Risk, Percentage	33.00%	

PROPERTY, PLANT, AND EQUIPMENT (Details) - USD ($) $ in Thousands	Mar. 31, 2017	Dec. 31, 2016
Property, Plant and Equipment, Gross, Total	$ 18,601	$ 16,385
Less: accumulated depreciation	(5,704)	(5,387)
Property, Plant, and Equipment, net	12,897	10,998
Land [Member]		
Property, Plant and Equipment, Gross, Total	160	160
Buildings [Member]		
Property, Plant and Equipment, Gross, Total	3,756	3,756
Machinery, furniture and equipment [Member]		
Property, Plant and Equipment, Gross, Total	8,919	8,176
Construction in progress [Member]		
Property, Plant and Equipment, Gross, Total	$ 5,766	$ 4,293

PROPERTY, PLANT, AND EQUIPMENT (Details Textual) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Depreciation, Total	$ 300	$ 200
Interest Costs Capitalized	$ 100	$ 47

GOODWILL AND INTANGIBLE ASSETS (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Dec. 31, 2016
GOODWILL AND INTANGIBLE ASSETS		
Gross Carrying Amount	$ 238,048	$ 203,992
Accumulated Amortization	(34,589)	(28,200)
Acquired ANDA intangible assets		
GOODWILL AND INTANGIBLE ASSETS		
Gross Carrying Amount	42,076	42,076
Accumulated Amortization	$ (9,440)	(8,390)
Weighted Average Amortization Period	10 years	
NDAs and product rights		
GOODWILL AND INTANGIBLE ASSETS		
Gross Carrying Amount	$ 184,306	150,250
Accumulated Amortization	$ (21,748)	(17,081)
Weighted Average Amortization Period	10 years	
Marketing and distribution rights		
GOODWILL AND INTANGIBLE ASSETS		
Gross Carrying Amount	$ 11,042	11,042
Accumulated Amortization	$ (3,312)	(2,662)
Weighted Average Amortization Period	4 years 8 months 12 days	
Non-compete agreement		
GOODWILL AND INTANGIBLE ASSETS		
Gross Carrying Amount	$ 624	624
Accumulated Amortization	$ (89)	$ (67)
Weighted Average Amortization Period	7 years	

GOODWILL AND INTANGIBLE ASSETS (Details 1) $ in Thousands	Mar. 31, 2017 USD ($)
GOODWILL AND INTANGIBLE ASSETS	
2017 (remainder of the year)	$ 20,337
2018	26,825
2019	26,825
2020	26,343
2021	24,898
2022 and thereafter	78,231
Total	$ 203,459

GOODWILL AND INTANGIBLE ASSETS (Details Textual) - USD ($) $ in Thousands	1 Months Ended			3 Months Ended		
	Feb. 28, 2017	Apr. 30, 2016	Jan. 31, 2016	Mar. 31, 2017	Mar. 31, 2016	Dec. 31, 2016
GOODWILL AND INTANGIBLE ASSETS						
Amortization of Intangible Assets				$ 6,400	$ 4,400	
Payments to Acquire Intangible Assets				50,956	84,182	
Goodwill				1,838		$ 1,838
Finite-Lived Intangible Assets, Gross				238,048		203,992
Accrued Royalties Related To Asset Purchase				$ 0	$ 1,199	
Acquired Finite-lived Intangible Asset, Amortization Description				we are amortizing 80% of the value of the intangible assets over the first five years of useful lives of the assets and amortizing the remaining 20% of the value of the intangible assets over the second five years of useful lives of the assets.		
Cranford Pharmaceuticals [Member] | Non Compete Agreement [Member]						
GOODWILL AND INTANGIBLE ASSETS						
Finite-Lived Intangible Asset, Useful Life		7 years				
Finite-Lived Intangible Assets, Gross		$ 600				
Inderal XL [Member]						
GOODWILL AND INTANGIBLE ASSETS						
Finite-Lived Intangible Asset, Useful Life	10 years					
Finite-Lived Intangible Assets, Gross	$ 15,100					
Acquisition Costs Capitalized	40					
Asset Acquisition Purchase Price	$ 20,200					
InnoPran XL [Member]						
GOODWILL AND INTANGIBLE ASSETS						
Finite-Lived Intangible Asset, Useful Life	10 years					

Finite-Lived Intangible Assets, Gross	$ 19,000		
Acquisition Costs Capitalized	100		
Asset Acquisition Purchase Price	30,600		
InnoPran XL [Member] | Line of Credit [Member]			
GOODWILL AND INTANGIBLE ASSETS			
Payments to Acquire Intangible Assets	30,000		
InnoPran XL [Member] | Cash [Member]			
GOODWILL AND INTANGIBLE ASSETS			
Payments to Acquire Intangible Assets	$ 600		
Marketing and Distribution Rights [Member]			
GOODWILL AND INTANGIBLE ASSETS			
Finite-Lived Intangible Asset, Useful Life		4 years 8 months 12 days	
Finite-Lived Intangible Assets, Gross		$ 11,042	$ 11,042
Marketing and Distribution Rights [Member] | H2 - Pharma, LLC [Member]			
GOODWILL AND INTANGIBLE ASSETS			
Payments to Acquire Intangible Assets		$ 8,800	
Finite-Lived Intangible Asset, Useful Life		4 years	
Finite-Lived Intangible Assets, Gross		$ 10,000	
Acquisition Costs Capitalized		42	
Accrued Royalties Assumed in Asset Purchase		1,200	
New Drug Applications [Member] | Merck Sharp Dohme B.V [Member]			
GOODWILL AND INTANGIBLE ASSETS			
Payments to Acquire Intangible Assets		$ 75,000	

Finite-Lived Intangible Asset, Useful Life	10 years
Finite-Lived Intangible Assets, Gross	$ 75,300
Acquisition Costs Capitalized	$ 300
New Drug Applications [Member] | Cranford Pharmaceuticals [Member]	
GOODWILL AND INTANGIBLE ASSETS	
Payments to Acquire Intangible Assets	$ 60,000
Finite-Lived Intangible Asset, Useful Life	10 years
Finite-Lived Intangible Assets, Gross	$ 52,400
Acquisition Costs Capitalized	300
Accrued Royalties Related To Asset Purchase	3,900
Asset Acquisition Purchase Price	$ 64,200

STOCK-BASED COMPENSATION (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Allocated Share-based Compensation Expense	$ 1,371	$ 1,105
Cost of Sales [Member] | 2008 Plan [Member]		
Allocated Share-based Compensation Expense	23	(10)
Research and Development Expense [Member] | 2008 Plan [Member]		
Allocated Share-based Compensation Expense	139	27
Selling, General and Administrative Expenses [Member] | 2008 Plan [Member]		
Allocated Share-based Compensation Expense	$ 1,209	$ 1,088

STOCK-BASED COMPENSATION (Details 1) - shares shares in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Options [Member]		
Option Shares		
Outstanding at the beginning of the period (in shares)	578	474
Granted (in shares)	182	10
Forfeited (in shares)	(1)	(22)
Forfeited (in shares)	(2)	(7)
Outstanding at the end of the period (in shares)	757	455
RSAs [Member]		
Option Shares		
Outstanding at the beginning of the period (in shares)	63	63
Granted (in shares)	50	0
Forfeited (in shares)	(4)	0
Forfeited (in shares)	0	0
Outstanding at the end of the period (in shares)	109	63

STOCK-BASED COMPENSATION (Details Textual) - USD ($) shares in Thousands, $ in Thousands	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Allocated Share-based Compensation Expense	$ 1,371	$ 1,105
2008 Plan [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Available for Grant	20	
Employee Stock Purchase Plan [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Share-based Compensation Arrangement by Share-based Payment Award, Number of Shares Authorized	200	
Share-based Compensation Arrangement by Share-based Payment Award, Discount from Market Price, Purchase Date	15.00%	
Employee Stock Purchase Plan [Member] | Cost of Sales [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Allocated Share-based Compensation Expense	$ 1	
Employee Stock Purchase Plan [Member] | Selling, General and Administrative Expenses [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Allocated Share-based Compensation Expense	$ 14	

STOCKHOLDERS' EQUITY (Details Textual) - Stock Repurchase Program [Member] - USD ($) shares in Thousands, $ in Millions	1 Months Ended	
	Jan. 31, 2016	Oct. 31, 2015
Stock Repurchase Program, Authorized Amount		$ 25.0
Stock Repurchased and Retired During Period, Shares	65	
Stock Repurchased and Retired During Period, Value	$ 2.5	

INCOME TAXES (Details Textual) - USD ($) $ in Millions	3 Months Ended		
	Mar. 31, 2017	Mar. 31, 2016	Dec. 31, 2016
Effective Income Tax Rate Reconciliation, Percent	31.20%	53.40%	
Deferred Tax Assets, Valuation Allowance	$ 0.3		$ 0.3

COMMITMENTS AND CONTINGENCIES (Details Textual) - USD ($) $ in Millions	3 Months Ended	
	Mar. 31, 2017	Mar. 31, 2016
COMMITMENTS AND CONTINGENCIES		
Percentage Of Royalties On Net Sales Of Unapproved Products	less than 1%	less than 1%
Unapproved Products [Member]		
COMMITMENTS AND CONTINGENCIES		
Revenue, Net	$ 6.2	$ 9.0
Unapproved Products [Member] | Contract Customer [Member]		
COMMITMENTS AND CONTINGENCIES		
Revenue, Net	$ 0.6	$ 0.3

FAIR VALUE DISCLOSURES (Details Textual) - USD ($) $ in Thousands	1 Months Ended			3 Months Ended		
	Feb. 28, 2017	Apr. 30, 2016	Jan. 31, 2016	Mar. 31, 2017	Mar. 31, 2016	Dec. 31, 2016
Fair Value Inputs, Assets, Quantitative Information						
Fair Value Inputs, Discount Rate				15.00%		
Payments to Acquire Intangible Assets				$ 50,956	$ 84,182	
Long-term Debt, Total				122,501		$ 120,643
Finite-Lived Intangible Assets, Gross				238,048		203,992
Inventory, Finished Goods, Gross	[1]			26,990		$ 10,812
Cranford Pharmaceuticals [Member] | Non Compete Agreement [Member]						
Fair Value Inputs, Assets, Quantitative Information						
Fair Value Inputs, Discount Rate		10.00%				
Finite-Lived Intangible Assets, Gross		$ 600				
Finite-Lived Intangible Asset, Useful Life		7 years				
Inderal XL [Member]						
Fair Value Inputs, Assets, Quantitative Information						
Fair Value Inputs, Discount Rate	10.00%					
Finite-Lived Intangible Assets, Gross	$ 15,100					
Finite-Lived Intangible Asset, Useful Life	10 years					
Acquisition Costs Capitalized	$ 40					
Inventory, Finished Goods, Gross				5,000		
Asset Acquisition Purchase Price	$ 20,200					
InnoPran XL [Member]						
Fair Value Inputs, Assets, Quantitative Information						
Fair Value Inputs, Discount Rate	10.00%					
Finite-Lived Intangible Assets, Gross	$ 19,000					
Finite-Lived Intangible Asset, Useful Life	10 years					
Acquisition Costs Capitalized	$ 100					
Inventory, Finished Goods, Gross				11,600		
Asset Acquisition Purchase Price	30,600					
InnoPran XL [Member] | Cash [Member]						
Fair Value Inputs, Assets, Quantitative Information						
Payments to Acquire Intangible Assets	600					
InnoPran XL [Member] | Line of Credit [Member]						
Fair Value Inputs, Assets, Quantitative Information						

Payments to Acquire Intangible Assets	$ 30,000		
Merck Sharp Dohme B.V [Member]			
Fair Value Inputs, Assets, Quantitative Information			
Fair Value Inputs, Discount Rate		10.00%	
Finite-Lived Intangible Assets, Gross		$ 75,000	
Finite-Lived Intangible Asset, Useful Life		10 years	
Acquisition Costs Capitalized		$ 300	
Fair Value, Inputs, Level 1 [Member]			
Fair Value Inputs, Assets, Quantitative Information			
Notes Payable, Fair Value Disclosure			$ 151,300
New Drug Applications [Member] | Cranford Pharmaceuticals [Member]			
Fair Value Inputs, Assets, Quantitative Information			
Fair Value Inputs, Discount Rate	12.00%		
Payments to Acquire Intangible Assets	$ 60,000		
Finite-Lived Intangible Assets, Gross	$ 52,400		
Finite-Lived Intangible Asset, Useful Life	10 years		
Acquisition Costs Capitalized	$ 300		
Inventory, Finished Goods, Gross	10,900		
Funds Held In Escrow In Relation To Asset Purchase	5,000		
Asset Acquisition Purchase Price	$ 64,200		

[1] Includes finished goods acquired in asset purchases (Note 12).