SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from to

Commission file number 1-35144

Sagent Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**98-0536317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1901 N. Roselle Road, Suite 700 Schaumburg, Illinois	**60195**
(Address of principal executive offices)	(Zip Code)

Registrant' s telephone number, including area code: **(847) 908-1600**

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

At October 31, 2011, there were 27,881,181 shares of the registrant's common stock outstanding.

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Sagent Pharmaceuticals, Inc.

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In this report, "Sagent," "we," "us" and "our" refers to Sagent Pharmaceuticals, Inc. and subsidiaries, and "Common Stock" refers to Sagent' s common stock.

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Sagent Pharmaceuticals, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share amounts)

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 37,533	$ 34,376
Restricted cash and cash equivalents	673	208
Short-term investments	76,778	-
Accounts receivable, net of chargebacks and other deductions	31,625	18,939
Inventories	37,789	30,567
Due from related party	340	868
Prepaid expenses and other current assets	2,968	5,435
Total current assets	187,706	90,393
Restricted cash and cash equivalents	100	100
Property, plant, and equipment, net	829	785
Investment in joint ventures	22,727	24,466
Intangible assets, net	4,802	2,613
Other assets	586	232
Total assets	$ 216,750	$ 118,589
Liabilities, preferred stock and stockholders' equity		
Current liabilities:		
Accounts payable	$ 18,473	$ 24,449
Due to related party	2,756	2,494
Accrued profit sharing	5,080	3,717
Accrued liabilities	6,436	4,800
Preferred stock warrants	-	1,432
Current portion of long-term debt	8,182	-
Notes payable	19,669	20,726
Total current liabilities	60,596	57,618
Long term liabilities:		
Long-term debt	6,136	-
Other long-term liabilities	606	6
Total liabilities	67,338	57,624
Preferred stock		
Series A preferred stock–$0.00001 par value; 113,000,000 authorized and outstanding at December 31, 2010 (liquidation preference $113,000)	-	113,000
Series B preferred stock–$0.00001 par value; 39,136,052 authorized and 32,714,284 outstanding at December 31, 2010 (liquidation preference $45,800)	-	44,774
Total preferred stock	-	157,774
Stockholders' equity (deficit):		

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Common stock–$0.01 and $0.000008 par value, 100,000,000 and 23,539,769 authorized and 27,881,181 and 2,054,467 outstanding at September 30, 2011 and December 31, 2010, respectively	279	-
Additional paid-in capital	265,139	2,318
Accumulated other comprehensive income	1,703	1,285
Accumulated deficit	(117,709)	(100,412)
Total stockholders' equity (deficit)	149,412	(96,809)
Total liabilities, preferred stock and stockholders' equity (deficit)	$ 216,750	$ 118,589

See accompanying notes to condensed consolidated financial statements.

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Sagent Pharmaceuticals, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net revenue	$41,281	$21,269	$103,879	$40,473
Cost of sales	34,344	18,535	89,604	37,544
Gross profit	6,937	2,734	14,275	2,929
Operating expenses:				
Product development	3,460	2,534	8,191	8,600
Selling, general and administrative	6,688	4,481	18,139	13,002
Equity in net loss of joint ventures	401	212	1,598	979
Total operating expenses	10,549	7,227	27,928	22,581
Loss from operations	(3,612)	(4,493)	(13,653)	(19,652)
Interest income and other	104	14	179	22
Interest expense and other	(1,223)	(243)	(2,985)	(710)
Change in fair value of preferred stock warrants	-	(140)	(838)	(548)
Loss before income taxes	(4,731)	(4,862)	(17,297)	(20,888)
Provision for income taxes	-	-	-	-
Net loss	$ (4,731)	$ (4,862)	$ (17,297)	$ (20,888)
Net loss per common share:				
Basic	$(0.17)	$(2.47)	$(0.99)	$(10.82)
Diluted	$(0.17)	$(2.47)	$(0.99)	$(10.82)
Weighted-average of shares used to compute net loss per common share:				
Basic	27,875	1,972	17,480	1,931
Diluted	27,875	1,972	17,480	1,931

See accompanying notes to condensed consolidated financial statements.

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Sagent Pharmaceuticals, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine months ended September 30, 2011	2010
Cash flows from operating activities		
Net loss	$ (17,297)	$ (20,888)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	170	191
Amortization	1,695	591
Stock-based compensation	1,617	582
Decrease in restricted stock repurchase liability	-	38
Equity in net loss of joint ventures	1,598	979
Change in fair value of preferred stock warrants	838	548
Changes in operating assets and liabilities:		
Accounts receivable, net	(12,686)	(1,102)
Inventories	(7,222)	(7,726)
Prepaid expenses and other current assets	2,467	2,397
Due from related party	528	(299)
Accounts payable and other accrued liabilities	(2,858)	2,367
Net cash used in operating activities	(31,150)	(22,322)
Cash flows from investing activities		
Capital expenditures	(214)	(193)
Funding of principal balance of restricted cash	(465)	(418)
Investments in unconsolidated joint ventures	(127)	(5,065)
Return of capital from unconsolidated joint venture	924	-
Purchases of investments	(93,193)	-
Sale of investments	15,627	-
Purchase of product rights	(3,008)	(579)
Net cash used in investing activities	(80,456)	(6,255)
Cash flows from financing activities		
(Reduction) increase in short-term notes payable	(1,057)	4,939
Proceeds from issuance of long-term debt	15,000	-
Repayment of long-term debt	(682)	-
Proceeds from issuance of preferred stock, net of issuance costs	-	45,393
Proceeds from issuance of common stock, net of issuance costs	101,582	136
Payment of deferred financing costs	(80)	-
Net cash provided by financing activities	114,763	50,468
Net increase in cash and cash equivalents	3,157	21,891
Cash and cash equivalents, at beginning of period	34,376	7,731
Cash and cash equivalents, at end of period	$ 37,533	$ 29,622

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See accompanying notes to condensed consolidated financial statements

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Sagent Pharmaceuticals, Inc.

Notes to Condensed Consolidated Financial Statements
(in thousands, except for share and per share information)
(Unaudited)

Note 1. Summary of significant accounting policies:

Reincorporation:
We completed our initial public offering ("IPO") on April 26, 2011. In connection with our IPO, we incorporated (the "Reincorporation") in Delaware as Sagent Pharmaceuticals, Inc., ("Sagent" or the "Company"). Prior to this reincorporation, we were a Cayman Islands company, and our corporate name was Sagent Holding Co. ("Sagent Holding").

In connection with our IPO and concurrent with our Reincorporation in Delaware, the holders of our preferred stock exchanged each of their outstanding shares of preferred stock for 0.12759 shares of our common stock.

Basis of Presentation:
Our interim condensed consolidated financial statements are unaudited. We prepared the condensed consolidated financial statements following rules for interim reporting as prescribed by the U.S. Securities and Exchange Commission ("SEC"). As permitted under those rules, we have condensed or omitted a number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). It is management' s opinion that these financial statements include all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of our financial position, operating results and cash flows. Operating results for any interim period are not necessarily indicative of future or annual results.

You should read these statements in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2010, included in our IPO prospectus filed with the SEC on April 21, 2011.

Principles of Consolidation:
The condensed consolidated financial statements include Sagent as well as our wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. We account for our investment in Kanghong Sagent (Chengdu) Pharmaceutical Corporation Limited ("KSP") and Sagent Strides LLC using the equity method of accounting, as our interest in each entity provides for joint financial and operational control. Operating results of our KSP equity method investment are reported on a one-month lag.

Financial Instruments:
We consider all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year are classified as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in market value, excluding other-than-temporary impairments, are reflected in other comprehensive income ("OCI").

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Fair value is calculated based on publicly available market information or other estimates determined by management. We employ a systematic methodology on a quarterly basis that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds its fair value, we evaluate, among other

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factors, general market conditions, credit quality of debt instrument issuers, the duration and extent to which the fair value is less than cost, and for equity securities, our intent and ability to hold, or plans to sell, the investment. For fixed income securities, we also evaluate whether we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery. We also consider specific adverse conditions related to the financial health of and business outlook for the investee, including

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industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other expense and a new cost basis in the investment is established.

New Accounting Pronouncements:
In May 2011, new guidance was issued on the accounting for fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. We will adopt this guidance on January 1, 2012, and do not believe this guidance will have a significant impact on our financial results.

In June 2011, new guidance was issued regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of operations and other comprehensive income or separate but consecutive statements of operations and other comprehensive income. We will adopt this guidance on January 1, 2012, and do not believe this guidance will have a significant impact on our financial results.

Note 2. Reverse stock split:

All common share and per share amounts in the condensed consolidated financial statements and notes thereto have been restated to reflect a reverse stock split effective on April 26, 2011, whereby every 7.8378 shares of common stock, including the shares of preferred stock that were converted to common stock on April 26, 2011, were combined into one share of common stock. Immediately prior to the consummation of our IPO, but following the reverse stock split, the number of authorized shares was increased to 105 million, consisting of 100 million shares of common stock and 5 million shares of undesignated preferred stock, each with a par value of $0.01 per share.

Note 3. Investments:

Our investments at September 30, 2011 were comprised of the following:

	Cost basis	Unrealized gains	Unrealized losses	Recorded basis	Cash and cash equivalents	Short term investments
Assets						
Cash	$11,791	$ -	$ -	$11,791	$ 11,791	$ -
Money market funds	25,742	-	-	25,742	25,742	-
Commercial paper	9,499	-	(3)	9,496	-	9,496
Corporate bonds and notes	63,516	-	(229)	63,287	-	63,287
US government securities	4,001	-	(6)	3,995	-	3,995
	$114,549	$ -	$ (238)	$114,311	$ 37,533	$ 76,778

Investments with continuous unrealized losses for less than twelve months and their related fair values were as follows:

	Fair value	Unrealized losses
Commercial paper	$9,496	$ 3
Corporate bonds and notes	63,287	229
US government securities	2,995	6

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$ 75,778	$ 238

Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates. We do not believe that any unrealized losses represent an other-than-temporary impairment based on our evaluation of available evidence as of September 30, 2011.

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The original cost and estimated current fair value of our fixed-income securities are set forth below.

	Cost basis	Estimated fair value
Due in one year or less	$30,847	$ 30,785
Due between one and five years	46,169	45,993
	$ 77,016	$ 76,778

Note 4. Inventories:

Inventories at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011			December 31, 2010		
	Approved	Pending regulatory approval	Inventory	Approved	Pending regulatory approval	Inventory
Finished goods	$ 39,679	$ -	$ 39,679	$ 31,151	$ -	$ 31,151
Raw materials	-	271	271	-	262	262
Inventory reserve	(2,161)	-	(2,161)	(846)	-	(846)
	$ 37,518	$ 271	$ 37,789	$ 30,305	$ 262	$ 30,567

Note 5. Intangible assets, net:

Intangible assets at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011			December 31, 2010		
	Gross carrying amount	Accumulated amortization	Intangible assets, net	Gross carrying amount	Accumulated amortization	Intangible assets, net
Product licensing rights	$ 2,528	$ (960)	$ 1,568	$ 1,618	$ (668)	$ 950
Product development rights	3,234	-	3,234	1,663	-	1,663
	$ 5,762	$ (960)	$ 4,802	$ 3,281	$ (668)	$ 2,613

Movements in intangible assets were due to the following:

	Product licensing rights	Product development rights
December 31, 2010	$ 950	$ 1,663
Acquisition of product rights	910	2,098
Amortization of product rights	(292)	(527)
September 30, 2011	$ 1,568	$ 3,234

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Amortization expense related to our product licensing rights was $107 for the three months ended September 30, 2011, and $292 for the nine months ended September 30, 2011. Amortization expense related to our product development rights was $527 for the three and nine months ended September 30, 2011. The weighted-average period prior to the next extension or renewal for the ten products comprising our product licensing rights intangible asset was 45 months at September 30, 2011.

We currently estimate amortization expense over each of the next five years as follows:

For the year ending:	Amortization expense
September 30, 2012	$ 3,319
September 30, 2013	722
September 30, 2014	249
September 30, 2015	220
September 30, 2016	114

Note 6. Investment in KSP:

Changes in our investment in KSP during the three and nine months ended September 30, 2011 were as follows:

Investment in KSP at January 1, 2011	$ 23,663
Equity in net loss of KSP	(2,762)
Currency translation adjustment	655
Investment in KSP at September 30, 2011	$21,556

Condensed statement of operations information of KSP is presented below.

Condensed statement of operations information	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net revenues	$ -	$ -	$ -	$ -
Gross profit	-	-	-	-
Net loss	(1,782)	(651)	(4,839)	(1,748)

During the three and nine months ended September 30, 2011, KSP' s development activities increased, with initial batch validation activities occurring in the first half of 2011 at its manufacturing facility. KSP filed its initial submission from the facility during the three months ended September 30, 2011.

Note 7. Accrued liabilities:

Accrued liabilities at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Payroll and employee benefits	$ 2,639	$ 1,736
Sales and marketing	2,960	2,338
Other accrued liabilities	837	726
	$ 6,436	$ 4,800

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Note 8. Debt:

In March 2011, our principal operating subsidiary amended its $25,000 senior secured revolving credit facility (the "Revolver") to permit, among other things, the entry into a new $15,000 term loan credit facility (the "Term Note") and the incurrence of debt and granting of liens thereunder. The amendment also required that we become a borrower under the Revolver. The Revolver and Term Note were amended in September 2011 primarily to include our parent company as a co-borrower under the facilities. The interest rate on the Revolver, which bears interest at a rate equal to either an adjusted London Interbank Offered Rate ("LIBOR"), plus a margin of 5.50%, or an alternate base rate plus a margin of 4.50%, was 8.50% at September 30, 2011 and December 31, 2010.

In March 2011, our principal operating subsidiary entered into a $15,000 Term Note, which expires June 16, 2013. Borrowings under the Term Note will be used for general corporate purposes, including funding of our working capital. The interest rate on the Term Note, which bears interest at LIBOR plus a margin of 9.0%, subject to a 3.0% LIBOR floor, was 12.0% at September 30, 2011. Equal monthly amortization payments in respect to the Term Note are payable beginning September 1, 2011. Under the agreement, we are required to maintain the lesser of $15,000 or 65% of our consolidated cash balances with a single financial institution and are also required to pay a financing fee of $600 when the Term Note has been repaid. The financing fee is being amortized to interest expense over the life of the loan, and the related obligation is included in other long-term liabilities on our balance sheet. The Term Note is secured by a second lien on substantially all of the assets of our principal operating subsidiary.

The Term Note contains various covenants substantially similar to the senior secured revolving credit facility, including a covenant to maintain minimum net invoiced revenues, restrictions on our ability to incur additional indebtedness, create liens, make certain investments, pay dividends, sell assets, or enter into a merger or acquisition. With respect to dividends, our principal operating subsidiary, as the borrower under the term loan credit facility, was prohibited, subject to certain limited exceptions, from declaring dividends or otherwise making any distributions, loans or advances to us as the parent company until we became a borrower under the Term Note in September 2011.

Aggregate maturities of our long-term debt for the years ended September 30, were as follows:

For the year ending:	
September 30, 2012	$8,182
September 30, 2013	$6,136

Note 9. Fair value measurements:

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Commerical paper	$9,496	$ -	$ 9,496	$ -
Corporate bonds and notes	63,287	-	63,287	-
US government securities	3,995	-	3,995	-
Total assets	$76,778	$ -	$ 76,778	$ -
Liabilities				
Preferred stock warrants	$-	$ -	$ -	$ -
	$-	$ -	$ -	$ -

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The fair value of our Level 2 investments is based on a combination of quoted market prices of similar securities and matrix pricing provided by third-party pricing services utilizing securities of similar quality and maturity.

Liabilities measured at fair value on a recurring basis as of December 31, 2010 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities				
Preferred stock warrants	$ 1,432	$ -	$ -	$ 1,432
	$ 1,432	$ -	$ -	$ 1,432

On April 26, 2011, the holder of our preferred stock warrants exercised all of the warrants concurrent with our IPO, acquiring 454,500 shares of our common stock having a fair value at the IPO of $7,272, for $5,001 of cash. We recorded $838 of expense related to the preferred stock warrants during the nine months ended September 30, 2011, and $140 and $548 of expense related to the preferred stock warrants during the three and nine months ended September 30, 2010.

During the nine months ended September 30, 2011 and the three and nine months ended September 30, 2010, changes in the fair value of our preferred stock warrants measured using significant unobservable inputs (Level 3), were comprised of the following:

	Nine months ended September 30, 2011
Balance at beginning of period	$ 1,432
Change in fair value of warrants	838
Exercise of warrants	(2,270)
Balance at end of period	$ -

	Three months ended September 30, 2010	Nine months ended September 30, 2010
Balance at beginning of period	$ 1,027	$ -
Issuance of warrants	-	619
Change in fair value of warrants	140	548
Balance at end of period	$ 1,167	$ 1,167

Note 10. Comprehensive income (loss):

Comprehensive income (loss) for the three and nine months ended September 30, 2011 and 2010 is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net loss, as reported	$(4,731)	$(4,862)	$(17,297)	$(20,888)
Comprehensive income (loss)				
Unrealized loss on available for sale securities, net of tax	(151)	-	(238)	-
Currency translation adjustment, net of tax	98	-	655	-
Total comprehensive loss	$(4,784)	$(4,862)	$(16,880)	$(20,888)

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Note 11. Earnings per share:

Basic earnings per share is calculated by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Because of their anti-dilutive effect, 1,767,977 and 20,455,013 common share equivalents, comprised of preferred shares, restricted stock, preferred stock warrants and unexercised stock options, have been excluded from the calculation of diluted earnings per share for the periods ended September 30, 2011 and 2010, respectively. The table below presents the computation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2011 and 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Basic and dilutive numerator:				
Net loss, as reported	$(4,731)	$(4,862)	$(17,297)	$(20,888)
Denominator:				
Weighted-average common shares outstanding–basic (in thousands)	27,875	1,972	17,480	1,931
Net effect of dilutive securities:				
Weighted-average conversion of Class A and Class B preferred stock	-	-	-	-
Stock options and restricted stock	-	-	-	-
Weighted-average common shares outstanding–diluted (in thousands)	27,875	1,972	17,480	1,931
Net loss per common share (basic)	$(0.17)	$(2.47)	$(0.99)	$(10.82)
Net loss per common share (diluted)	$(0.17)	$(2.47)	$(0.99)	$(10.82)

On April 19, 2011, we completed our IPO, issuing 5,750,000 shares of our common stock in exchange for consideration of $92 million. The underwriters exercised their overallotment option on April 21, 2011, resulting in the issuance of an additional 862,500 shares of our common stock for consideration of $13.8 million. The offering closed on April 26, 2011; we received net proceeds from the offering of $95.8 million.

Note 12. Stock-based compensation:

We granted 63,250 and 137,420 stock options during the three and nine months ended September 30, 2011. There were 5,103 and 195,393 stock options exercised during the three and nine months ended September 30, 2011, with an aggregate intrinsic value of $92 and $1,836, respectively.

Note 13. Revenue and revenue deductions:

Net revenue by product line is as follows:

	Three months ended September 30,		Nine months ended September 30,	
Theraputic class:	2011	2010	2011	2010
Anti-infective	$20,122	$11,326	$42,562	$26,134
Critical care	9,434	8,279	38,230	11,063
Oncology	11,725	1,664	23,087	3,276
	$ 41,281	$ 21,269	$ 103,879	$ 40,473

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Accrued chargebacks are shown as a reduction in accounts receivable. Changes in accrued chargebacks during the three and nine month periods ended September 30, 2011 resulted from the following:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Accrued chargebacks at beginning of period	$ 18,589	$ 13,507
Provision for chargebacks	37,690	107,804
Credits or checks issued	(41,117)	(106,149)
Accrued chargebacks at end of period	$ 15,162	$ 15,162

Note 14. Related party transactions:

As of September 30, 2011 and December 31, 2010, respectively, we had a receivable of $340 and $868 from Sagent Strides LLC, which is expected to offset future profit-sharing payments. As of September 30, 2011 and December 31, 2010, respectively, we had a payable of $2,756 and $2,494 to Sagent Strides LLC, principally for the acquisition of inventory and amounts due under profit-sharing arrangements. During the nine months ended September 30, 2011, Sagent Strides LLC distributed $1,848 of profit sharing receipts to its joint venture partners. As the Sagent Strides joint venture is in a cumulative loss position, our share of this distribution has been treated as a return of capital in the condensed consolidated statement of cash flows.

Note 15. Commitments and contingencies:

From time to time, we are subject to claims and litigation arising in the normal course of business. At this time, there are no proceedings of which we are aware that we expect will have a material adverse effect on our consolidated financial position or results of operations.

In January 2011, Infusive Technologies, LLC (“Infusive”) filed a complaint against us in the United States District Court of Utah, Central Division, alleging that we had breached the terms of an acquisition agreement entered into in September 2008, by failing to use reasonable commercial efforts to develop and commercialize products derived from certain patents and other intellectual property previously acquired by us from Infusive, thereby avoiding a $1,250 contingent payment under the agreement. The complaint seeks compensatory damages of at least $15,000, plus interest. Originally the complaint included claims for punitive damages of at least $50,000, but these claims were eliminated when Infusive filed an amended complaint following our filing of a motion to dismiss. We intend to continue to defend this litigation vigorously and have brought a number of counterclaims against Infusive and have successfully tendered the patents and technology back to Infusive. We do not expect that this lawsuit will have a material adverse effect on our consolidated financial position or results of operations.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements included elsewhere in this report and with our audited financial statements and the notes found in our IPO prospectus filed with the SEC on April 21, 2011. Unless otherwise noted, all dollar amounts are in thousands.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including this Management' s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "can have," "likely" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. In addition, this report contains forward-looking statements regarding our expectation for 2011 gross margin percentage; our ability to generate operating profit in the near term; the adequacy of our current cash balances, including cash received from our IPO, to fund our ongoing operations; our utilization of our net operating loss carryforwards; and our ability to meet our obligations under the Senior Secured Revolving Credit Agreement and Term Loan Credit Agreement.

These forward-looking statements involve risks and uncertainties, and the cautionary statements set forth below, as well as elsewhere in this Report on Form 10-Q, and those contained in the "Risk Factors" found in our IPO prospectus filed with the SEC on April 21, 2011, identify important factors that could cause actual results to differ materially from those predicted in our forward-looking statements. Such factors, include, but are not limited to:

- we rely on our business partners for the manufacture of our products, and if our business partners fail to supply us with high-quality API or finished products in the quantities we require on a timely basis, sales of our products could be delayed or prevented, our revenues would decline and we may not achieve profitability;
- if we or any of our business partners are unable to comply with the regulatory standards applicable to pharmaceutical drug manufacturers, we may be unable to meet the demand for our products, may lose potential revenues and may not achieve profitability;
- any change in the regulations, enforcement procedures or regulatory policies established by the FDA and other regulatory agencies could increase the costs or time of development of our products and delay or prevent sales of our products and our revenues would decline and we may not achieve profitability;
- two of our products, heparin and cefepime, each of which is supplied to us by a single vendor, represent a significant portion of our net revenues and, if the volume or pricing of either of these products declines, or we are unable to satisfy market demand for either of these products, it could have a material adverse effect on our business, financial position and results of operations;
- if we are unable to continue to develop and commercialize new products in a timely and cost-effective manner, we may not achieve our expected revenue growth or profitability or such revenue growth and profitability, if any, could be delayed;
- if we are unable to maintain our GPO relationships, our revenues would decline and future profitability would be jeopardized;

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- we rely on a limited number of pharmaceutical wholesalers to distribute our products;
- we participate in highly competitive markets, and if we are unable to compete successfully, our revenues could decline and our future profitability could be jeopardized;
- we depend to a significant degree upon our key personnel, the loss of whom could adversely affect our operations;
- we may be exposed to product liability claims that could cause us to incur significant costs or cease selling some of our products;
- if reimbursement for our current or future products is reduced or modified, our business could suffer;
- current economic conditions could adversely affect our operations;
- we are subject to a number of risks associated with managing our international network of collaborations;
- we may never realize the expected benefits from our investment in our KSP joint venture; and
- we may seek to engage in strategic transactions, including the acquisition of products or businesses, that could have a variety of negative consequences, and we may not realize the benefits of such transactions.

We derive many of our forward-looking statements from our work in preparing, reviewing and evaluating our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our SEC filings and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Introduction

We are an injectable pharmaceutical company that develops and sources products that we sell primarily in the U.S. through our highly experienced sales and marketing team. With a primary focus on generic injectable pharmaceuticals, we currently offer our customers a broad range of products across anti-infective, oncolytic and critical care indications in a variety of presentations, including single- and multi-dose vials, pre-filled ready-to-use syringes and premix bags. We generally seek to develop injectable products where the form or packaging of the product can be enhanced to improve delivery, product safety or end-user convenience. We have rapidly established a large and diverse product portfolio and pipeline as a result of our innovative business model, which combines an extensive network of collaborations with API suppliers and finished product developers and manufacturers in Asia, Europe, the Middle East and the Americas with our proven and experienced U.S.-based regulatory, quality assurance, business development, project management, finance, and sales and marketing teams.

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Discussion and Analysis

Consolidated results of operations

The following compares our consolidated results of operations for the three months ended September 30, 2011 with those of the three months ended September 30, 2010:

	Three months ended September 30, 2011	Three months ended September 30, 2010	$ change	% change
Net revenue	$ 41,281	$ 21,269	$ 20,012	94 %
Cost of sales	34,344	18,535	15,809	85 %
Gross profit	6,937	2,734	4,203	154 %
Gross profit as % of net revenues	*16.8%*	*12.9%*	*3.9%*	
Operating expenses:				
Product development	3,460	2,534	926	37 %
Selling, general and administrative	6,688	4,481	2,207	49 %
Equity in net loss of joint ventures	401	212	189	89 %
Total operating expenses	10,549	7,227	3,322	46 %
Loss from operations	(3,612)	(4,493)	881	20 %
Interest income and other	104	14	90	643 %
Interest expense	(1,223)	(243)	(980)	(403) %
Change in fair value of preferred stock warrants	-	(140)	140	100 %
Loss before income taxes	(4,731)	(4,862)	131	3 %
Provision for income taxes	-	-	-	0 %
Net loss	$(4,731)	$(4,862)	$131	3 %
Net loss per common share:				
Basic	$(0.17)	$(2.47)	$2.30	93 %
Diluted	$(0.17)	$(2.47)	$2.30	93 %

Net revenue: Net revenue for the three months ended September 30, 2011 totaled $41.3 million, an increase of $20.0 million, or 94%, as compared to $21.3 million for the three months ended September 30, 2010. The launch of 28 new codes or presentations of 10 products since September 30, 2010, including our levofloxacin and gemcitabine products, which were introduced in July, and topotecan, contributed $23.2 million of the net revenue increase in the third quarter. Net revenue for products launched prior to September 30, 2010 decreased $3.2 million, or 15%, to $18.1 million in the third quarter of 2011 due to lower pricing, especially on our heparin products, partially offset by increased unit volume across our portfolio.

Cost of sales: Cost of goods sold for the three months ended September 30, 2011 totaled $34.3 million, an increase of $15.8 million, or 85%, as compared to $18.5 million for the three months ended September 30, 2010. Gross profit as a percentage of net revenue was 16.8% for the three months ended September 30, 2011, and 12.9% for the three months ended September 30, 2010. The increase in gross profit as a percentage of net revenue was driven primarily by our introduction of new, higher margin products, principally levofloxacin, gemcitabine and topotecan, partially offset by the impact of lower pricing, especially on our heparin products and increased reserves for slow moving products.

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Product development: Product development expense for the three months ended September 30, 2011 totaled $3.5 million, an increase of $0.9 million, or 37%, as compared to $2.5 million for the three months ended September 30, 2010. The increase in product development expense was primarily due to the timing of milestone payments and FDA filings fees for our development programs.

As of September 30, 2011, our new product pipeline included 32 products represented by 59 ANDAs which we had filed, or licensed rights to, that were under review by the US Food and Drug Administration ("FDA") and 8 products represented by 16 ANDAs that have been recently approved and were pending commercial launch. We expect to launch most of these remaining new products by the end of 2013. We also had an additional 27 products represented by 30 ANDAs under initial development at September 30, 2011.

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Selling, general and administrative: Selling, general and administrative expenses for the three months ended September 30, 2011, totaled $6.7 million, an increase of $2.2 million, or 49%, as compared to $4.5 million for the three months ended September 30, 2010. The increase in selling, general and administrative expense was primarily due to increases in headcount and corporate infrastructure to support revenue growth and manage the requirements of operating as a public company. Selling, general and administrative expense as a percentage of net revenue was 16% and 21% for the three months ended September 30, 2011 and 2010, respectively; the reduction reflects the benefit of significant sales growth across our established sales and administrative organization.

Equity in net loss of joint ventures: Equity in net loss of joint ventures for the three months ended September 30, 2011 totaled $0.4 million, an increase of $0.2 million, or 89%, as compared to $0.2 million for the three months ended September 30, 2010. The increase was primarily due to additional development activities of our KSP joint venture, as the manufacturing facility continued validation and development activities in advance of the initial submission from the facility, which occurred during the third quarter, partially offset by increased income generated by the Sagent Strides joint venture.

Interest expense: Interest expense for the three months ended September 30, 2011 totaled $1.2 million, an increase of $1.0 million, or 403%, as compared to $0.2 million for the three months ended September 30, 2010. The increase was principally due to higher average borrowings under our expanded senior secured revolving credit facility and borrowings under our new term loan credit facility during the three months ended September 30, 2011 as compared to the three months ended September 30, 2010.

Provision for income taxes: We have generated tax losses since inception and do not believe that it is more likely than not that our net operating loss carryforwards and other deferred tax assets will be utilized. As a result, we have decided that a full valuation allowance is needed against our deferred tax assets. The exercise of the overallotment option as part of our initial public offering in April 2011 triggered an ownership change as defined by Section 382 of the US Internal Revenue Code. This change will limit the amount of our net operating loss carryforwards which we could utilize to offset future taxable income. Because none of our current net operating loss carryforwards expire before 2027, we expect that despite the use limitations triggered by our IPO, we will have a reasonable opportunity to utilize all of these loss carryforwards before they expire, but such loss carryforwards will be usable only to the extent that we generate sufficient taxable income.

Net loss and net loss per common share: The net loss for the three months ended September 30, 2011 of $4.7 million decreased by $0.1 million, or 3%, from the $4.9 million net loss for the three months ended September 30, 2010. Net loss per common share decreased by $2.30, or 93%. The decrease in net loss per common share is due to the following factors:

Basic and diluted EPS for the three months ended September 30, 2010	$(2.47)
Increase in operations	0.07
Increase in common shares outstanding	2.23
Basic and diluted EPS for the three months ended September 30, 2011	$(0.17)

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The following compares our consolidated results of operations for the nine months ended September 30, 2011 with those of the nine months ended September 30, 2010:

	Nine months ended September 30,			
	2011	2010	$ change	% change
Net revenue	$ 103,879	$ 40,473	$63,406	157 %
Cost of sales	89,604	37,544	52,060	139 %
Gross profit	14,275	2,929	11,346	387 %
Gross profit as % of net revenues	*13.7%*	*7.2%*	*6.5%*	
Operating expenses:				
Product development	8,191	8,600	(409)	(5) %
Selling, general and administrative	18,139	13,002	5,137	40 %
Equity in net loss of joint ventures	1,598	979	619	63 %
Total operating expenses	27,928	22,581	5,347	24 %
Loss from operations	(13,653)	(19,652)	5,999	31 %
Interest income and other	179	22	157	714 %
Interest expense	(2,985)	(710)	(2,275)	(320) %
Change in fair value of preferred stock warrants	(838)	(548)	(290)	(53) %
Loss before income taxes	(17,297)	(20,888)	3,591	17 %
Provision for income taxes	-	-	-	0 %
Net loss	$ (17,297)	$ (20,888)	$3,591	17 %
Net loss per common share:				
Basic	$ (0.99)	$ (10.82)	$9.83	91 %
Diluted	$ (0.99)	$ (10.82)	$9.83	91 %

Net revenue: Net revenue for the nine months ended September 30, 2011 totaled $103.9 million, an increase of $63.4 million, or 157%, as compared to $40.5 million for the nine months ended September 30, 2010. The launch of 28 codes or presentations of 10 products since September 30, 2010, including topotecan, levofloxacin and gemcitabine, contributed $31.6 million, or 50%, of the net revenue increase in the nine month period ended September 30, 2011. Net revenue for products launched prior to September 30, 2010 increased $31.8 million, or 79%, to $72.3 million, due primarily to the annualization of prior year product launches, including heparin, which launched in July 2010, and increased unit volumes, partially offset by the impact of lower pricing.

Cost of sales: Cost of goods sold for the nine months ended September 30, 2011 totaled $89.6 million, an increase of $52.1 million, or 139%, as compared to $37.5 million for the nine months ended September 30, 2010. Gross profit as a percentage of net revenue was 13.7% for the nine months ended September 30, 2011, and 7.2% for the nine months ended September 30, 2010. The increase in gross profit as a percentage of net revenue was primarily driven by our introduction of new, higher margin products, principally topotecan, levofloxacin and gemcitabine, partially offset by the impact of pricing pressure on our existing product portfolio and increased reserves for slow moving products.

Product development: Product development expense for the nine months ended September 30, 2011 totaled $8.2 million, a decrease of $0.4 million, or 5%, as compared to $8.6 million for the nine months ended September 30, 2010. The decrease in product development expense was primarily due to the timing of milestone and other payments under our development programs.

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Selling, general and administrative: Selling, general and administrative expenses for the nine months ended September 30, 2011, totaled $18.1 million, an increase of $5.1 million, or 40%, as compared to $13.0 million for the nine months ended September 30, 2010. The increase in selling, general and administrative expense was primarily due to increases in headcount and corporate infrastructure to support revenue growth and manage the requirements of operating as a public company. Selling, general and administrative expense as a percentage of net revenue was 17% and 32% for the nine months ended September 30, 2011 and 2010, respectively; the reduction reflects the benefit of significant sales growth across our established sales and administrative organization.

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Equity in net loss of joint ventures: Equity in net loss of joint ventures for the nine months ended September 30, 2011 totaled $1.6 million, an increase of $0.6 million, or 63%, as compared to $1.0 million for the nine months ended September 30, 2010. The increase was primarily due to additional development activities of our KSP joint venture, as the manufacturing facility commenced validation and development activities in advance of its initial submission, which occurred in the third quarter, partially offset by increased income generated by the Sagent Strides joint venture.

Interest expense: Interest expense for the nine months ended September 30, 2011 totaled $3.0 million, an increase of $2.3 million, or 320%, as compared to $0.7 million for the nine months ended September 30, 2010. The increase was principally due to higher average borrowings under our expanded senior secured revolving credit facility and borrowings under our new term loan credit facility during the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010.

Provision for income taxes: We have generated tax losses since inception and do not believe that it is more likely than not that our net operating loss carryforwards and other deferred tax assets will be utilized. As a result, we have decided that a full valuation allowance is needed against our deferred tax assets.

Net loss and net loss per common share: The net loss for the nine months ended September 30, 2011 of $17.3 million decreased by $3.6 million, or 17%, from the $20.9 million net loss for the nine months ended September 30, 2010. Net loss per common share decreased by $9.83, or 91%. The decrease in net loss per common share is due to the following factors:

Basic and diluted EPS for the nine months ended September 30, 2010	$(10.82)
Increases in operations	1.86
Increase in common shares outstanding	7.97
Basic and diluted EPS for the nine months ended September 30, 2011	$(0.99)

Liquidity and Capital Resources

Funding Requirements

As of September 30, 2011, we have not generated any operating profit and may not in the near term. We expect our continuing operating losses to result in the continued use of cash for operations. Our future capital requirements will depend on a number of factors, including the continued commercial success of our existing products, launching the 40 products that are represented by our 75 ANDAs that have been recently approved and are pending commercial launch or are pending approval by the FDA as of September 30, 2011, and successfully identifying and sourcing other new product opportunities.

Based on our existing business plan, we expect the net proceeds of our April 2011 initial public offering, approximately $95.8 million, after deducting underwriters discounts and commissions and offering expenses, together with our outstanding borrowings, will be sufficient to fund our planned operations, including the continued development of our product pipeline, for at least the next 12 months. However, we may require additional funds in the event we change our business plan or encounter unexpected developments, including unforeseen competitive conditions within our product markets, changes in the regulatory environment or the loss of key relationships with suppliers, group purchasing organizations or end-user customers.

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If required, additional funding may not be available to us on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of our stockholders. For example, if we raise additional funds by issuing equity securities or by selling convertible debt securities, further dilution to our existing stockholders may result. To the extent our capital resources are insufficient to meet our future capital requirements, we will need to finance our future cash needs through public or private equity offerings or debt financings, which may not be available to us on terms we consider acceptable or at all.

If adequate funds are not available, we may be required to terminate, significantly modify or delay the development or commercialization of new products. We may elect to raise additional funds even before we need them if we believe that the conditions for raising capital are favorable.

Cash Flows

Overview

On September 30, 2011, cash and cash equivalents on hand totaled $37.5 million, working capital totaled $127.1 million and our current ratio (current assets to current liabilities) was approximately 3.1 to 1.0. We have made a net investment of $77.6 million of the proceeds from our IPO in other short-term investments, generally U.S. government or high quality investment grade corporate debt securities with a remaining term of two years or less.

Sources and Uses of Cash

Operating activities: Net cash used in operating activities was $31.2 million for the nine months ended September 30, 2011, compared with $22.3 million during the nine months ended September 30, 2010. The increase in the use of cash was primarily due to a $15.4 million increase in working capital, principally from increases in our net accounts receivable as our sales increase, partially offset by a decrease in our year to date net loss of $3.6 million.

Investing activities: Net cash used in investing activities was $80.5 million for the nine months ended September 30, 2011, compared with $6.3 million during the nine months ended September 30, 2010. The change in cash flows from investing activities relates primarily to the net investment of $77.6 million of the proceeds from our April 2011 IPO in short-term available-for-sale securities.

Financing activities: Net cash provided by financing activities was $114.8 million for the nine months ended September 30, 2011, including $101.6 million from the issuance of common shares, which includes net proceeds of $95.8 million from our initial public offering, and $15.0 million from our term loan credit facility, compared with $50.5 million for the nine months ended September 30, 2010, which included $45.4 million in proceeds from the issuance of Class B preferred stock.

Senior Secured Revolving Credit Facility

On June 16, 2009, our principal operating subsidiary entered into a senior secured revolving credit facility with Midcap Financial, LLC. In December 2010, our principal operating subsidiary entered into an amendment to the senior secured revolving credit facility pursuant to which it is able to borrow up to $25.0 million in revolving loans, subject to borrowing availability. The borrowing availability is calculated based on eligible accounts receivable and inventory. On March 8, 2011, our principal operating subsidiary further amended the senior secured revolving credit facility to, among other things, permit the entry into our new $15.0 million term loan credit facility, which we describe below, and the incurrence of debt and granting of liens thereunder.

The senior secured revolving credit facility expires June 16, 2013. Borrowings under the senior secured revolving credit facility may be used for general corporate purposes, including funding working capital. Amounts drawn bear an interest rate equal to either an adjusted London Interbank Offered Rate (“LIBOR”), plus a margin of 5.50%, or an alternate base rate plus a margin of 4.50%. Loans under the senior secured revolving credit facility are secured by substantially all of our assets.

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The senior secured revolving credit facility contains various covenants, including a covenant to maintain minimum net invoiced revenue, ability to incur additional indebtedness, create liens, make certain investments, pay dividends, sell assets, or enter into a merger or acquisition. With respect to dividends, our principal operating subsidiary, as the borrower under the senior secured credit facility, was prohibited, subject to certain limited exceptions, from declaring dividends or otherwise making any distributions, loans or advances to Sagent until Sagent became a borrower under the senior secured revolving credit facility. Sagent became a borrower under this agreement as part of a joinder and amendment to the senior secured revolving credit facility finalized on September 26, 2011. The joinder and amendment also eliminated the covenant to maintain minimum net invoiced revenue in periods where we report a specified level of cash and cash equivalents in our consolidated financial statements.

As of September 30, 2011, we had $19.7 million of outstanding borrowings under our senior secured revolving credit facility, which represented our maximum borrowing availability as of that date based on our borrowing base calculation. The interest rate on the senior secured revolving credit facility was 8.50% at September 30, 2011 and December 31, 2010. As of September 30, 2011, we were in compliance with all the covenants under the senior secured revolving credit facility.

Term Loan Credit Facility

On March 8, 2011, our principal operating subsidiary entered into a $15.0 million term loan credit facility with Midcap Funding III, LLC, as agent and a lender, and the other financial institutions party thereto, as lenders. We borrowed the full amount of the facility at that time, and no further borrowings or re-borrowings are permitted. The term loan credit facility is coterminous with the senior secured revolving credit facility and expires June 16, 2013. Borrowings under the term loan facility may be used for general corporate purposes, including funding working capital. Loans outstanding under the term loan credit facility bear interest at LIBOR, plus a margin of 9.0%, subject to a 3.0% LIBOR floor. Equal monthly amortization payments in respect of the term loan are payable beginning September 1, 2011. The term loan credit facility is secured by a second lien on substantially all of our assets.

The term loan credit facility contains various covenants substantially similar to the senior secured revolving credit facility, including a covenant to maintain minimum net invoiced revenue, restriction on the borrower's ability to incur additional indebtedness, create liens, make certain investments, pay dividends, sell assets, or enter into a merger or acquisition. With respect to dividends, our principal operating subsidiary, as the borrower under the term loan credit facility, was prohibited, subject to certain limited exceptions, including an exception to distribute $1.5 million to us to cover fees and expenses related to the IPO, from declaring dividends or otherwise making any distributions, loans or advances to us, until Sagent became a borrower under the term loan credit facility. Sagent became a borrower under this agreement as part of a joinder and amendment to the term loan credit facility finalized on September 26, 2011. The joinder and amendment also eliminated the covenant to maintain minimum net invoice revenue in periods where we report a specified level of cash and cash equivalents in our consolidated financial statements.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the contractual obligations that are discussed below and in our Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010, included in our IPO prospectus, filed with the SEC on April 21, 2011.

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Aggregate Contractual Obligations:

The following table summarizes our long-term contractual obligations and commitments as of September 30, 2011. The actual amount that may be required in the future to repay our senior secured revolving credit facility may be different, including as a result of additional borrowings under our senior secured revolving credit facility.

	Payments due by period				
Contractual obligations (1)	**Total**	**Less than one year**	**1-3 years**	**3-5 years**	**More than five years**
Long-term debt obligations (2)	$34,365	$28,229	$6,136	$-	$ -
Operating lease obligations (3)	1,547	268	581	617	81
Contingent milestone payments (4)	17,044	11,532	4,462	927	123
Joint venture funding requirements (5)	493	300	168	-	25
	$53,449	$40,329	$11,347	$1,544	$ 229

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(1) We had no material purchase commitments, individually or in the aggregate, under our manufacturing and supply agreements.

(2) Includes amounts payable under our senior secured revolving credit facility based on interest rates calculated at the applicable borrowing rate as of September 30, 2011. As of September 30, 2011, we had approximately $19.7 million of outstanding borrowings under our senior secured revolving credit facility and $14.3 million payable under our term loan credit facility.

(3) Includes annual minimum lease payments related to non-cancelable operating leases.

(4) Includes management' s estimate for contingent potential milestone payments and fees pursuant to strategic business agreements for the development and marketing of finished dosage form pharmaceutical products assuming all contingent milestone payments occur. Does not include contingent royalty payments, which are dependent on the introduction of new products.

(5) Includes minimum funding requirements in connection with our existing joint ventures.

Critical Accounting Policies

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies are described in Note 2 to our consolidated financial statements for the year ended December 31, 2010, or in Note 1 to this Form 10-Q. Our significant accounting estimates are described in our Management' s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2010. We have identified the following critical accounting policies:

Revenue recognition;
Revenue deductions;
Inventories;
Accounting estimates and judgments;
Income taxes;
Stock-based compensation;
Product development; and

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Intangible assets.

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For a discussion of critical accounting policies affecting us, see the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations–Critical Accounting Policies" in our IPO prospectus filed with the SEC on April 21, 2011. Following our IPO, we invested a significant portion of the proceeds in available-for-sale marketable securities. We have identified our policy with respect to the valuation and impairment of marketable securities as a new critical accounting policy, as further described below.

Valuation and Impairment of Marketable Securities

Our investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of investments are included in accumulated other comprehensive income, net of tax, as reported in our balance sheets. Changes in the fair value of investments impact our net income (loss) only when such investments are sold or an other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. We regularly review our investment portfolio to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns, which would require us to record an impairment charge in the period any such determination is made. In making this judgment, we evaluate, among other things, the duration and extent to which the fair value of an investment is less than its cost, the financial condition of the issuer and any changes thereto, and our intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's amortized cost basis. Our assessment on whether an investment is other-than-temporarily impaired or not, could change in the future due to new developments or changes in assumptions related to any particular investment.

There have been no other material changes to the Company's critical accounting policies and estimates since December 31, 2010.

New Accounting Guidance

See Note 1. Summary of Significant Accounting Policies, for a discussion of new accounting guidance.

Contingencies

See Note 15. Commitments and Contingencies, and Part II, Item 1. *Legal Proceedings* for a discussion of contingencies.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Our market risks relate primarily to changes in interest rates. Our senior secured revolving credit facility bears floating interest rates that are tied to LIBOR and an alternate base rate and our new term loan credit facility bears floating rate interest rates that are tied to LIBOR and, therefore our statements of operations and our cash flows will be exposed to changes in interest rates. A one percentage point increase in LIBOR would cause an increase to the interest expense on our borrowings under our senior secured revolving credit facility and new term loan credit facility of approximately $0.2 million and $0.1 million, respectively. We historically have not engaged in interest rate hedging activities related to our interest rate risk.

At September 30, 2011, we had cash and cash equivalents and short-term investments of $37.5 million and $76.8 million, respectively. Our cash and cash equivalents are held primarily in cash and money market funds, and our short-term investments are held primarily in corporate and U.S. government debt securities. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates.

While we operate primarily in the U.S., we do have foreign currency considerations. We generally incur sales and pay our expenses in U.S. dollars. Our KSP joint venture and substantially all of our business partners that supply us with API, product development services and finished product manufacturing are located in a number of foreign jurisdictions, and we believe they generally incur their respective operating expenses in local currencies. As a result, these business partners may be exposed to currency rate fluctuations and experience an effective increase in their operating expenses in the event their local currency appreciates against the U.S. dollar. In this event, such business partners may elect to stop providing us with these services or attempt to pass these increased costs back to us through increased prices for product development services, API sourcing or finished products that they supply to us. Historically we have not used derivatives to protect against adverse movements in currency rates.

We do not have any foreign currency or any other material derivative financial instruments.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC' s rules and forms, and that the information is accumulated and communicated to our management, including our certifying officers, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Except as described above in Note 15 to our Condensed Consolidated Financial Statements, there have been no material developments in our legal proceedings since those reported in our IPO prospectus filed with the SEC on April 21, 2011. From time to time we are subject to claims and litigation arising in the ordinary course of business. At this time, there are no proceedings of which management is aware that are expected to have a material adverse effect on the consolidated financial position or results of operations.

Item 1A. Risk Factors.

There are no material changes from the risk factors previously disclosed in our IPO prospectus filed April 21, 2011.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of Sagent Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.3 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).
3.2	Bylaws of Sagent Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 3.4 in the Company's Registration Statement on Form S-1, as amended (File Nos. 333-170979 and 333-173597).
10.1*	Employment agreement, dated as of September 12, 2011, by and between Sagent Pharmaceuticals, Inc. and Jonathon M. Singer
10.2*	Offer letter, dated as of August 18, 2011, by and between Sagent Pharmaceuticals, Inc. and Jonathon M. Singer
10.3	Joinder and Amendment No. 6 Regarding Credit Agreement, dated September 26, 2011, by and among Sagent Pharmaceuticals, Sagent Pharmaceuticals, Inc., Midcap Funding IV, LLC, and Silicon Valley Bank (Incorporated by reference to Exhibit 10.1 to Form 8-K filed September 30, 2011).
10.4	Joinder and Amendment No. 1 Regarding Credit Agreement, dated September 26, 2011, by and among Sagent Pharmaceuticals, Sagent Pharmaceuticals, Inc., Midcap Funding III, LLC, and Silicon Valley Bank (Incorporated by reference to Exhibit 10.2 to Form 8-K filed September 30, 2011).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1**	The following materials from Sagent's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 are formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months

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ended September 30, 2011 and 2010, (iv) Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and (v) document and entity information.

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* Filed herewith

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101.1 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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Signature

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.

SAGENT PHARMACEUTICALS INC.

/s/ Jonathon M. Singer

Jonathon M. Singer
Chief Financial Officer

November 7, 2011

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Exhibit 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT ("Agreement") is entered into as of this 12th day of September, 2011 (the "Effective Date"), by and between Sagent Pharmaceuticals, Inc., a Wyoming corporation (the "Employer" or the "Company"), and Jonathon Singer, an individual (the "Executive").

WHEREAS, the Employer desires to employ the Executive in the capacity of Chief Financial Officer and the Executive desires to be employed by Employer in the capacity of the Chief Financial Officer; and

WHEREAS, the Employer and the Executive desire to enter into this Agreement to set out the terms and conditions for the employment relationship of the Executive with the Employer.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

1. Employment Agreement. On the terms and conditions set forth in this Agreement, the Employer agrees to employ the Executive and the Executive agrees to be employed by the Employer for the Employment Period set forth in Section 2 and in the positions and with the duties set forth in Section 3. Terms used herein with initial capitalization not otherwise defined are defined in Section 26.

2. Term. The initial term of employment under this Agreement shall be for a three-year period commencing on the Effective Date (the "Initial Term"). The term of employment shall be automatically extended for an additional consecutive 12-month period (each an "Extended Term" and collectively, the "Extended Terms") on the third anniversary of the Effective Date and each subsequent anniversary thereof, unless and until the Employer or Executive provides written notice to the other party in accordance with Section 14 hereof not less than 60 days before such anniversary date that such party is electing not to extend the term of employment under this Agreement ("Non-Renewal"), in which case the term of employment hereunder shall end as of the end of such Initial Term or Extended Term, as the case may be, unless sooner terminated as hereinafter set forth. Such Initial Term and all such Extended Terms are collectively referred to herein as the "Employment Period." Anything herein to the contrary notwithstanding, if on the date of a Change in Control the remaining term of the Employment Period is less than 24 months, the Employment Period shall be automatically extended to the end of the 24-month period following such Change in Control.

3. Position and Duties. During the Employment Period, the Executive shall serve as the Chief Financial Officer. In such capacities, the Executive shall report exclusively to the Chief Executive Officer and shall have the duties, responsibilities and authorities customarily associated with such position(s) in a company the size and nature of the Employer. The Executive shall devote the Executive' s reasonable best efforts and full business time to the

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performance of the Executive' s duties hereunder and the advancement of the business and affairs of the Employer; provided that the Executive shall be entitled to serve as a member of the board of directors of a reasonable number of other companies, to serve on civic, charitable, educational, religious, public interest or public service boards, and to manage the Executive' s personal and family investments, in each case, to the extent such activities do not materially interfere with the performance of the Executive' s duties and responsibilities hereunder.

4. Place of Performance. During the Employment Period, the Executive shall be based primarily at the Employer' s headquarters in Schaumburg, IL, except for reasonable travel on the Employer' s business consistent with the Executive' s position.

5. Compensation and Benefits; Options; Change in Control.

(a) Base Salary. During the Employment Period, the Employer shall pay to the Executive a base salary (the "Base Salary") at the rate of no less than $310,000 per calendar year, less applicable deductions, and prorated for any partial year. The Base Salary shall be reviewed for increase by the Employer no less frequently than annually and shall be increased in the discretion of the Employer and any such adjusted Base Salary shall constitute the "Base Salary" for purposes of this Agreement. The Base Salary shall be paid in substantially equal installments in accordance with the Employer' s regular payroll procedures. The Executive' s Base Salary may not be decreased during the Employment Period.

(b) Annual Bonus. For each calendar year ending during the Employment Period, the Executive shall be paid an annual cash performance bonus (an "Annual Bonus"), to the extent earned based on performance against objective, reasonably attainable performance criteria; provided that subjective criteria may be used to determine the Executive' s Annual Bonus to the extent the Company' s Chief Executive Officer agrees to the use of non-subjective performance measures. The performance criteria for any particular calendar year shall be determined in good faith by the Board, after consultation with the Employer' s Chief Executive Officer, no later than sixty (60) days after the commencement of the relevant bonus period. The Executive' s annual bonus opportunity for a calendar year shall equal 40% of the Executive' s Base Salary (the "Target Bonus") for that year if target levels of performance for that year are achieved, and shall be adjusted in accordance with the Company' s annual bonus plan applicable to senior executives generally to the extent that the applicable target performance criteria is not achieved or is exceeded. The Executive' s Annual Bonus for a bonus period shall be determined by the Board in accordance with this Section 5(b) after the end of the applicable bonus period and shall be paid to the Executive when annual bonuses for that year are paid to other senior executives of the Employer generally, but in no event later than March 15th of the year following the year to which such Annual Bonus relates. In carrying out its functions under this Section 5(b), the Board shall at all times act uniformly, reasonably and in good faith.

(c) Vacation; Benefits. During the Employment Period, the Executive shall be entitled to vacation in accordance with the Employer' s policies then in effect. In addition, the Employer shall provide to the Executive employee benefits and perquisites on a basis that is comparable in all material respects to that provided to other executives of the Employer. Subject to the terms of this Agreement, the Employer shall have the right to change insurance carriers and to adopt, amend, terminate or modify employee benefit plans and arrangements at any time and without the consent of the Executive.

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6. Expenses. The Executive is expected and is authorized to incur reasonable expenses in the performance of his duties hereunder. The Employer shall reimburse the Executive for all such expenses reasonably and actually incurred in accordance with policies which may be adopted from time to time by the Employer promptly upon periodic presentation by the Executive of an itemized account, including reasonable substantiation, of such expenses.

7. Confidentiality, Non-Disclosure and Non-Competition Agreement. The Employer and the Executive acknowledge and agree that during the Executive' s employment with the Employer, the Executive will have access to and may assist in developing Company Confidential Information and will occupy a position of trust and confidence with respect to the Employer' s affairs and business and the affairs and business of the Company Affiliates. The Executive agrees that the following obligations are necessary to preserve the confidential and proprietary nature of Company Confidential Information and to protect the Employer and the Company Affiliates against harmful solicitation of employees and customers, harmful competition and other actions by the Executive that would result in serious adverse consequences for the Employer and the Company Affiliates:

(a) Non-Disclosure. During and after the Executive' s employment with the Employer, the Executive will not knowingly use, disclose or transfer any Company Confidential Information other than as authorized in writing by the Employer or within the scope of the Executive' s duties with the Employer as determined reasonably and in good faith by the Executive. Anything herein to the contrary notwithstanding, the provisions of this Section 7(a) shall not apply (i) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Executive to disclose or make accessible any information; provided that the Employer receives prior written notice of such disclosure and that the Executive takes all reasonable and lawful actions to obtain confidential treatment for such disclosure and, if possible, to minimize the extent of such disclosure; (ii) with respect to any other litigation, arbitration or mediation involving this Agreement, including, but not limited to, the enforcement of this Agreement; (iii) as to information that becomes generally known to the public or within the relevant trade or industry other than due to the Executive' s violation of this Section 7(a); (iv) as to information that is or becomes available to the Executive on a non-confidential basis from a source which is entitled to disclose it to the Executive; or (v) as to information that the Executive possessed prior to the commencement of employment with the Employer.

(b) Materials. The Executive will not remove any Company Confidential Information or any other property of the Employer or any Company Affiliate from the Employer' s premises or make copies of such materials except for normal and customary use in the Employer' s business as determined reasonably and in good faith by the Executive. The Employer acknowledges that the Executive, in the ordinary course of the Executive' s duties, routinely uses and stores Company Confidential Information at home and other locations. The

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Executive will return to the Employer all Company Confidential Information and copies thereof and all other property of the Employer or any Company Affiliate at any time upon the request of the Employer and in any event promptly after termination of Executive' s employment. The Executive agrees to attempt in good faith to identify and return to the Employer any copies of any Company Confidential Information after the Executive ceases to be employed by the Employer. Anything to the contrary notwithstanding, nothing in this Section 7 shall prevent the Executive from retaining a home computer, papers and other materials of a personal nature, including diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, information that he reasonably believes may be needed for tax purposes, and copies of plans, programs and agreements relating to his employment.

(c) No Solicitation or Hiring of Employees. During the Non-Compete Period, the Executive shall not solicit, entice, persuade or induce any individual who is employed by the Employer or the Company Affiliates (or who was so employed within 180 days prior to the Executive' s action) to terminate or refrain from continuing such employment or to become employed by or enter into contractual relations with any other individual or entity other than the Employer or the Company Affiliates, and the Executive shall not hire, directly or indirectly, as an employee, consultant or otherwise, any such person. Anything to the contrary notwithstanding, the Employer agrees that (i) the Executive' s responding to an unsolicited request from any former employee of the Employer for advice on employment matters; (ii) the Executive' s responding to an unsolicited request for an employment reference regarding any former employee of the Employer from such former employee, or from a third party, by providing a reference setting forth his personal views about such former employee; and (iii) the general advertisement for employees or the general solicitation of employees by a recruiter shall not be deemed a violation of this Section 7(c). Notwithstanding the foregoing, this Section 7(c) shall not preclude the Executive from soliciting for employment or hiring any person who has been discharged by the Employer or any Company Affiliate without cause.

(d) Non-Competition.

(i) During the Non-Compete Period, the Executive shall not, directly or indirectly, (A) solicit or encourage any client or customer of the Employer or a Company Affiliate, or any person or entity who was such a client or customer within 180 days prior to Executive' s action to terminate, reduce or alter in a manner adverse to the Employer or the Company Affiliate, any existing business arrangements with the Employer or a Company Affiliate or to transfer existing business from the Employer or a Company Affiliate to any other person or entity, (B) provide services to any entity if (I) the entity competes with the Employer or any direct or indirect subsidiary of the Employer by engaging in any business engaged in by the Employer or any direct or indirect subsidiary of the Employer, or (II) the services to be provided by the Executive are competitive with the Employer or any direct or indirect subsidiary of the Employer and substantially similar to those previously provided by the Executive to the Employer; provided, however, that following a Change in Control this Section 7(d)(i)(B) shall not apply to the Executive, or (C) own an interest in any entity described in Section 7(d)(i)(B)(I) immediately above; provided, however, that Executive may own, as a passive investor, securities of any such entity that has outstanding publicly traded securities so long as the Executive' s direct

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holdings in any such entity shall not in the aggregate constitute more than 5% of the voting power of such entity. The Executive agrees that, before providing services, whether as an employee or consultant, to any entity during the Non-Compete Period, the Executive will provide a copy of this Agreement to such entity, and such entity shall acknowledge to the Employer in writing that it has read this Agreement. The Executive acknowledges that this covenant has a unique, very substantial and immeasurable value to the Employer, that the Executive has sufficient assets and skills to provide a livelihood for the Executive while such covenant remains in force and that, as a result of the foregoing, in the event that the Executive breaches such covenant, monetary damages would be an insufficient remedy for the Employer and equitable enforcement of the covenant would be proper.

(ii) If the restrictions contained in Section 7(d)(i) shall be determined by any court of competent jurisdiction to be unenforceable by reason of their extending for too great a period of time or over too great a geographical area or by reason of their being too extensive in any other respect, Section 7(d)(i) shall be modified to be effective for the maximum period of time for which it may be enforceable and over the maximum geographical area as to which it may be enforceable and to the maximum extent in all other respects as to which it may be enforceable.

(e) Publicity. During the Employment Period, the Executive hereby grants to the Employer the right to use, in a reasonable and appropriate manner, the Executive' s name and likeness, without additional consideration, on, in and in connection with technical, marketing or disclosure materials, or any combination thereof, published by or for the Employer or any Company Affiliate.

(f) Enforcement. The Executive acknowledges that in the event of any breach of this Section 7, the business interests of the Employer and the Company Affiliates will be irreparably injured, the full extent of the damages to the Employer and the Company Affiliates will be impossible to ascertain, monetary damages will not be an adequate remedy for the Employer and the Company Affiliates, and the Employer will be entitled to enforce this Agreement by a temporary, preliminary and/or permanent injunction or other equitable relief, without the necessity of posting bond or security, which the Executive expressly waives. The Executive understands that the Employer may waive some of the requirements expressed in this Agreement, but that such a waiver to be effective must be made in writing and should not in any way be deemed a waiver of the Employer' s right to enforce any other requirements or provisions of this Agreement. The Executive agrees that each of the Executive' s obligations specified in this Agreement is a separate and independent covenant and that the unenforceability of any of them shall not preclude the enforcement of any other covenants in this Agreement. The Executive further agrees that any breach of this Agreement by the Employer prior to the Date of Termination shall not release the Executive from compliance with the Executive' s obligations under this Section 7, so along as the Employer fully complies with Sections 9, 10, 11 and 12. The Employer further agrees that any breach of this Agreement by the Executive that does not result in the Executive' s being terminated for Cause, other than a willful (as defined in the definition of "Cause") and material breach of Sections 7(d)(i)(A) or 7(d)(i)(B) after the Date of Termination, shall not release the Employer from compliance with its obligations under this Agreement. Notwithstanding the foregoing two sentences, neither party shall be precluded from pursuing judicial remedies as a result of any such breaches.

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8. Termination of Employment.

(a) Permitted Terminations. The Executive's employment hereunder may be terminated during the Employment Period under the following circumstances:

(i) Death. The Executive's employment hereunder shall terminate automatically upon the Executive's death;

(ii) By the Employer. The Employer may terminate the Executive's employment as follows:

(A) Disability. If the Executive shall have been substantially unable to perform the Executive's material duties hereunder by reason of illness, physical or mental disability or other similar incapacity, which inability shall continue for 180 consecutive days or 270 days in any 24-month period (a "Disability") (provided, that until such termination, the Executive shall continue to receive the Executive's compensation and benefits hereunder, reduced by any benefits payable to the Executive under any applicable disability insurance policy or plan); or

(B) Cause. For Cause or without Cause;

(iii) By the Executive. The Executive may terminate the Executive's employment for any reason (including Good Reason) or for no reason.

(b) Termination. Any termination of the Executive's employment by the Employer or the Executive (other than because of the Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicates the specific termination provision in this Agreement relied upon, if any, and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated. Termination of the Executive's employment shall take effect on the Date of Termination. The Executive agrees, in the event of any dispute under Section 8(a)(ii)(A) as to whether a Disability exists, and if requested by the Employer, to submit to a physical examination by a licensed physician selected by mutual consent of the Employer and the Executive, the cost of such examination to be paid by the Employer. The written medical opinion of such physician shall be conclusive and binding upon each of the parties hereto as to whether a Disability exists and the date when such Disability arose. This Section shall be interpreted and applied so as to comply with the provisions of the Americans with Disabilities Act and any applicable state or local laws.

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9. Compensation Upon Termination.

(a) Termination by the Employer for Cause or Termination by the Executive without Good Reason. If, during the Employment Period, the Employer terminates the Executive' s employment for Cause pursuant to Section 8(a)(ii)(B) or the Executive terminates his employment without Good Reason, the Employer shall pay to the Executive the Accrued Benefits. Except as set forth herein, the Employer shall have no further obligations to the Executive under this Agreement.

(b) Termination due to Death or Disability, Termination by the Employer without Cause or Termination by the Executive with Good Reason. Subject to Section 9(c), if the Executive' s employment is terminated during the Employment Period (i) due to the Executive' s death or Disability, (ii) by the Employer for a reason other than for Cause or (iii) by the Executive with Good Reason (any termination described in clauses (i), (ii) or (iii), a "Qualifying Termination") then (A) the Employer shall pay the Executive (I) the Accrued Benefits, (II) a pro rata portion (based on the number of days during the applicable fiscal period prior to the Date of Termination) of the Annual Bonus the Executive would have earned absent such termination, with such payment to be made at the time bonus payments are made to executives of the Company generally, and (III) a cash lump sum in an amount equal to the product of one and the sum of the Executive' s Base Salary and Target Bonus (the "Cash Severance Payment"); (B) provided the Executive elects continued welfare coverage pursuant to COBRA, the Company shall pay during the period the Executive actually continues such coverage, but in any event not to exceed 18 months, the same percentage of the monthly premium costs for COBRA continuation coverage as it pays of the monthly premium costs for medical coverage for senior executives generally; provided that the Company may pay this amount by paying the Executive a monthly amount equal on an after-tax basis to such amount (the "Monthly Payments"); and (C) the Company shall reimburse the Executive for reasonable outplacement services (which shall not exceed $30,000 in the aggregate) incurred during the two-year period following the Date of Termination.

(c) Change in Control. This Section 9(c) shall apply if (i) the Executive' s employment with the Company is terminated due to a Qualifying Termination during the Employment Period in the two-year period following a Change in Control; or (ii) there is a termination of the Executive' s employment by the Employer for a reason other than for Cause or due to the Executive' s Disability prior to a Change in Control, if the termination was at the request of a third party or otherwise arose in anticipation of a Change in Control (a termination described in either clause (i) or clause (ii), a "CIC Termination"). If any such termination occurs, (A) the Executive shall receive benefits set forth in Section 9(b), except that the Cash Severance Payment shall be equal to the product of two and the sum of the Executive' s Base Salary and Target Bonus, (B) all outstanding equity-related awards held by the Executive shall immediately vest and all options, stock appreciation rights or similar awards shall remain exercisable for the full original term of the award and (C) Section 10 of this Agreement shall apply to the Executive. For the sake of clarity, Section 10 shall not apply unless the Executive' s employment with the Company and its subsidiaries is terminated in a CIC Termination.

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(d) Liquidated Damages. The parties acknowledge and agree that damages which will result to the Executive for termination by the Employer of the Executive' s employment without Cause or by the Executive for Good Reason shall be extremely difficult or impossible to establish or prove, and agree that the amounts, excluding the Accrued Benefits, payable to the Executive under Section 9(b) (the "Severance Benefits") shall constitute liquidated damages for any such termination. The Executive agrees that, except for such other payments and benefits to which the Executive may be entitled as expressly provided by the terms of this Agreement or any other applicable benefit plan, such liquidated damages shall be in lieu of all other claims that the Executive may make by reason of any such termination of his employment and that, as a condition to receiving the Severance Benefits, the Executive must execute a release of claims substantially in the form attached hereto as Exhibit A (the "Release"), which shall be delivered to the Executive for execution within 5 business days of the Date of Termination. To be eligible for Severance Benefits, the Executive must execute and deliver the Release, and such Release must become irrevocable, within 60 days of the Date of Termination. The Cash Severance Payment shall be made, and the Monthly Payments shall commence, promptly after the Release becomes irrevocable; provided that to the extent required by Code Section 409A, such payments shall be made or commence, as applicable, on the 60th day following the Date of Termination and in the case of the Monthly Payments, shall include all payments that otherwise would have been made before such date.

(e) No Offset. In the event of termination of his employment, the Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due to him on account of any remuneration or benefits provided by any subsequent employment he may obtain. The Employer' s obligation to make any payment pursuant to, and otherwise to perform its obligations under, this Agreement shall not be affected by any offset, counterclaim or other right that the Employer or its affiliates may have against him for any reason.

10. Certain Additional Payments by the Employer. This Section 10 shall apply to the Executive only if the Executive terminates employment with the Company and its subsidiaries in a CIC Termination.

(a) If the Executive' s employment with the Company and its subsidiaries terminates in a CIC Termination and if it is determined that any benefit provided to the Executive or payment or distribution by or for the account of the Employer to or for the benefit of the Executive, whether provided, paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive with respect to such excise tax resulting from any action or inaction by the Employer (such excise tax, together with any such interest and penalties, collectively, the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of the Excise Tax and all other income, employment, excise and other taxes that are imposed on the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the sum of (A) the Excise Tax imposed upon the Payments and (B) the product of any deductions disallowed because of the inclusion of the Gross-up Payment in the Executive' s adjusted gross income and the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payment is to be made.

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(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be used in arriving at such determination, shall be made by the Employer's independent, certified public accounting firm or such other certified public accounting firm as may be designated by the Executive and shall be reasonably acceptable to the Employer (the "Accounting Firm") which shall provide detailed supporting calculations both to the Employer and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Employer. If the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting a change in the ownership or effective control (as defined for purposes of Section 280G of the Code) of the Employer, the Executive shall appoint another nationally recognized accounting firm which is reasonably acceptable to the Employer to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Employer. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Employer to the Executive within five days of the receipt of the Accounting Firm's determination, but in any event no later than 30 days after the end of the year in which the Executive pays any tax imposed pursuant to Section 4999 of the Code. Any determination by the Accounting Firm shall be binding upon the Employer and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that additional Gross-Up Payments shall be required to be made to compensate the Executive for amounts of Excise Tax later determined to be due, consistent with the calculations required to be made hereunder (an "Underpayment"). If the Employer exhausts its remedies pursuant to Section 10(c) and the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Employer to or for the benefit of the Executive.

(c) The Executive shall notify the Employer in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Employer of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after the Executive is informed in writing of such claim and shall apprise the Employer of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Employer (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Employer notifies the Executive in writing prior to the expiration of such period that they desire to contest such claim, the Executive shall:

(i) give the Employer any information reasonably requested by the Employer relating to such claim;

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(ii) take such action in connection with contesting such claim as the Employer shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Employer;

(iii) cooperate with the Employer in good faith effectively to contest such claim; and

(iv) permit the Employer to participate in any proceedings relating to such claim; provided, however, that the Employer shall bear and pay directly all costs and expenses (including additional interest and penalties incurred in connection with such contest) and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses.

11. Indemnification. During the Employment Period and thereafter, the Employer agrees to indemnify and hold the Executive and the Executive's heirs and representatives harmless, to the maximum extent permitted by law, against any and all damages, costs, liabilities, losses and expenses (including reasonable attorneys' fees) as a result of any claim or proceeding (whether civil, criminal, administrative or investigative), or any threatened claim or proceeding (whether civil, criminal, administrative or investigative), against the Executive that arises out of or relates to the Executive's service as an officer, director or employee, as the case may be, of the Employer, or the Executive's service in any such capacity or similar capacity with an affiliate of the Employer or other entity at the request of the Employer, both prior to and after the Effective Date, and to promptly advance to the Executive or the Executive's heirs or representatives such expenses upon written request with appropriate documentation of such expense upon receipt of an undertaking by the Executive or on the Executive's behalf to repay such amount if it shall ultimately be determined that the Executive is not entitled to be indemnified by the Employer. During the Employment Period and thereafter, the Employer also shall provide the Executive with coverage under its current directors' and officers' liability policy to the same extent that it provides such coverage to its other executive officers. If the Executive has any knowledge of any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, as to which the Executive may request indemnity under this provision, the Executive will give the Employer prompt written notice thereof; provided that the failure to give such notice shall not affect the Executive's right to indemnification. The Employer shall be entitled to assume the defense of any such proceeding and the Executive will use reasonable efforts to cooperate with such defense. To the extent that the Executive in good faith determines that there is an actual or potential conflict of interest between the Employer and the Executive in connection with the defense of a proceeding, the Executive shall so notify the Employer and shall be entitled to separate representation at the Employer's expense by counsel selected by the Executive (provided that the Employer may reasonably object to the selection of counsel within ten (10) business days after notification thereof) which counsel shall cooperate, and coordinate the defense, with the Employer's counsel and minimize the expense of such separate representation to the extent consistent with the Executive's separate defense. This Section 11 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

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12. Attorney's Fees. The Employer shall advance the Executive (and his beneficiaries) any and all costs and expenses (including without limitation reasonable attorneys' fees and other charges of counsel) incurred by the Executive (or any of his beneficiaries) in resolving any controversy, dispute or claim arising out of or relating to this Agreement, any other agreement or arrangement between the Executive and the Employer, the Executive's employment with the Employer, or the termination thereof; provided that the Executive shall reimburse the Employer any advances on a net after-tax basis to cover expenses incurred by the Executive for claims (a) brought by the Employer on account of the Executive's alleged breach of Section 7 of this Agreement, breach of the Executive's fiduciary duty of loyalty, or fraud or material misconduct, if it is judicially determined that the Employer is the prevailing party, or (b) brought by the Executive that are judicially determined to be frivolous or advanced in bad faith. Pending the resolution of any such claim, the Executive (and his beneficiaries) shall continue to receive all payments and benefits described in Section 5 of this Agreement. This Section 12 shall continue in effect after the termination of the Executive's employment or the termination of this Agreement.

13. Notices. All notices, demands, requests, or other communications which may be or are required to be given or made by any party to any other party pursuant to this Agreement shall be in writing and shall be hand delivered, mailed by first-class registered or certified mail, return receipt requested, postage prepaid, delivered by overnight air courier, or transmitted by facsimile transmission addressed as follows:

(i) If to the Employer:

Sagent Pharmaceuticals, Inc.
1901 N. Roselle Road
Suite 700
Schaumburg, IL 60195
Attn: Chief Executive Officer

(ii) If to the Executive:

Jonathon Singer
Address last shown on the Employer's Records

Each party may designate by notice in writing a new address to which any notice, demand, request or communication may thereafter be so given, served or sent. Each notice, demand, request, or communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, confirmation of facsimile transmission or the affidavit of messenger being deemed conclusive but not exclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

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14. Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

15. Effect on Other Agreements. The provisions of this Agreement shall supersede the terms of any plan, policy, agreement, award or other arrangement of the Employer (whether entered into before or after the Effective Date) to the extent application of the terms of this Agreement is more favorable to the Executive.

16. Survival. It is the express intention and agreement of the parties hereto that the provisions of Sections 7, 9, 10, 11, 12, 13, 16, 17, 18, 20, 21, 23 and 24 hereof and this Section 16 shall survive the termination of employment of the Executive. In addition, all obligations of the Employer to make payments hereunder shall survive any termination of this Agreement on the terms and conditions set forth herein.

17. Assignment. The rights and obligations of the parties to this Agreement shall not be assignable or delegable, except that (i) in the event of the Executive' s death, the personal representative or legatees or distributees of the Executive' s estate, as the case may be, shall have the right to receive any amount owing and unpaid to the Executive hereunder and (ii) the rights and obligations of the Employer hereunder shall be assignable and delegable in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or equity interests of the Employer or similar transaction involving the Employer or a successor corporation. The Employer shall require any successor to the Employer to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Employer would be required to perform it if no such succession had taken place.

18. Binding Effect. Subject to any provisions hereof restricting assignment, this Agreement shall be binding upon the parties hereto and shall inure to the benefit of the parties and their respective heirs, devisees, executors, administrators, legal representatives, successors and assigns.

19. Amendment; Waiver. This Agreement shall not be amended, altered or modified except by an instrument in writing duly executed by the party against whom enforcement is sought. Neither the waiver by either of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure of either of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of any such provisions, rights or privileges hereunder.

20. Headings. Section and subsection headings contained in this Agreement are inserted for convenience of reference only, shall not be deemed to be a part of this Agreement for any purpose, and shall not in any way define or affect the meaning, construction or scope of any of the provisions hereof.

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21. Governing Law. This Agreement, the rights and obligations of the parties hereto, and any claims or disputes relating thereto, shall be governed by and construed in accordance with the laws of the State of Illinois (but not including any choice of law rule thereof that would cause the laws of another jurisdiction to apply).

22. Entire Agreement. This Agreement constitutes the entire agreement between the parties respecting the employment of the Executive, there being no representations, warranties or commitments except as set forth herein.

23. Counterparts. This Agreement may be executed in two counterparts, each of which shall be an original and all of which shall be deemed to constitute one and the same instrument.

24. Withholding. The Employer may withhold from any benefit payment under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling; provided that any withholding obligation arising in connection with the exercise of a stock option or the transfer of stock or other property shall be satisfied through withholding an appropriate number of shares of stock or appropriate amount of such other property.

25. Section 409A. The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Executive notifies the Employer (with specificity as to the reason therefor) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Code Section 409A and the Employer concurs with such belief or the Employer (without any obligation whatsoever to do so) independently makes such determination, the Employer shall, after consulting with the Executive, reform such provision to attempt to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Executive and the Employer of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Employer be liable for any additional tax, interest or penalty that may be imposed on the Executive by Code Section 409A or damages for failing to comply with Code Section 409A. With respect to any payment or benefit considered to be nonqualified deferred compensation under Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation

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from service." Notwithstanding anything to the contrary in this Agreement, if the Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall not be made or provided until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive' s death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 25 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" for purposes of Code Section 409A, (A) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Executive, (B) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (C) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code Section 409A, the Executive' s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Employer. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "nonqualified deferred compensation" for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A.

26. Definitions.

"Accrued Benefits" means (i) Base Salary through the Date of Termination; (ii) accrued and unused vacation pay; (iii) any earned but unpaid Annual Bonus; (iv) any amounts owing to the Executive for reimbursement of expenses properly incurred by the Executive prior to the Date of Termination and which are reimbursable in accordance with Section 6; and (v) any other benefits or amounts due and owing to the Executive under the terms of any plan, program or arrangement of the Employer. Amounts payable pursuant to the clauses (i) - (iii) shall be paid promptly after the Date of Termination and all other amounts will be paid in accordance with the terms of the applicable plan, program or arrangement (as modified by this Agreement).

"Board" means the Board of Directors of the Company.

"Cause" shall be limited to the following events (i) the Executive' s conviction of, or plea of nolo contendere to, a felony (other than in connection with a traffic violation) under any state or federal law; (ii) the Executive' s willful and continued failure to substantially perform

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his essential job functions hereunder after receipt of written notice from the Employer that specifically identifies the manner in which the Executive has substantially failed to perform his essential job functions and specifying the manner in which the Executive may substantially perform his essential job functions in the future; (iii) a material act of fraud or willful and material misconduct with respect, in each case, to the Employer, by the Executive; (iv) a willful and material breach of Section 7; or (v) a willful and material violation of a material policy of the Company. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive' s action or omission was in the best interests of the Employer. Anything herein to the contrary notwithstanding, the Executive shall not be terminated for "Cause" hereunder unless (A) written notice stating the basis for the termination is provided to the Executive, (B) as to clauses (ii), (iii), (iv) or (v) of this paragraph, the Executive is given 30 days to cure the neglect or conduct that is the basis of such claim (it being understood that any errors in expense reimbursement may be cured by repayment), (C) if the Executive fails to cure such neglect or conduct, the Executive has an opportunity to be heard with counsel before the full Board prior to any vote regarding the existence of Cause and (D) there is a vote of a majority of the members of the Board to terminate the Executive for Cause.

"Change in Control" means the occurrence of one or more of the following events: (i) any "person" (as such terms is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934 as amended (the "Act")) or "group" (as such term is used in Section 14(d)(d) of the Act) is or becomes a "beneficial owner" (as such term is used in Rule 13d-3 promulgated under the Act) of more than 30% of the Voting Stock of the Employer (excluding acquisitions pursuant to a Business Combination (as defined below) that is not considered to be a Change in Control under clause (v) below; (ii) the majority of the Board consists of individuals other than Incumbent Directors, which term means the members of the Board on the Effective Date; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by two-thirds of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director (excluding any person who received such support in connection with the settlement of a proxy contest); (iii) the Employer adopts any plan of liquidation providing for the distribution of all or substantially all of its assets; (iv) the Employer transfers all or substantially all of its assets or business (unless the shareholders of the Employer immediately prior to such transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the Employer, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Employer); or (v) any merger, reorganization, consolidation or similar transaction (a "Business Combination") unless, immediately after consummation of such Business Combination, (A) the shareholders of the Employer immediately prior to the Business Combination hold, directly or indirectly, more than 50% of the Voting Stock of the Employer or the Employer' s ultimate parent company if the Employer is a subsidiary of another corporation, and (B) no person or group beneficially owns more than 30% of the Voting Stock of the Employer or the ultimate parent company of the Employer if the Employer is a subsidiary of partner corporation. For purposes of this Change in Control definition, the "Employer" shall include any entity that succeeds to all or substantially all of the business of the Employer and "Voting Stock" shall mean securities of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

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"Company Affiliate" means any entity controlled by, in control of, or under common control with, the Employer.

"Company Confidential Information" means information known to the Executive to constitute trade secrets or proprietary information belonging to the Employer or other confidential financial information, operating budgets, strategic plans or research methods, personnel data, projects or plans, or non-public information regarding the terms of any existing or pending lending transaction between Employer and an existing or pending client or customer (as the phrase "client or customer" is defined in Section 7(d)(i) hereof), in each case, received by the Executive in the course of his employment by the Employer or in connection with his duties with the Employer. Notwithstanding anything to the contrary contained herein, the general skills, knowledge and experience gained during the Executive' s employment with the Employer, information publicly available or generally known within the industry or trade in which the Employer competes and information or knowledge possessed by the Executive prior to his employment by the Employer, shall not be considered Company Confidential Information.

"Date of Termination" means (i) if the Executive' s employment is terminated by the Executive' s death, the date of the Executive' s death; (ii) if the Executive' s employment is terminated because of the Executive' s Disability, 30 days after Notice of Termination, provided that the Executive shall not have returned to the performance of the Executive' s duties on a full-time basis during such 30-day period; or (iii) if the Executive' s employment is terminated by the Employer pursuant to Section 8(a)(ii)(B) or by the Executive pursuant to Section 8(a)(iii), the date specified in the Notice of Termination.

"Good Reason" means, unless otherwise agreed to in writing by the Executive, (i) any diminution or adverse change in the Executive' s titles; (ii) reduction in the Executive' s Base Salary or Target Bonus; (iii) a requirement that the Executive report to someone other than the Employer' s Chief Executive Officer; (iv) a material diminution in the Executive' s authority, responsibilities or duties or material interference with the Executive' s carrying out his duties; (v) the assignment of duties inconsistent with the Executive' s position or status with the Employer as of the date hereof; (vi) a relocation by the Company of the Executive' s primary place of employment specified in Section 4 to a location more than 25 miles further from the Executive' s primary residence than the current location of the Executive' s primary place of employment; (vii) any other material breach of the terms of this Agreement or any other agreement that breach is not cured within ten days after the Executive' s delivery of a written notice of such breach to the Employer; (viii) any purported termination of the Executive' s employment by the Employer that is not effected in accordance with the applicable provisions of this Agreement; (ix) the failure of the Employer to obtain the assumption in writing of its obligations under this Agreement by any successor to all or substantially all of the assets of the Employer within 15 days after a merger, consolidation, sale or similar transaction; or (x) the delivery of a notice of Non-Renewal by the Employer. In order to invoke a termination for Good Reason, the Executive must terminate his employment, if at all, within 60 days of the occurrence of any event of "Good Reason".

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"Non-Compete Period" means the period commencing on the Effective Date and ending twelve months after the earlier of the expiration of the Employment Period or the Executive's Date of Termination.

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IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement, or have caused this Agreement to be duly executed and delivered on their behalf.

SAGENT PHARMACEUTICALS, INC.

By: /s/ John Matthei
Name: John Matthei
Title: Vice President, Human Resources

EXECUTIVE

By: /s/ Jonathon Singer
Jonathon Singer

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Exhibit 10.2

August 18, 2011

Jonathon Singer
1279 Lincoln Ave South
Highland Park, IL 60035

Dear Jonathon:

We are pleased to offer you a position with Sagent Pharmaceuticals, Inc., as Chief Financial Officer, reporting to our Chief Executive Officer. If you decide to join us, you will receive an annual salary of $310,000, which will be paid bi-weekly in accordance with Sagent' s normal payroll procedures. You will be eligible for a 40% potential bonus and performance review at the end of each calendar year. This bonus will be subject to approval by the Board of Directors and will be determined based on Company financial results, and the Company and you achieving quantitative performance goals. Any bonus may be paid in the first quarter of the following year and will be pro-rated for the first year of employment. Sagent will guarantee your 2011 bonus in the amount of $62,000, which represents a pro-rated bonus based on 6 months of employment. Sagent will also pay you a sign-on bonus in the amount of $15,000 to be paid after 6 months of employment. You will also be eligible to participate in Sagent' s health insurance plan, dental plan, vision plan, life insurance, and 401K plan on the 1st of the month following your start date. You will be entitled to paid time off (PTO) in accordance with Company policy, which combines vacation, sick and personal days plus the Company' s annual holidays. You should note that the Company may modify job titles, salaries and benefits from time to time as it deems necessary.

In addition, if you decide to join Sagent, it will be recommended at the first meeting of Sagent' s Board of Directors following your start date that the Company grant you an option to purchase 55,000 shares of the Company' s Common Stock at a price per share equal to the fair market value per share of the Common Stock on the date of grant, as determined by the Board of Directors. 25% of the shares subject to the option shall vest 12 months after your hire date subject to your continuing employment with the Company, and no shares shall vest before such date. The remaining shares shall vest at 25% on each subsequent anniversary. This option grant shall be subject to the terms and conditions of Sagent' s Stock Option Plan and Stock Option Agreement, including vesting requirements. No right to any stock is earned or accrued until such time that vesting occurs, nor does the grant confer any right to continue vesting or employment.

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Sagent is excited about your joining and looks forward to a beneficial and productive relationship. Nevertheless, you should be aware that your employment with the Sagent is for no specified period and constitutes at-will employment. As a result, you are free to resign at any time, for any reason or for no reason. Similarly, Sagent is free to conclude your employment relationship with the Company at any time, with or without cause, and with or without notice. We request that, in the event of resignation, you give Sagent at least two weeks notice.

We also ask that, if you have not already done so, you disclose any and all agreements relating to your prior employment that may affect your eligibility to be employed by Sagent or limit the manner in which you may be employed. It is Sagent' s understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. Moreover, you agree that, during the term of your employment with Sagent, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which Sagent is now involved or becomes involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to Sagent. Similarly, you agree not to bring any third party confidential information to Sagent, including that of any former employer, and not to utilize any such information in performing your duties for Sagent.

As a Sagent employee, you will be expected to abide by Sagent' s rules and standards. Specifically, you will be required to sign an acknowledgment that you have read and that you understand Sagent' s Code of Conduct and Employee Handbook.

As a condition of your employment, you are also required to sign and comply with the enclosed Confidential Information, Invention Assignment and Arbitration Agreement which requires, among other provisions, the assignment of patent rights to any invention made during your employment at Sagent, and non-disclosure of Sagent proprietary information. Your offer is also contingent on passing a drug screen and having a clear background check.

Sagent has an office at 1901 N. Roselle Road, Suite 700 in Schaumburg, IL 60195 and it is expected that this would be your primary place of employment.

To accept this offer, please sign and date this letter in the space provided below. A duplicate original is enclosed for your records. If you accept our offer, your first day of employment will be on or about September 12, 2011, or at such other date as we mutually agree. This letter and the Confidentiality Agreement set forth the terms of your employment with Sagent and supersede any prior representations or agreements including, but not limited to, any representations made during your recruitment,

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interviews or pre-employment negotiations, whether written or oral. This letter, including but not limited to its at-will employment provision, may not be modified or amended except by a written agreement signed by Sagent and you. This offer of employment will terminate if it is not accepted, signed and returned by August 24, 2011.

We look forward to your favorable reply and to working with you at Sagent Pharmaceuticals, Inc.

Sincerely,

/s/ John Matthei

John Matthei
Vice President, Human Resources

Agreed to and accepted:

Signature: /s/ Jonathon Singer

Printed Name: Jonathon Singer

Date: September 8, 2011

Enclosures:
Duplicate Original Letter
Confidential Information, Invention Assignment and Arbitration Agreement
Benefit and Human Resources information

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EXHIBIT 31.1

Certifications

I, Jeffrey M. Yordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sagent 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)) 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) Paragraph omitted in accordance with SEC Release No. 34-47986;

    (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: November 7, 2011

/s/ Jeffrey M. Yordon

Jeffrey M. Yordon
President and Chief Executive Officer

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EXHIBIT 31.2

Certifications

I, Jonathon M. Singer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sagent 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)) 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) Paragraph omitted in accordance with SEC Release No. 34-47986;

   (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: November 7, 2011

/s/ Jonathon M. Singer

Jonathon M. Singer
Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATIONS 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

I, Jeffrey M. Yordon, President and Chief Executive Officer of Sagent Pharmaceuticals, Inc. ("Sagent"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Sagent' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Sagent' s Quarterly Report on Form 10-Q fairly presents in all material respects Sagent' s financial condition and results of operations.

/s/ Jeffrey M. Yordon
Jeffrey M. Yordon
President and Chief Executive Officer
November 7, 2011

I, Jonathon M. Singer, Chief Financial Officer of Sagent Pharmaceuticals, Inc. ("Sagent"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that Sagent' s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in Sagent' s Quarterly Report on Form 10-Q fairly presents in all material respects Sagent' s financial condition and results of operations.

/s/ Jonathon M. Singer
Jonathon M. Singer
Chief Financial Officer
November 7, 2011

A signed original of these written statements required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Sagent Pharmaceuticals, Inc. and will be retained by Sagent Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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Condensed Consolidated Balance Sheets (Parenthetical) (USD $) In Thousands, except Share data	Sep. 30, 2011	Dec. 31, 2010
Common stock, par value	$ 0.01	$ 0.000008
Common stock, authorized shares	100,000,000	23,539,769
Common stock, outstanding shares	27,881,181	2,054,467
Series A Preferred Stock [Member]		
Preferred stock, par value	$ 0.00001	$ 0.00001
Preferred stock, authorized shares	0	113,000,000
Preferred stock, outstanding shares	0	113,000,000
Preferred stock, liquidation preference	$ 0	$ 113,000
Series B Preferred Stock [Member]		
Preferred stock, par value	$ 0.00001	$ 0.00001
Preferred stock, authorized shares	0	39,136,052
Preferred stock, outstanding shares	0	32,714,284
Preferred stock, liquidation preference	$ 0	$ 45,800

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Condensed Consolidated Statements Of Operations (USD $) In Thousands, except Per Share data	3 Months Ended		9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Condensed Consolidated Statements Of Operations [Abstract]				
Net revenue	$ 41,281	$ 21,269	$ 103,879	$ 40,473
Cost of sales	34,344	18,535	89,604	37,544
Gross profit	6,937	2,734	14,275	2,929
Operating expenses:				
Product development	3,460	2,534	8,191	8,600
Selling, general and administrative	6,688	4,481	18,139	13,002
Equity in net loss of joint ventures	401	212	1,598	979
Total operating expenses	10,549	7,227	27,928	22,581
Loss from operations	(3,612)	(4,493)	(13,653)	(19,652)
Interest income and other	104	14	179	22
Interest expense and other	(1,223)	(243)	(2,985)	(710)
Change in fair value of preferred stock warrants		(140)	(838)	(548)
Loss before income taxes	(4,731)	(4,862)	(17,297)	(20,888)
Provision for income taxes				
Net loss	$ (4,731)	$ (4,862)	$ (17,297)	$ (20,888)
Net loss per common share:				
Basic	$ (0.17)	$ (2.47)	$ (0.99)	$ (10.82)
Diluted	$ (0.17)	$ (2.47)	$ (0.99)	$ (10.82)
Weighted-average of shares used to compute net loss per common share:				
Basic	27,875	1,972	17,480	1,931
Diluted	27,875	1,972	17,480	1,931

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Document And Entity Information	9 Months Ended Sep. 30, 2011	Oct. 31, 2011
Document And Entity Information [Abstract]		
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	Sep. 30, 2011	
Document Fiscal Period Focus	Q3	
Document Fiscal Year Focus	2011	
Entity Registrant Name	Sagent Pharmaceuticals, Inc.	
Entity Central Index Key	0001369786	
Current Fiscal Year End Date	--12-31	
Entity Filer Category	Non-accelerated Filer	
Entity Common Stock, Shares Outstanding		27,881,181

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Accrued Liabilities	9 Months Ended Sep. 30, 2011
Accrued Liabilities [Abstract]	
Accrued Liabilities	**Note 7. Accrued liabilities:** Accrued liabilities at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011	December 31, 2010
Payroll and employee benefits	$ 2,639	$ 1,736
Sales and marketing	2,960	2,338
Other accrued liabilities	837	726
	$ 6,436	$ 4,800

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Stock-Based Compensation	9 Months Ended Sep. 30, 2011
Stock-Based Compensation [Abstract]	
Stock-Based Compensation	**Note 12. Stock-based compensation:** We granted 63,250 and 137,420 stock options during the three and nine months ended September 30, 2011. There were 5,103 and 195,393 stock options exercised during the three and nine months ended September 30, 2011, with an aggregate intrinsic value of $92 and $1,836, respectively.

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Investments	9 Months Ended Sep. 30, 2011
Investments [Abstract]	
Investments	

Note 3. Investments:

Our investments at September 30, 2011 were comprised of the following:

	Cost basis	Unrealized gains	Unrealized losses	Recorded basis	Cash and cash equivalents	Short term investments
Assets						
Cash	$11,791	$ -	$ -	$11,791	$ 11,791	$ -
Money market funds	25,742	-	-	25,742	25,742	-
Commercial paper	9,499	-	(3)	9,496	-	9,496
Corporate bonds and notes	63,516	-	(229)	63,287	-	63,287
US government securities	4,001	-	(6)	3,995	-	3,995
	$114,549	$ -	$ (238)	$114,311	$ 37,533	$ 76,778

Investments with continuous unrealized losses for less than twelve months and their related fair values were as follows:

	Fair value	Unrealized losses
Commercial paper	$9,496	$ 3
Corporate bonds and notes	63,287	229
US government securities	2,995	6
	$ 75,778	$ 238

Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates. We do not believe that any unrealized losses represent an other-than-temporary impairment based on our evaluation of available evidence as of September 30, 2011.

The original cost and estimated current fair value of our fixed-income securities are set forth below.

	Cost basis	Estimated fair value
Due in one year or less	$30,847	$ 30,785
Due between one and five years	46,169	45,993
	$ 77,016	$ 76,778

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Fair Value Measurements	9 Months Ended Sep. 30, 2011

Fair Value Measurements [Abstract]

Fair Value Measurements

Note 9. Fair value measurements:

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Commerical paper	$9,496	$ -	$ 9,496	$ -
Corporate bonds and notes	63,287	-	63,287	-
US government securities	3,995	-	3,995	-
Total assets	$76,778	$ -	$ 76,778	$ -
Liabilities				
Preferred stock warrants	$-	$ -	$ -	$ -
	$-	$ -	$ -	$ -

The fair value of our Level 2 investments is based on a combination of quoted market prices of similar securities and matrix pricing provided by third-party pricing services utilizing securities of similar quality and maturity.

Liabilities measured at fair value on a recurring basis as of December 31, 2010 consisted of the following:

	Total fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities				
Preferred stock warrants	$ 1,432	$ -	$ -	$ 1,432
	$ 1,432	$ -	$ -	$ 1,432

On April 26, 2011, the holder of our preferred stock warrants exercised all of the warrants concurrent with our IPO, acquiring 454,500 shares of our common stock having

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a fair value at the IPO of $7,272, for $5,001 of cash. We recorded $838 of expense related to the preferred stock warrants during the nine months ended September 30, 2011, and $140 and $548 of expense related to the preferred stock warrants during the three and nine months ended September 30, 2010.

During the nine months ended September 30, 2011 and the three and nine months ended September 30, 2010, changes in the fair value of our preferred stock warrants measured using significant unobservable inputs (Level 3), were comprised of the following:

	Nine months ended September 30, 2011
Balance at beginning of period	$ 1,432
Change in fair value of warrants	838
Exercise of warrants	(2,270)
Balance at end of period	$ -

	Three months ended September 30, 2010	**Nine months ended September 30, 2010**
Balance at beginning of period	$ 1,027	$ -
Issuance of warrants	-	619
Change in fair value of warrants	140	548
Balance at end of period	$ 1,167	$ 1,167

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Related Party Transactions	9 Months Ended Sep. 30, 2011
Related Party Transactions [Abstract]	
Related Party Transactions	**Note 14. Related party transactions:** As of September 30, 2011 and December 31, 2010, respectively, we had a receivable of $340 and $868 from Sagent Strides LLC, which is expected to offset future profit-sharing payments. As of September 30, 2011 and December 31, 2010, respectively, we had a payable of $2,756 and $2,494 to Sagent Strides LLC, principally for the acquisition of inventory and amounts due under profit-sharing arrangements. During the nine months ended September 30, 2011, Sagent Strides LLC distributed $1,848 of profit sharing receipts to its joint venture partners. As the Sagent Strides joint venture is in a cumulative loss position, our share of this distribution has been treated as a return of capital in the condensed consolidated statement of cash flows.

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Comprehensive Income (Loss)	9 Months Ended Sep. 30, 2011
Comprehensive Income (Loss) [Abstract]	
Comprehensive Income (Loss)	

Note 10. Comprehensive income (loss):

Comprehensive income (loss) for the three and nine months ended September 30, 2011 and 2010 is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net loss, as reported	$(4,731)	$(4,862)	$(17,297)	$(20,888)
Comprehensive income (loss)				
Unrealized loss on available for sale securities, net of tax	(151)	-	(238)	-
Currency translation adjustment, net of tax	98	-	655	-
Total comprehensive loss	$(4,784)	$(4,862)	$(16,880)	$(20,888)

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Debt	9 Months Ended Sep. 30, 2011
Debt [Abstract]	
Debt	

Note 8. Debt:

In March 2011, our principal operating subsidiary amended its $25,000 senior secured revolving credit facility (the "Revolver") to permit, among other things, the entry into a new $15,000 term loan credit facility (the "Term Note") and the incurrence of debt and granting of liens thereunder. The amendment also required that we become a borrower under the Revolver. The Revolver and Term Note were amended in September 2011 primarily to include our parent company as a co-borrower under the facilities. The interest rate on the Revolver, which bears interest at a rate equal to either an adjusted London Interbank Offered Rate ("LIBOR"), plus a margin of 5.50%, or an alternate base rate plus a margin of 4.50%, was 8.50% at September 30, 2011 and December 31, 2010.

In March 2011, our principal operating subsidiary entered into a $15,000 Term Note, which expires June 16, 2013. Borrowings under the Term Note will be used for general corporate purposes, including funding of our working capital. The interest rate on the Term Note, which bears interest at LIBOR plus a margin of 9.0%, subject to a 3.0% LIBOR floor, was 12.0% at September 30, 2011. Equal monthly amortization payments in respect to the Term Note are payable beginning September 1, 2011. Under the agreement, we are required to maintain the lesser of $15,000 or 65% of our consolidated cash balances with a single financial institution and are also required to pay a financing fee of $600 when the Term Note has been repaid. The financing fee is being amortized to interest expense over the life of the loan, and the related obligation is included in other long-term liabilities on our balance sheet. The Term Note is secured by a second lien on substantially all of the assets of our principal operating subsidiary.

The Term Note contains various covenants substantially similar to the senior secured revolving credit facility, including a covenant to maintain minimum net invoiced revenues, restrictions on our ability to incur additional indebtedness, create liens, make certain investments, pay dividends, sell assets, or enter into a merger or acquisition. With respect to dividends, our principal operating subsidiary, as the borrower under the term loan credit facility, was prohibited, subject to certain limited exceptions, from declaring dividends or otherwise making any distributions, loans or advances to us as the parent company until we became a borrower under the Term Note in September 2011.

Aggregate maturities of our long-term debt for the years ended September 30, were as follows:

For the year ending:	
September 30, 2012	$8,182
September 30, 2013	$6,136

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Summary Of Significant Accounting Policies	9 Months Ended Sep. 30, 2011
Summary Of Significant Accounting Policies [Abstract]	
Summary Of Significant Accounting Policies	

Note 1. Summary of significant accounting policies:

Reincorporation:
We completed our initial public offering ("IPO") on April 26, 2011. In connection with our IPO, we incorporated (the "Reincorporation") in Delaware as Sagent Pharmaceuticals, Inc., ("Sagent" or the "Company"). Prior to this reincorporation, we were a Cayman Islands company, and our corporate name was Sagent Holding Co. ("Sagent Holding").

In connection with our IPO and concurrent with our Reincorporation in Delaware, the holders of our preferred stock exchanged each of their outstanding shares of preferred stock for 0.12759 shares of our common stock.

Basis of Presentation:
Our interim condensed consolidated financial statements are unaudited. We prepared the condensed consolidated financial statements following rules for interim reporting as prescribed by the U.S. Securities and Exchange Commission ("SEC"). As permitted under those rules, we have condensed or omitted a number of footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). It is management's opinion that these financial statements include all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of our financial position, operating results and cash flows. Operating results for any interim period are not necessarily indicative of future or annual results.

You should read these statements in conjunction with our consolidated financial statements and related notes for the year ended December 31, 2010, included in our IPO prospectus filed with the SEC on April 21, 2011.

Principles of Consolidation:
The condensed consolidated financial statements include Sagent as well as our wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. We account for our investment in Kanghong Sagent (Chengdu) Pharmaceutical Corporation Limited ("KSP") and Sagent Strides LLC using the equity method of accounting, as our interest in each entity provides for joint financial and operational control. Operating results of our KSP equity method investment are reported on a one-month lag.

Financial Instruments:
We consider all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values. Investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year are classified

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as short-term based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations. All cash equivalents and short-term investments are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in market value, excluding other-than-temporary impairments, are reflected in other comprehensive income ("OCI").

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. Fair value is calculated based on publicly available market information or other estimates determined by management. We employ a systematic methodology on a quarterly basis that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, the duration and extent to which the fair value is less than cost, and for equity securities, our intent and ability to hold, or plans to sell, the investment. For fixed income securities, we also evaluate whether we have plans to sell the security or it is more likely than not that we will be required to sell the security before recovery. We also consider specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, and operational and financing cash flow factors. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other expense and a new cost basis in the investment is established.

New Accounting Pronouncements:

In May 2011, new guidance was issued on the accounting for fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance expands the disclosures on Level 3 inputs by requiring quantitative disclosure of the unobservable inputs and assumptions, as well as description of the valuation processes and the sensitivity of the fair value to changes in unobservable inputs. We will adopt this guidance on January 1, 2012, and do not believe this guidance will have a significant impact on our financial results.

In June 2011, new guidance was issued regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of operations and other comprehensive income or separate but consecutive statements of operations and other comprehensive income. We will adopt this guidance on January 1, 2012, and do not believe this guidance will have a significant impact on our financial results.

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Inventories	9 Months Ended Sep. 30, 2011
Inventories [Abstract]	
Inventories	

Note 4. Inventories:

Inventories at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011			December 31, 2010		
	Approved	Pending regulatory approval	Inventory	Approved	Pending regulatory approval	Inventory
Finished goods	$ 39,679	$ -	$ 39,679	$ 31,151	$ -	$ 31,151
Raw materials	-	271	271	-	262	262
Inventory reserve	(2,161)	-	(2,161)	(846)	-	(846)
	$ 37,518	$ 271	$ 37,789	$ 30,305	$ 262	$ 30,567

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Intangible Assets, Net	9 Months Ended Sep. 30, 2011

Intangible Assets, Net [Abstract]

Intangible Assets, Net

Note 5. Intangible assets, net:

Intangible assets at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011			December 31, 2010		
	Gross carrying amount	Accumulated amortization	Intangible assets, net	Gross carrying amount	Accumulated amortization	Intangible assets, net
Product licensing rights	$ 2,528	$ (960)	$ 1,568	$ 1,618	$ (668)	$ 950
Product development rights	3,234	-	3,234	1,663	-	1,663
	$ 5,762	$ (960)	$ 4,802	$ 3,281	$ (668)	$ 2,613

Movements in intangible assets were due to the following:

	Product licensing rights	Product development rights
December 31, 2010	$ 950	$ 1,663
Acquisition of product rights	910	2,098
Amortization of product rights	(292)	(527)
September 30, 2011	$ 1,568	$ 3,234

Amortization expense related to our product licensing rights was $107 for the three months ended September 30, 2011, and $292 for the nine months ended September 30, 2011. Amortization expense related to our product development rights was $527 for the three and nine months ended September 30, 2011. The weighted-average period prior to the next extension or renewal for the ten products comprising our product licensing rights intangible asset was 45 months at September 30, 2011.

We currently estimate amortization expense over each of the next five years as follows:

For the year ending:	Amortization expense
September 30, 2012	$ 3,319
September 30, 2013	722
September 30, 2014	249

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September 30, 2015	220
September 30, 2016	114

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Revenue And Revenue Deductions	9 Months Ended Sep. 30, 2011
Revenue And Revenue Deductions [Abstract]	
Revenue And Revenue Deductions	

Note 13. Revenue and revenue deductions:

Net revenue by product line is as follows:

Theraputic class:	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Anti-infective	$20,122	$11,326	$42,562	$26,134
Critical care	9,434	8,279	38,230	11,063
Oncology	11,725	1,664	23,087	3,276
	$ 41,281	$ 21,269	$ 103,879	$ 40,473

Accrued chargebacks are shown as a reduction in accounts receivable. Changes in accrued chargebacks during the three and nine month periods ended September 30, 2011 resulted from the following:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Accrued chargebacks at beginning of period	$ 18,589	$ 13,507
Provision for chargebacks	37,690	107,804
Credits or checks issued	(41,117)	(106,149)
Accrued chargebacks at end of period	$ 15,162	$ 15,162

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Investment In KSP	9 Months Ended Sep. 30, 2011

Investment In KSP [Abstract]

Investment In KSP

Note 6. Investment in KSP:

Changes in our investment in KSP during the three and nine months ended September 30, 2011 were as follows:

Investment in KSP at January 1, 2011	$ 23,663
Equity in net loss of KSP	(2,762)
Currency translation adjustment	655
Investment in KSP at September 30, 2011	$21,556

Condensed statement of operations information of KSP is presented below.

Condensed statement of operations information	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net revenues	$ -	$ -	$ -	$ -
Gross profit	-	-	-	-
Net loss	(1,782)	(651)	(4,839)	(1,748)

During the three and nine months ended September 30, 2011, KSP's development activities increased, with initial batch validation activities occurring in the first half of 2011 at its manufacturing facility. KSP filed its initial submission from the facility during the three months ended September 30, 2011.

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Condensed Consolidated Statements Of Cash Flows (USD $) In Thousands	9 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
Cash flows from operating activities		
Net loss	$ (17,297)	$ (20,888)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	170	191
Amortization	1,695	591
Stock-based compensation	1,617	582
Decrease in restricted stock repurchase liability		38
Equity in net loss of joint ventures	1,598	979
Change in fair value of preferred stock warrants	838	548
Changes in operating assets and liabilities:		
Accounts receivable, net	(12,686)	(1,102)
Inventories	(7,222)	(7,726)
Prepaid expenses and other current assets	2,467	2,397
Due from related party	528	(299)
Accounts payable and other accrued liabilities	(2,858)	2,367
Net cash used in operating activities	(31,150)	(22,322)
Cash flows from investing activities		
Capital expenditures	(214)	(193)
Funding of principal balance of restricted cash	(465)	(418)
Investments in unconsolidated joint ventures	(127)	(5,065)
Return of capital from unconsolidated joint venture	924	
Purchases of investments	(93,193)	
Sales of investments	15,627	
Purchase of product rights	(3,008)	(579)
Net cash used in investing activities	(80,456)	(6,255)
Cash flows from financing activities		
(Reduction) increase in short-term notes payable	(1,057)	4,939
Proceeds from issuance of long-term debt	15,000	
Repayment of long-term debt	(682)	
Proceeds from issuance of preferred stock, net of issuance costs		45,393
Proceeds from issuance of common stock, net of issuance costs	101,582	136
Payment of deferred financing costs	(80)	
Net cash provided by financing activities	114,763	50,468
Net increase in cash and cash equivalents	3,157	21,891
Cash and cash equivalents, at beginning of period	34,376	7,731
Cash and cash equivalents, at end of period	$ 37,533	$ 29,622

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Reverse Stock Split	9 Months Ended Sep. 30, 2011
Reverse Stock Split [Abstract]	
Reverse Stock Split	**Note 2. Reverse stock split:** All common share and per share amounts in the condensed consolidated financial statements and notes thereto have been restated to reflect a reverse stock split effective on April 26, 2011, whereby every 7.8378 shares of common stock, including the shares of preferred stock that were converted to common stock on April 26, 2011, were combined into one share of common stock. Immediately prior to the consummation of our IPO, but following the reverse stock split, the number of authorized shares was increased to 105 million, consisting of 100 million shares of common stock and 5 million shares of undesignated preferred stock, each with a par value of $0.01 per share.

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Earnings Per Share	9 Months Ended Sep. 30, 2011
Earnings Per Share [Abstract]	
Earnings Per Share	**Note 11. Earnings per share:**

Note 11. Earnings per share:

Basic earnings per share is calculated by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Because of their anti-dilutive effect, 1,767,977 and 20,455,013 common share equivalents, comprised of preferred shares, restricted stock, preferred stock warrants and unexercised stock options, have been excluded from the calculation of diluted earnings per share for the periods ended September 30, 2011 and 2010, respectively. The table below presents the computation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2011 and 2010:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Basic and dilutive numerator:				
Net loss, as reported	$(4,731)	$(4,862)	$(17,297)	$(20,888)
Denominator:				
Weighted-average common shares outstanding—basic (in thousands)	27,875	1,972	17,480	1,931
Net effect of dilutive securities:				
Weighted-average conversion of Class A and Class B preferred stock	-	-	-	-
Stock options and restricted stock	-	-	-	-
Weighted-average common shares outstanding—diluted (in thousands)	27,875	1,972	17,480	1,931
Net loss per common share (basic)	$(0.17)	$(2.47)	$(0.99)	$(10.82)
Net loss per common share (diluted)	$(0.17)	$(2.47)	$(0.99)	$(10.82)

On April 19, 2011, we completed our IPO, issuing 5,750,000 shares of our common stock in exchange for consideration of $92 million. The underwriters exercised their overallotment option on April 21, 2011, resulting in the issuance of an additional 862,500 shares of our common stock for consideration of $13.8 million. The offering closed on April 26, 2011; we received net proceeds from the offering of $95.8 million.

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Commitments And Contingencies	9 Months Ended Sep. 30, 2011
Commitments And Contingencies [Abstract]	
Commitments And Contingencies	**Note 15. Commitments and contingencies:** From time to time, we are subject to claims and litigation arising in the normal course of business. At this time, there are no proceedings of which we are aware that we expect will have a material adverse effect on our consolidated financial position or results of operations. In January 2011, Infusive Technologies, LLC ("Infusive") filed a complaint against us in the United States District Court of Utah, Central Division, alleging that we had breached the terms of an acquisition agreement entered into in September 2008, by failing to use reasonable commercial efforts to develop and commercialize products derived from certain patents and other intellectual property previously acquired by us from Infusive, thereby avoiding a $1,250 contingent payment under the agreement. The complaint seeks compensatory damages of at least $15,000, plus interest. Originally the complaint included claims for punitive damages of at least $50,000, but these claims were eliminated when Infusive filed an amended complaint following our filing of a motion to dismiss. We intend to continue to defend this litigation vigorously and have brought a number of counterclaims against Infusive and have successfully tendered the patents and technology back to Infusive. We do not expect that this lawsuit will have a material adverse effect on our consolidated financial position or results of operations.

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Condensed Consolidated Balance Sheets (USD $) In Thousands	Sep. 30, 2011	Dec. 31, 2010
Assets		
Cash and cash equivalents	$ 37,533	$ 34,376
Restricted cash and cash equivalents	673	208
Short-term investments	76,778	
Accounts receivable, net of chargebacks and other deductions	31,625	18,939
Inventories	37,789	30,567
Due from related party	340	868
Prepaid expenses and other current assets	2,968	5,435
Total current assets	187,706	90,393
Restricted cash and cash equivalents	100	100
Property, plant, and equipment, net	829	785
Investment in joint ventures	22,727	24,466
Intangible assets, net	4,802	2,613
Other assets	586	232
Total assets	216,750	118,589
Liabilities, preferred stock and stockholders' equity		
Accounts payable	18,473	24,449
Due to related party	2,756	2,494
Accrued profit sharing	5,080	3,717
Accrued liabilities	6,436	4,800
Preferred stock warrants		1,432
Current portion of long-term debt	8,182	
Notes payable	19,669	20,726
Total current liabilities	60,596	57,618
Long term liabilities:		
Long-term debt	6,136	
Other long-term liabilities	606	6
Total liabilities	67,338	57,624
Preferred stock		
Total preferred stock		157,774
Stockholders' equity (deficit):		
Common stock-$0.01 and $0.000008 par value, 100,000,000 and 23,539,769 authorized and 27,881,181 and 2,054,467 outstanding at September 30, 2011 and December 31, 2010, respectively	279	
Additional paid-in capital	265,139	2,318
Accumulated other comprehensive income	1,703	1,285
Accumulated deficit	(117,709)	(100,412)
Total stockholders' equity (deficit)	149,412	(96,809)
Total liabilities, preferred stock and stockholders' equity (deficit)	216,750	118,589
Series A Preferred Stock [Member]		
Preferred stock		

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Total preferred stock	113,000
Series B Preferred Stock [Member]	
Preferred stock	
Total preferred stock	$ 44,774

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