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($ in thousands)	2014 (Successor)	2013 (Successor)	$ Change	% Change	For the years ended December 31, Percentage of total revenues 2014	2013
Revenues:						
Par Pharmaceutical	$ 1,241,131	$ 1,028,418	$ 212,713	20.7%	94.8%	93.7%
Par Specialty	67,490	69,049	(1,559)	(2.3)%	5.2%	6.3%
Total revenues	$ 1,308,621	$ 1,097,467	$ 211,154	19.2%	100.0%	100.0%

Par Pharmaceutical

The increase in generic segment revenues in the year ended December 31, 2014 was primarily due to the launches of several products in 2014, coupled with products that benefited from competitor supply issues, including the following:

- The launch of amlodipine/valsartan in September 2014;
- increase in bupropion ER, which benefited from competitors that were not able to supply product to the market;
- the acquisition of Aplisol®, which was acquired with Par Sterile in February 2014;
- the launch of clonidine HCl ER in the fourth quarter of 2013;
- divalproex, which benefited from a competitor exiting the market in June 2013 as the result of FDA compliance issues and the non-recurrence of a large contractual gross-to-net price adjustment to a major customer that occurred in the prior year; and
- the net increase in "Other", which is mainly driven by Par Sterile products, which were acquired in the February 20, 2014 Par Sterile acquisition; the launch of omega-3-acid ethyl esters oral capsules in July 2014; the September 2014 launch of entecavir; and oxycodone, which we sold beginning in September 2014 pursuant to a settlement agreement under which we receive a limited quantity of supply to sell once annually over a four year period ending in 2017.

The increases noted above in 2014 were tempered by:

- revenue decline for modafinil as the result of competition, which had a negative impact on both price and volume;
- revenue decline for budesonide principally due to price decline resulting from competition;
- revenue decline for rizatriptan, as a result of several competitors entering the market in July 2013 after we launched in January 2013 as the authorized generic; and
- revenue decline for lamotrigine, which experienced a higher level of competition in 2014 as compared to 2013 when it launched.

Net product sales of contract-manufactured products (which are manufactured for us by third parties under contract) and licensed products (which are licensed to us from third-party development partners and also are generally manufactured by third parties) comprised a significant percentage of our total net product revenues for 2014 and for 2013. The significance of the percentage of our net product revenues is primarily driven by the launches/acquisitions of products like entecavir, budesonide, divalproex, metoprolol succinate ER, clonidine HCl ER, and digoxin. We are substantially dependent upon contract-manufactured and licensed products for our overall sales, and any inability by our suppliers to meet demand could adversely affect our future sales.

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Par Specialty

The decrease in the Par Specialty segment revenues in the year ended December 31, 2014 as compared to the same period of 2013 was primarily due to a net product sales decline of Megace® ES primarily as a result of decreased volume. These decreases were tempered by revenue growth of Nascobal® primarily due to increased volume.

Revenues (2013 compared to 2012)

Total net revenues of our top selling products were as follows ($ in thousands):

	For the year ended	For the period		For the year ended (non-GAAP)	
	December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)	December 31, 2012 (Total)	$ Change
Product					
Par Pharmaceutical					
Budesonide (Entocort® EC)	$ 198,834	$ 36,710	$ 103,762	$ 140,472	$ 58,362
Propafenone (Rythmol SR®)	70,508	19,623	53,825	73,448	(2,940)
Metoprolol succinate ER (Toprol-XL®)	56,670	31,287	154,216	185,503	(128,833)
Lamotrigine (Lamictal XR®)	54,577	—	—	—	54,577
Divalproex (Depakote®)	46,635	2,436	9,099	11,535	35,100
Rizatriptan (Maxalt®)	45,598	—	—	—	45,598
Bupropion ER (Wellbutrin®)	45,403	11,255	34,952	46,207	(804)
Chlorpheniramine/Hydrocodone (Tussionex®)	33,518	17,403	30,706	48,109	(14,591)
Modafinil (Provigil®)	27,688	16,956	88,831	105,787	(78,099)
Diltiazem (Cardizem® CD)	27,212	3,702	—	3,702	23,510
Other	390,346	79,789	249,383	329,172	61,174
Other product related revenues	31,429	8,151	18,586	26,737	4,692
Total Par Pharmaceutical Revenues	$ 1,028,418	$ 227,312	$ 743,360	$ 970,672	$ 57,746
Par Specialty					
Megace® ES	39,510	10,910	38,322	49,232	(9,722)
Nascobal® Nasal Spray	26,864	7,138	17,571	24,709	2,155
Other	(910)	130	130	260	(1,170)
Other product related revenues	3,585	649	4,485	5,134	(1,549)
Total Par Specialty Revenues	$ 69,049	$ 18,827	$ 60,508	$ 79,335	$ (10,286)

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($ in thousands)	2013 (Successor)	2012 (Total) (non-GAAP)	$ Change	% Change	For the years ended December 31, Percentage of total revenues 2013	2012 (non-GAAP)
Revenues:						
Par Pharmaceutical	$ 1,028,418	$ 970,672	$ 57,746	5.9%	93.7%	92.4%
Par Specialty	69,049	79,335	(10,286)	(13.0)%	6.3%	7.6%
Total revenues	$ 1,097,467	$ 1,050,007	$ 47,460	4.5%	100.0%	100.0%

($ in thousands)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)	For the year ended December 31, 2012 Total (non-GAAP)
Revenues:			
Par Pharmaceutical	$ 227,312	$ 743,360	$ 970,672
Par Specialty	18,827	60,508	79,335
Total revenues	$ 246,139	$ 803,868	$ 1,050,007

Par Pharmaceutical

The increase in generic segment revenues in the year ended December 31, 2013 was primarily due to the products that benefited from competitor supply issues coupled with launches of several products in 2013, including:

- the increase in budesonide revenues, which benefited from a competitor's supply issues;
- the launch of lamotrigine in January 2013 coupled with a competitor exiting the market in the second quarter of 2013 due to FDA compliance issues;
- the launch of rizatriptan in January 2013;
- the increase in divalproex revenues, which benefited from a competitor exiting the market in June 2013 as the result of FDA compliance issues;
- a full year of revenues from products acquired from the merger of Watson and Actavis Group in November 2012, primarily diltiazem, fentanyl patch (included in "Other"), and morphine (included in "Other"); and
- the net increase in "Other" is mainly driven by the launches of fluvoxamine maleate ER in first quarter of 2013, fenofibric acid in the third quarter of 2013, and the fourth quarter launches of clonidine HCl ER and dexmethylphenidate.

The increases noted above in 2013 were tempered by:

- the decrease in sale volume for modafinil, which launched in April 2012 and experienced high sale volume upon launch and subsequently experienced significant competition at the end of its exclusivity period, which had a negative impact on both price and volume; and
- on-going competition on all SKUs (packaging sizes) of metoprolol succinate ER, which had a negative impact on both price and volume.

Net product sales of contract-manufactured products (which are manufactured for us by third parties under contract) and licensed products (which are licensed to us from third-party development partners and also are generally manufactured by third parties) comprised a significant percentage of our total net product revenues

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for 2013 and for 2012. The significance of the percentage of our net product revenues is primarily driven by the launches of products like rizatriptan, modafinil, budesonide and metoprolol succinate ER. We are substantially dependent upon contract-manufactured and licensed products for our overall sales, and any inability by our suppliers to meet demand could adversely affect our future sales.

Par Specialty

The decrease in the Par Specialty segment revenues in the year ended December 31, 2013 as compared to the same period of 2012 was primarily due to a net product sales decline of Megace® ES primarily as a result of decreased volume and a decrease in royalties earned from milestone payments pertaining to an agreement with Optimer Pharmaceuticals related to fidaxomicin. The decreases were partially offset by the continued growth of Nascobal® due to better pricing.

Gross revenues to total revenues

Generic drug pricing at the wholesale level can create significant differences between our invoice price and net selling price. Wholesale customers purchase product from us at invoice price, then resell the product to specific healthcare providers on the basis of prices negotiated between us and the providers. The difference between the wholesalers' purchase price and the typically lower healthcare providers' purchase price is refunded to the wholesalers through a chargeback credit. We record estimates for these chargebacks as well as sales returns, rebates and incentive programs, and the sales allowances for all our customers at the time of sale as deductions from gross revenues, with corresponding adjustments to our accounts receivable reserves and allowances.

We have the experience and the access to relevant information that we believe necessary to reasonably estimate the amounts of such deductions from gross revenues. Some of the assumptions we use for certain of our estimates are based on information received from third parties, such as wholesale customer inventory data and market data, or other market factors beyond our control. The estimates that are most critical to the establishment of these reserves, and therefore would have the largest impact if these estimates were not accurate, are estimates related to expected contract sales volumes, average contract pricing, customer inventories and return levels. We regularly review the information related to these estimates and adjust our reserves accordingly if and when actual experience differs from previous estimates. With the exception of the product returns allowance, the ending balances of account receivable reserves and allowances generally are eliminated during a two-month to four-month period, on average.

We recognize revenue for product sales when title and risk of loss have transferred to our customers and when collectability is reasonably assured. This is generally at the time that products are received by the customers. Upon recognizing revenue from a sale, we record estimates for chargebacks, rebates and incentives, returns, cash discounts and other sales reserves that reduce accounts receivable.

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Our gross revenues for the year ended December 31, 2014 (Successor), the year ended December 31, 2013 (Successor), and the periods from July 12, 2012 (inception) to December 31, 2012 (Successor) and January 1, 2012 to September 28, 2012 (Predecessor), with the percentage of gross revenues on a combined basis (labeled "Total") for purposes of comparison with 2014 and 2013, before deductions for chargebacks, rebates and incentive programs (including rebates paid under federal and state government Medicaid drug reimbursement programs), sales returns and other sales allowances were as follows:

	For the year ended		For the year ended		For the period		
($ thousands)	December 31, 2014	Percentage of gross revenues (Successor)	December 31, 2013	Percentage of gross revenues (Successor)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)	Percentage of gross revenues (Total) (non-GAAP)
Gross revenues	$ 3,064,079		$ 2,327,023		$ 527,734	$ 1,436,704	
Chargebacks	(868,511)	28.3%	(630,097)	27.1%	(132,834)	(309,411)	22.5%
Rebates and incentive programs	(480,949)	15.7%	(290,275)	12.5%	(69,749)	(147,171)	11.0%
Returns	(31,361)	1.0%	(37,956)	1.6%	(8,522)	(23,191)	1.6%
Cash discounts and other	(292,602)	9.5%	(194,068)	8.3%	(46,053)	(103,527)	7.6%
Medicaid rebates and rebates due under other US Government pricing programs	(82,035)	2.7%	(77,160)	3.3%	(24,437)	(49,536)	3.8%
Total deductions	1,755,458	57.3%	(1,229,556)	52.8%	(281,595)	(632,836)	46.5%
Total revenues	$ 1,308,621	42.7%	$ 1,097,467	47.2%	$ 246,139	$ 803,868	53.5%

Gross revenues to total revenues (2014 compared to 2013)

The total gross-to-net deductions as a percentage of gross revenues increased for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to:

- Chargebacks: the increase was primarily driven by customer mix as a result of the shift in business from non-wholesalers to wholesalers in addition to a decrease in price for modafinil (higher volume and rate), tempered by impact of higher sales of products with lower discount rates, including amlodipine/valsartan and entecavir and favorable impact of divalproex and bupropion ER price increases.
- Rebates and incentive programs: the increase was primarily driven by higher divalproex (volume and rate), bupropion ER (volume and rate), lamotrigine (rate) and budesonide (rate), coupled with the impact of various wholesaler and retailer alliances.
- Returns: the decrease in the rate was primarily driven by the non-recurrence of an increase to the rizatriptan returns reserve in the prior year following additional competition, coupled with lower than expected returns for other products, primarily dronabinol, fluvoxamine and Megace® ES.
- Cash discounts and other: the increase in rate was primarily due to customer mix, including the impact of various wholesaler and retailer alliances coupled with pricing adjustments for products that had competitive

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changes in their respective markets, primarily bupropion (price protection as result of price increase effective in June 2014), lamotrigine, metoprolol, and amlodipine/valsartan, partially offset by the impact of prior year price protection related to a divalproex and cholestyramine price increase.

- Medicaid rebates and rebates due under other U.S. Government pricing programs: the decrease as a percentage of gross revenues was primarily due to a reduction in the Medicaid accrual based upon additional available information related to Managed Medicaid utilization in California, coupled with lower amounts due under certain U.S. Government and state pricing programs (e.g., TriCare and Medicaid) due to lower utilization of our subject drugs (e.g., modafinil, Megace® ES, Nascobal®, and rizatriptan).

Gross revenues to total revenues (2013 compared to 2012)

The total gross-to-net deductions as a percentage of gross revenues increased for the year ended December 31, 2013 compared to the year ended December 31, 2012 (Total) primarily due to:

- Chargebacks: the increase was primarily driven by the impact of higher sales of products with higher discount rates, including buproprion ER and diltiazem coupled with higher chargeback rates for modafinil and other products due to competitive factors in each of the related markets and a higher percentage of our sales were to wholesalers in 2013 which resulted in more chargebacks, tempered by the favorable impact of the divalproex discount rate in 2013.
- Rebates and incentive programs: the increase was primarily driven by higher rebatable sales, primarily divalproex and modafinil, partially offset by lower sales of metoprolol succinate ER.
- Returns: the rate was flat with 2012.
- Cash discounts and other: the increase in cash discounts and other was driven by price adjustments as a result of customer mix, including the higher percentage of our sales to wholesalers in 2013.
- Medicaid rebates and rebates due under other U.S. Government pricing programs: decrease was primarily due to lower Medicaid from the non-recurrence of accruals for certain fees and managed care rebates due to lower sales of Megace® ES, tempered by higher expense related to Medicare Part-D "donut hole" rebates (a 50% discount on cost for certain Medicare Part D beneficiaries for certain drugs (e.g., budesonide and modafinil) purchased during the Part D Medicare coverage gap) in the 2013 as compared to the prior year.

Gross-to-net deductions are discussed in the "Critical Accounting Policies and Use of Estimates" section below.

Gross margin (2014 compared to 2013)

	For the years ended December 31,				
				Percentage of total revenues	
($ in thousands)	2014 (Successor)	2013 (Successor)	$ Change	2014	2013
Gross margin:					
Par Pharmaceutical	$ 436,078	271,396	$ 164,682	35.1%	26.4%
Par Specialty	43,037	46,647	(3,610)	63.8%	67.6%
Total gross margin	$ 479,115	$ 318,043	$ 161,072	36.6%	29.0%

The increase in Par Pharmaceutical gross margin dollars for the year ended December 31, 2014 as compared to the prior year period was primarily due to gross margin dollars from Par Sterile products, which were acquired in February 2014, coupled with the September 2014 launch of amlodipine/valsartan; bupropion ER, which

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benefited from competitors that were not able to supply product to the market; and the full year impact of the fourth quarter of 2013 launch of clonidine HCl ER. These increases were tempered by the revenue and associated gross margin dollar decline of modafinil.

Par Specialty gross margin dollars decreased for the year ended December 31, 2014, primarily due to the revenue decline of Megace® ES.

Gross margin (2013 compared to 2012)

	For the years ended December 31,				
				Percentage of total revenues	
($ in thousands)	2013 (Successor)	2012 (Total) (non-GAAP)	$ Change	2013	2012 (non-GAAP)
Gross margin:					
Par Pharmaceutical	$ 271,396	330,114	$ (58,718)	26.4%	34.0%
Par Specialty	46,647	57,681	(11,034)	67.6%	72.7%
Total gross margin	$ 318,043	$ 387,795	$ (69,752)	29.0%	36.9%

		For the period	For the year ended
($ in thousands)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)	December 31, 2012 Total (non-GAAP)
Gross margin:			
Par Pharmaceutical	$ 33,776	$ 296,338	$ 330,114
Par Specialty	11,669	46,012	57,681
Total gross margin	$ 45,445	$ 342,350	$ 387,795

The decrease in Par Pharmaceutical gross margin dollars for the year ended December 31, 2013 as compared to the prior year period was primarily due to increased amortization of intangible assets associated with the Merger (an increase of approximately $116.0 million for the Company) coupled with the revenue declines of modafinil and metoprolol succinate ER tempered by the launches of lamotrigine and fluvoxamine maleate ER in the first quarter of 2013 and the increase in divalproex gross margin dollars, which benefited from a competitor exiting the market in June 2013.

Par Specialty gross margin dollars decreased for the year ended December 31, 2013, primarily due to increased amortization of intangible assets associated with the Merger coupled with the revenue decline of Megace® ES.

Research and development (2014 compared to 2013)

	For the years ended December 31,					
					Percentage of total revenues	
($ in thousands)	2014 (Successor)	2013 (Successor)	$ Change	% Change	2014	2013
Research and development:						
Par Pharmaceutical	$ 118,205	$ 99,177	$ 19,028	19.2%	9.5%	9.6%
Par Specialty	890	1,586	(696)	(43.9)%	1.3%	2.3%
Total research and development	$ 119,095	$ 100,763	$ 18,332	18.2%	9.1%	9.2%

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Par Pharmaceutical:

The net increase in Par Pharmaceutical research and development expense for the year ended December 31, 2014 was driven by:

- $8.9 million of higher employment related and other costs due to the acquisition of Par Sterile;
- $5.6 million increase in outside development costs primarily driven by payment related to one new agreement partially offset by lower payments for existing development agreements;
- $2.5 million of higher expense for consulting and advisory services related to the acquisition of Par Sterile; and
- $2.3 million in incremental user fees due to 30 ANDA filings.

These increases were tempered by a $2.6 million decrease in biostudy, clinical trial and material costs related to ongoing internal development of generic products.

Par Specialty:

Par Specialty research and development principally reflects FDA filing fees for the years ended December 31, 2014 and December 31, 2013.

Research and development (2013 compared to 2012)

	For the years ended December 31,					
	2013	2012 (Total)			Percentage of total revenues	
($ in thousands)	(Successor)	(non-GAAP)	$ Change	% Change	2013	2012 (non-GAAP)
Research and development:						
Par Pharmaceutical	$ 99,177	$ 84,353	$ 14,824	17.6%	9.6%	8.7%
Par Specialty	1,586	1,636	(50)	(3.1)%	2.3%	2.1%
Total research and development	$ 100,763	$ 85,989	$ 14,774	17.2%	9.2%	8.2%

	For the period		For the year ended
	July 12, 2012 to December 31, 2012	January 1, 2012 to September 28, 2012	December 31, 2012 Total
($ in thousands)	(Successor)	(Predecessor)	(non-GAAP)
Research and development:			
Par Pharmaceutical	$ 19,242	$ 65,111	$ 84,353
Par Specialty	141	1,495	1,636
Total research and development	$ 19,383	$ 66,606	$ 85,989

Par Pharmaceutical:

The increase in Par Pharmaceutical research and development expense for the year ended December 31, 2013 was driven by a $15.4 million increase in biostudy, clinical trial and material costs related to ongoing internal development of generic products.

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Par Specialty:

Par Specialty research and development principally reflects FDA filing fees for the years ended December 31, 2013 and December 31, 2012.

Selling, general and administrative (2014 compared to 2013)

	For the years ended December 31,					
					Percentage of total revenues	
($ in thousands)	2014 (Successor)	2013 (Successor)	$ Change	% Change	2014	2013
Selling, general and administrative:						
Par Pharmaceutical	$ 134,393	$ 114,383	$ 20,010	17.5%	10.8%	11.1%
Par Specialty	46,743	40,781	5,962	14.6%	69.3%	59.1%
Total selling, general and administrative	$ 181,136	$ 155,164	$ 25,972	16.7%	13.8%	14.1%

The net increase in selling, general and administrative expenditures for the year ended December 31, 2014 principally reflects:

- $12.0 million of higher employment related costs due to the acquisition of Par Sterile, combined with higher accrued bonus;
- $8.0 million of higher expense for consulting and advisory services related to acquisitions and other business development activities;
- $6.6 million of expense related to additional borrowings and repricing of our term loan plus associated transaction fees of $0.5 million; and
- $4.0 million increase in direct Par Specialty selling and marketing costs driven by Nascobal.

These increases were tempered by a $5.1 million of lower legal expenses primarily due to decreased corporate related activities.

Selling, general and administrative (2013 compared to 2012)

	For the years ended December 31,					
					Percentage of total revenues	
($ in thousands)	2013 (Successor)	2012 (Total) (non-GAAP)	$ Change	% Change	2013	2012 (non-GAAP)
Selling, general and administrative:						
Par Pharmaceutical	$ 114,383	$ 162,801	$ (48,418)	(29.7)%	11.1%	16.8%
Par Specialty	40,781	76,563	(35,782)	(46.7)%	59.1%	45.2%
Total selling, general and administrative	$ 155,164	$ 239,364	$ (84,200)	(35.2)%	14.1%	20.1%

	For the period		For the year ended
($ in thousands)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)	December 31, 2012 Total (non-GAAP)
Selling, general and administrative:			
Par Pharmaceutical	$ 53,867	$ 108,934	$ 162,801
Par Specialty	19,893	56,670	76,563
Total selling, general and administrative	$ 73,760	$ 165,604	$ 239,364

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The net decrease in selling, general and administrative expenditures for the year ended December 31, 2013 principally reflects:

- $70.4 million of expenses incurred in 2012 non-recurring in 2013 for the transaction fees and other costs related to the Merger;
- a $13.0 million reduction in direct Par Specialty selling and marketing costs driven by a 70 person reduction of headcount; and
- $2.7 million of incremental employment and related costs associated with certain executive severance amounts.

Intangible asset impairment (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Intangible asset impairment	$ 146,934	$ 100,093	$ —	$ 5,700

During the year ended December 31, 2014, we recorded intangible asset impairments totaling $146.9 million related to an adjustment to the forecasted operating results for two IPR&D intangible asset groups and eight Par Pharmaceutical segment products compared to their originally forecasted operating results at the date of acquisition, inclusive of one discontinued product, one partially impaired product primarily due to the contract ending with the partner and a partially impaired IPR&D project from the Par Sterile acquisition due to an adverse court ruling pertaining to related patent litigation. The estimated fair values of the assets were determined by completing updated discounted cash flow models.

During the year ended December 31, 2013, we recorded intangible asset impairments totaling approximately $100.1 million for IPR&D classes of products and projects that were evaluated as part of the annual evaluation of indefinite lived intangible assets, as well as five products not expected to achieve their originally forecasted operating results and we ceased selling a product that had been acquired with the divested products from the merger of Watson and Actavis Group. During the period from January 1, 2012 to September 28, 2012 (Predecessor), we abandoned an in-process research and development project that was acquired in the Anchen acquisition and recorded a corresponding intangible asset impairment of $2.0 million, and we exited the market of a commercial product that was acquired in the Anchen acquisition and recorded a corresponding intangible asset impairment of $3.7 million.

Settlements and loss contingencies, net (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Settlements and loss contingencies, net	$ 90,107	$ 25,650	$ 10,059	$ 45,000

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In 2014, we recorded an incremental provision of $91.0 million related to the settlement of omeprazole/sodium bicarbonate patent litigation for $100.0 million. During the 2014, we also received an arbitration award of approximately $0.9 million from a former partner related to a discontinued project.

In 2013, we recorded an incremental provision of $25.7 million related to AWP litigation claims (Illinois $19.8 million, Louisiana $3.3 million, Utah $1.7 million and Kansas $0.9 million).

During the period from January 1, 2012 to September 28, 2012 (Predecessor), we recorded an accrual of $45.0 million as management's best estimate of a potential loss related to a potential global settlement with respect to an inquiry by the DOJ into Par Specialty's promotional practices in the sales and marketing of Megace® ES. In the period from July 12, 2012 (inception) to December 31, 2012 (Successor), we recorded additional estimated amounts for accrued interest and legal expenses that we are liable for paying in the final settlement and we also accrued for a contingent liability of $9.0 million related to omeprazole/sodium bicarbonate patent litigation.

Restructuring costs (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Restructuring costs	$ 5,413	$ 1,816	$ 241	$ —

In 2014, subsequent to the Par Sterile acquisition, we eliminated 25 redundant positions within Par Pharmaceutical and accrued severance and other employee-related costs for those employees affected by the workforce reduction. Additionally, due to the change in our product development strategy, we eliminated 44 redundant positions within our Irvine location and accrued severance and other employee-related costs for these employees affected by the workforce reduction.

In January 2013, we initiated a restructuring of Par Specialty, our branded pharmaceuticals division, in anticipation of entering into a settlement agreement and CIA that terminated the DOJ's ongoing investigation of Par Specialty's marketing of Megace® ES. We reduced our Par Specialty workforce by approximately 70 people, with the majority of the reductions in the sales force. The remaining Par Specialty sales force has been reorganized into a single sales team of approximately 60 professionals that focus their marketing efforts principally on Nascobal® Nasal Spray. In connection with these actions, we incurred expenses for severance and other employee-related costs as well as the termination of certain contracts.

The following table summarizes the activity for 2014 and the remaining related restructuring liabilities balance (included in accrued expenses and other current liabilities on the consolidated balance sheet) as of December 31, 2014 ($ in thousands):

Restructuring activities (Par Sterile)	Initial charge	Additional charge	Cash payments	Non-cash charge related to inventory and/or intangible assets	Reversals, reclass or transfers	Liabilities at December 31, 2014
Severance and employee benefits to be paid in cash	$ 1,146	$ 3,527	$ (2,686)	$ —	$ —	$ 1,987
Total restructuring costs line item	$ 1,146	$ 3,527	$ (2,686)	$ —	$ —	$ 1,987

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Restructuring activities (Irvine)	Initial charge	Additional charge	Cash payments	Non-cash charge related to inventory and/or intangible assets	Reversals, reclass or transfers	Liabilities at December 31, 2014
Severance and employee benefits to be paid in cash	$ 740	$ —	$ (127)	$ —	$ —	$ 613
Total restructuring costs line item	$ 740	$ —	$ (127)	$ —	$ —	$ 613

The following table summarizes the activity for 2013 and the remaining related restructuring liabilities balance (included in accrued expenses and other current liabilities on the consolidated balance sheet) as of December 31, 2013 ($ in thousands):

Restructuring activities	Initial charge	Cash payments	Non-cash charge related to inventory and/or intangible assets	Reversals, reclass or transfers	Liabilities at December 31, 2013
Severance and employee benefits to be paid in cash	$ 1,413	$ (1,409)	$ —	$ (4)	$ —
Asset impairments and other	403	—	(403)	—	—
Total restructuring costs line item	$ 1,816	$ (1,303)	$ (403)	$ (4)	$ —

Loss on sale of product rights and other (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Loss on sale of product rights and other	$ (3,042)	$ —	$ —	$ —

During the year ended December 31, 2014, we recorded a net provision of $3.0 million related to sale of three ANDAs for approximately $0.8 million that had an associated book value of approximately $3.8 million, which was previously reflected as intangible assets on the consolidated balance sheet. The agreement related to the sale of the three ANDAs, during the year ended December 31, 2014 and contains terms that specify future potential payments totaling $5.6 million related to the achievement by the buyer of certain regulatory approvals and product launches.

Operating loss (2014 compared to 2013)

($ in thousands)	For the years ended December 31, 2014 (Successor)	2013 (Successor)	$ Change
Operating loss:			
Par Pharmaceutical	$ (30,938)	$ (48,082)	$ 17,144
Par Specialty	(35,674)	(17,361)	(18,313)
Total operating loss	$ (66,612)	$ (65,443)	$ (1,169)

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For the year ended December 31, 2014, the increase in our operating loss as compared to the prior year was primarily due to the $100.0 million settlement of the omeprazole/sodium bicarbonate patent litigation coupled with intangible asset impairments, additional research and development expense for payments related to existing product development agreements and additional selling, general and administrative expenditures related to the acquisition of Par Sterile, tempered by increased gross margin dollars for key products and new product launches subsequent to the year ended December 31, 2013.

Operating (loss) income (2013 compared to 2012)

	For the years ended December 31,		
	2013	2012 (Total)	
($ in thousands)	(Successor)	(non-GAAP)	$ Change
Operating (loss) income:			
Par Pharmaceutical	$ (48,082)	$ 68,065	$(116,147)
Par Specialty	(17,361)	(66,623)	49,262
Total operating (loss) income	$ (65,443)	$ 1,442	$ (66,885)

		For the period	For the year ended
	July 12, 2012 to December 31, 2012	January 1, 2012 to September 28, 2012	December 31, 2012 Total
($ in thousands)	(Successor)	(Predecessor)	(non-GAAP)
Operating (loss) income:			
Par Pharmaceutical	$ (48,526)	$ 116,591	$ 68,065
Par Specialty	(9,472)	(57,151)	(66,623)
Total operating (loss) income	$ (57,998)	$ 59,440	$ 1,442

For the year ended December 31, 2013, the decrease in our operating income as compared to prior year was primarily due to increased amortization of intangible assets associated with the Merger coupled with intangible asset impairment, tempered by the non-recurrence of an accrual of $45.0 million during the three months ended March 31, 2012 related to the DOJ investigation coupled with the non-recurrence of $70.0 million of transaction fees and other costs related to the Merger.

Gain on bargain purchase (2014 compared to 2013 and 2013 compared to 2012)

	For the year ended	For the year ended		For the period
	December 31, 2014	December 31, 2013	July 12, 2012 to December 31, 2012	January 1, 2012 to September 28, 2012
($ in thousands)	(Successor)	(Successor)	(Successor)	(Predecessor)
Gain on bargain purchase	$ —	$ —	$ 5,500	$ —

On November 6, 2012, Par Pharmaceutical acquired U.S. marketing rights to five generic products that were marketed by Watson or Actavis Group as well as eight ANDAs currently awaiting regulatory approval and a generic product in late-stage development, in connection with the merger of Watson and Actavis Group. The acquisition resulted in a bargain purchase under FASB ASC 805 Business Combinations. The purchase price of the acquisition was allocated to the assets acquired, with the excess of the fair value of assets acquired

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over the purchase price recorded as a gain. The gain was mainly attributed to the FTC mandated divestiture of products by Watson and Actavis Group in conjunction with the approval of the merger of Watson and Actavis Group in the fourth quarter of 2012.

Loss on debt extinguishment (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Loss on debt extinguishment	$ (3,989)	$ (7,335)	$ —	$ —

During the year ended December 31, 2014, and in conjunction with the acquisition of Par Sterile, we entered into the Incremental Term B-2 Joinder Agreement (the "Joinder") among us, Par Pharmaceutical Companies, certain of our subsidiaries and our lenders. Under the terms of the Joinder, we borrowed an additional $395.0 million of new tranche term loans from the lenders participating therein for the purpose of consummating our acquisition of Par Sterile. We also repriced our term loan facility at the same time lowering our effective borrowing rate by 25 basis points. Based on these actions and the decision of certain lenders not to remain a party to our term loan facility, we recorded a loss on debt extinguishment of approximately $4.0 million that represents a proportionate share of deferred financing costs that were written off.

During the year ended December 31, 2013, we refinanced our $1,055 million senior secured term loan. As a result, $5.9 million of existing deferred financing costs and a portion of the related $10.5 million soft call premium were recorded as a loss on debt extinguishment for the portion of the associated transactions that were classified as extinguishment of debt.

Gain on sale of marketable securities and other investments, net (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Gain on sale of marketable securities and other investments, net	$ —	$ 1,122	$ —	$ —

In 2013, we recorded a gain on sale of stock of a public pharmaceutical company of $1.1 million.

Other income, net (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Other income, net	$ 500	$ —	$ —	$ —

During the year ended December 31, 2014, we received a contractual reimbursement payment from a former partner related to the withdrawals of two ANDAs.

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Interest income (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Interest income	$ 18	$ 87	$ 50	$ 424

Interest income principally includes interest income derived primarily from money market and other short-term investments.

Interest expense (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Interest expense	$ (108,427)	$ (95,484)	$ (25,985)	$ (9,159)

To finance the Merger, the Sponsor arranged for an offering of $490.0 million in aggregate principal amount of the Notes by Sky Growth Acquisition Corporation and for financing under the Senior Credit Facilities. Upon the consummation of the Merger, Par Pharmaceutical Companies assumed the obligations of Sky Growth Acquisition Corporation under the Notes and the related purchase agreement and entered into the related indenture and the registration rights agreement relating to the Notes. The proceeds from the Notes offering, together with the proceeds of the Senior Credit Facilities among other sources were used to fund the consummation of the Merger and other uses of funds.

The Senior Credit Facilities were initially comprised of a $1,055.0 million senior secured term loan ("Term Loan Facility") and a $150.0 million senior secured revolving credit facility ("Revolving Facility"). Borrowings under the Senior Credit Facilities bear interest at a rate per annum equal to an applicable margin plus, at the Company's option, either LIBOR (which is subject to a 1.00% floor) or the base rate (which is subject to a 2.00% floor). On February 20, 2014 in conjunction with our acquisition of Par Sterile, we entered into an amendment to our Senior Credit Facility that refinanced all of the outstanding tranche B-1 term loans of the borrower with a new tranche of tranche B-2 term loans in an aggregate principal amount of $1,055.0 million. Additionally, we also entered into an incremental term B-2 joinder agreement and borrowed an additional $395.0 million of new tranche B term loans from the lenders participating therein for the purpose of consummating our acquisition of Par Sterile. As of December 31, 2014, the effective interest rate on the seven-year Tranche B Term Loans was 4.00%, representing the 1.00% LIBOR floor plus 300 basis points. As of December 31, 2013, the applicable rate was 4.25% representing the 1.00% LIBOR floor plus 325 basis points. As of December 31, 2012, the effective interest rate on the Tranche B Term Loans was 4.75%, representing the 1.00% LIBOR floor plus 375 basis points. In addition to paying interest on outstanding principal under the Senior Credit Facilities, we paid customary agency fees and a commitment fee in respect of the unutilized commitments under the revolving credit facility. Refer to Note 14 to our audited consolidated financial statements included elsewhere in this prospectus for a description of a refinancing and repricing of the Senior Credit Facilities completed in February 2014 and February 2013. As a result of the Merger, our interest expense significantly increased after September 28, 2012 due to increased borrowings.

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The outstanding balance of the Tranche B Term Loans that is part of the Senior Credit Facilities was $1,436.0 million at December 31, 2014. Interest expense for the twelve month period ended December 31, 2014 is principally comprised of interest related to the Notes and the Senior Credit Facilities.

In connection with the acquisition of Anchen in November 2011, we entered into a credit agreement (the "Predecessor Credit Agreement") with a syndicate of banks to provide senior credit facilities comprised of a five-year term loan facility in an initial aggregate principal amount of $350.0 million and a five-year revolving credit facility in an initial amount of $100.0 million. Interest expense for the nine month period ended September 28, 2012 is principally comprised of interest on such term loan. The Predecessor Credit Agreement was extinguished on September 28, 2012 in connection with the Merger.

Income taxes (2014 compared to 2013 and 2013 compared to 2012)

($ in thousands)	For the year ended December 31, 2014 (Successor)	For the year ended December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
(Benefit) provision for income taxes	$ (72,993)	$ (61,182)	$ (23,727)	$ 29,530
Effective tax rate	41%	37%	30%	58%

The provision/ (benefit) for income taxes was based on the applicable federal and state tax rates for those periods (see Note 19 to our audited consolidated financial statements which are included elsewhere in this prospectus). For periods with a loss before benefit for income taxes, favorable tax items result in an increase in the effective tax rate, while unfavorable tax items result in a decrease in the effective tax rate. For periods with income before provision for income taxes, favorable tax items result in a decrease in the effective tax rate, while, unfavorable tax items result in an increase in the effective tax rate. The higher effective tax rate for the year ended December 31, 2014 (Successor) is principally due to tax benefits we receive as a domestic manufacturer and tax credits related to our research and development activity partially offset by non-deductibility of the annual pharmaceutical manufacturers' fee. The lower effective tax rate for the period July 12, 2012 (inception) to December 31, 2012 (Successor) is principally due to the non-deductibility of certain acquisition related transaction costs. The higher effective tax rate for the period January 1, 2012 to September 28, 2012 (Predecessor) is principally due to the non-deductibility of certain charges related to our settlement with the DOJ and non-deductibility of certain acquisition-related transaction costs, off-set by a reduction in tax contingencies.

Off-balance sheet arrangements

We have no off-balance sheet arrangements, other than disclosed operating leases.

Critical accounting policies and use of estimates

Critical accounting policies are those policies that are most important to the portrayal of our financial condition and results of operations, and require management's most difficult, subjective and complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies, as discussed below, pertain to revenue recognition and the determination of deductions from gross revenues, the determination of whether certain costs pertaining to our significant development and marketing agreements are to be capitalized or expensed as incurred, the valuation and assessment of impairment of goodwill and intangible assets and inventory valuation. In applying such policies,

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management often must use amounts that are based on its informed judgments and estimates. Because of the uncertainties inherent in these estimates, actual results could differ from the estimates used in applying the critical accounting policies. We are not aware of any likely events or circumstances that would result in different amounts being reported that would materially affect our financial condition or results of operations.

Revenue recognition and provisions for deductions from gross revenues

We recognize revenues for product sales when title and risk of loss have transferred to our customers, when reliable estimates of rebates, chargebacks, returns and other adjustments can be made, and when collectability is reasonably assured. This is generally at the time products are received by the customers. We also review available trade inventory levels at certain large wholesalers to evaluate any potential excess supply levels in relation to expected demand. Upon recognizing revenue from sales, we record estimates for the following items that reduce gross revenues:

- Chargebacks
- Rebates and incentive programs
- Product returns
- Cash discounts and other
- Medicaid rebates

The following table summarizes the activity for the years ended December 31, 2014, 2013 and 2012 in the accounts affected by the estimated provisions described below, ($ in thousands):

	For the year ended December 31, 2014 (Successor)					
Accounts receivable reserves	**Beginning balance**	**Par Sterile beginning balance**	**Provision recorded for current period sales**	**(Provision) reversal recorded for prior period sales**	**Credits processed**	**Ending balance**
Chargebacks	$ (48,766)	$ (6,296)	$ (871,139)	$ 2,628(1)	$ 827,081	$ (96,492)
Rebates and incentive programs	(75,321)	(5,489)	(480,949)	—	422,770	(138,989)
Returns	(78,181)	(4,820)	(31,361)	—	30,032	(84,330)
Cash discounts and other	(37,793)	(1,792)	(291,153)	(1,449)(3)	245,390	(86,797)
Total	$ (240,061)	$ (18,397)	$ (1,674,602)	$ 1,179	$1,525,273	$(406,608)
Accrued liabilities(2)	$ (35,829)	$ (382)	$ (84,840)	$ 2,805(4)	$ 75,599	$ (42,647)

	For the year ended December 31, 2013 (Successor)				
Accounts receivable reserves	**Beginning balance**	**Provision recorded for current period sales**	**(Provision) reversal recorded for prior period sales**	**Credits processed**	**Ending balance**
Chargebacks	$ (41,670)	$ (630,097)	$ —(1)	$ 623,001	$ (48,766)
Rebates and incentive programs	(59,426)	(290,934)	659	274,380	(75,321)
Returns	(68,062)	(37,956)	—	27,837	(78,181)
Cash discounts and other	(26,544)	(195,632)	1,564	182,819	(37,793)
Total	$ (195,702)	$ (1,154,619)	$ 2,223	$1,108,037	$(240,061)
Accrued liabilities(2)	$ (42,162)	$ (80,726)	$ 3,566(5)	$ 83,493	$ (35,829)

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	For the period July 12, 2012 to December 31, 2012 (Successor)				
Accounts receivable reserves	Beginning balance	Provision recorded for current period sales	(Provision) reversal recorded for prior period sales	Credits processed	Ending balance
Chargebacks	$ (24,223)	$ (132,834)	$ —(1)	$ 115,387	$ (41,670)
Rebates and incentive programs	(43,866)	(69,749)	—	54,189	(59,426)
Returns	(64,119)	(8,522)	—	4,579	(68,062)
Cash discounts and other	(30,817)	(46,053)	—	50,326	(26,544)
Total	$ (163,025)	$ (257,158)	$ —	$ 224,481	$(195,702)
Accrued liabilities(2) .	$ (42,455)	$ (24,437)	$ —	$ 24,730	$ (42,162)

	For the period January 1, 2012 to September 28, 2012 (Predecessor)				
Accounts receivable reserves	Beginning balance	Provision recorded for current period sales	(Provision) reversal recorded for prior period sales	Credits processed	Ending balance
Chargebacks	$ (20,688)	$ (309,411)	$ —(1)	$ 305,876	$ (24,223)
Rebates and incentive programs	(35,132)	(147,112)	(59)	138,437	(43,866)
Returns	(58,672)	(24,793)	1,602(6)	17,744	(64,119)
Cash discounts and other	(28,672)	(102,718)	(809)	101,382	(30,817)
Total	$ (143,164)	$ (584,034)	$ 734	$ 563,439	$(163,025)
Accrued liabilities(2) .	$ (39,614)	$ (49,536)	$ —	$ 46,695	$ (42,455)

(1) Unless specific in nature, the amount of provision or reversal of reserves related to prior periods for chargebacks is not determinable on a product or customer specific basis; however, based upon historical analysis and analysis of activity in subsequent periods, we believe that our chargeback estimates remain reasonable. During the year ended December 31, 2014 (Successor), the Company settled a dispute with a customer resulting in a recovery payment of $3.6 million of which $2.6 million pertained to prior year transactions.

(2) Includes amounts due to indirect customers for which no underlying accounts receivable exists and is principally comprised of Medicaid rebates and rebates due under other U.S. Government pricing programs, such as TriCare and the Department of Veterans Affairs.

(3) During the year ended December 31, 2014, the Company recorded expense of approximately $1.0 million related to a re-procurement claim from one customer for the period September 2012 through October 2012. In addition, we settled post audit claims from customers for the period January 2009 through December 2012 that resulted in net expense of approximately $0.5 million.

(4) During 2014, we received further additional information related to Managed Medicaid utilization in California and performed a recalculation of average manufacturer's price. As a result we reduced our 2014 Medicaid accruals by approximately $3.6 million related to the periods March 2010 through December 2013. This activity was partially offset by the expense of $0.8 million related to disputed TriCare claims for the period from January 2009 through December 2013. Our Medicaid and TriCare accruals represent our best estimate at this time.

(5) During 2013, we received additional information related to Managed Medicaid utilization in California and performed a recalculation of average manufacturer's price. As a result we reduced our 2013 Medicaid accruals by approximately $3.6 million related to the periods January 2010 through December 2012. Our Medicaid accrual represents our best estimate at this time.

(6) The amount principally represents the resolution of a customer dispute in the first quarter of 2012 regarding invalid deductions taken in prior years of approximately $1.6 million.

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We sell our products directly to wholesalers, retail drug store chains, drug distributors, mail order pharmacies and other direct purchasers and customers that purchase products indirectly through the wholesalers, including independent pharmacies, non-warehousing retail drug store chains, managed health care providers and other indirect purchasers. We have entered into agreements at negotiated contract prices with those health care providers that purchase products through our wholesale customers at those contract prices. Chargeback credits are issued to wholesalers for the difference between our invoice price to the wholesaler and the contract price through which the product is resold to health care providers. The information that we consider when establishing our chargeback reserves includes contract and non-contract sales trends, average historical contract pricing, actual price changes, processing time lags and customer inventory information from our three largest wholesale customers. Our chargeback provision and related reserve vary with changes in product mix, changes in customer pricing and changes to estimated wholesaler inventory.

Customer rebates and incentive programs are generally provided to customers as an incentive for the customers to continue carrying our products or replace competing products in their distribution channels with products sold by us. Rebate programs are based on a customer's dollar purchases made during an applicable monthly, quarterly or annual period. We also provide indirect rebates, which are rebates paid to indirect customers that have purchased our products from a wholesaler under a contract with us. The incentive programs include stocking or trade show promotions where additional discounts may be given on a new product or certain existing products as an added incentive to stock our products. We may, from time to time, also provide price and/or volume incentives on new products that have multiple competitors and/or on existing products that confront new competition in order to attempt to secure or maintain a certain market share. The information that we consider when establishing our rebate and incentive program reserves are rebate agreements with and purchases by each customer, tracking and analysis of promotional offers, projected annual sales for customers with annual incentive programs, actual rebates and incentive payments made, processing time lags, and for indirect rebates, the level of inventory in the distribution channel that will be subject to indirect rebates. We do not provide incentives designed to increase shipments to our customers that we believe would result in out-of-the-ordinary course of business inventory for them. We regularly review and monitor estimated or actual customer inventory information at our three largest wholesale customers for our key products to ascertain whether customer inventories are in excess of ordinary course of business levels.

Pursuant to a drug rebate agreement with the CMS, TriCare and similar supplemental agreements with various states, we provide a rebate on drugs dispensed under such government programs. We determine our estimate of the Medicaid rebate accrual primarily based on historical experience of claims submitted by the various states and any new information regarding changes in the Medicaid program that might impact our provision for Medicaid rebates. In determining the appropriate accrual amount, we consider historical payment rates, processing lag for outstanding claims and payments, and levels of inventory in the distribution channel. We review the accrual and assumptions on a quarterly basis against actual claims data to help ensure that the estimates made are reliable. On January 28, 2008, the Fiscal Year 2008 National Defense Authorization Act was enacted, which expands TriCare to include prescription drugs dispensed by TriCare retail network pharmacies. TriCare rebate accruals reflect this program expansion and are based on actual and estimated rebates on Department of Defense eligible sales.

We accept returns of product according to the following criteria: (i) the product returns must be approved by authorized personnel with the lot number and expiration date accompanying any request and (ii) we generally will accept returns of products from any customer and will provide the customer with a credit memo for such returns if such products are returned between six months prior to, and 12 months following, such products' expiration date. We record a provision for product returns based on historical experience, including actual rate of expired and damaged in-transit returns, average remaining shelf-lives of products sold, which generally range from 12 to 48 months, and estimated return dates. Additionally, we consider other factors when estimating our current period return provision, including levels of inventory in the distribution channel,

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significant market changes that may impact future expected returns, and actual product returns, and may record additional provisions for specific returns that it believes are not covered by the historical rates.

We offer cash discounts to our customers, generally 2% of the sales price, as an incentive for paying within invoice terms, which generally range from 30 to 90 days. We account for cash discounts by reducing accounts receivable by the full amount of the discounts that we expect our customers to take. In addition to the significant gross-to-net sales adjustments described above, we periodically make other sales adjustments. We generally account for these other gross-to-net adjustments by establishing an accrual in the amount equal to our estimate of the adjustments attributable to the sale.

We may at our discretion provide price adjustments due to various competitive factors, through shelf-stock adjustments on customers' existing inventory levels. There are circumstances under which we may not provide price adjustments to certain customers as a matter of business strategy, and consequently may lose future sales volume to competitors and risk a greater level of sales returns on products that remain in the customer's existing inventory.

As detailed above, we have the experience and access to relevant information that we believe are necessary to reasonably estimate the amounts of such deductions from gross revenues. Some of the assumptions we use for certain of these estimates are based on information received from third parties, such as wholesale customer inventories and market data, or other market factors beyond our control. The estimates that are most critical to the establishment of these reserves, and therefore, would have the largest impact if these estimates were not accurate, are estimates related to contract sales volumes, average contract pricing, customer inventories and return volumes. We regularly review the information related to these estimates and adjust our reserves accordingly, if and when actual experience differs from previous estimates. With the exception of the product returns allowance, the ending balances of accounts receivable reserves and allowances generally are processed during a two-month to four-month period.

Research and development agreements

We capitalize or expense amounts related to the development of new products and technologies through agreements with third parties based on our determination of our ability to recover in a reasonable period of time its cost from the estimated future cash flows anticipated to be generated pursuant to each agreement. Accordingly, amounts related to our funding of the research and development efforts of others or to the purchase of contractual rights to products that have not been approved by the FDA, and where we have no alternative future use for the product, are expensed and included in research and development costs. Amounts for contractual rights acquired by us to a process, product or other legal right having multiple or alternative future uses that support its realizability, as well as to an approved product, are capitalized and included in intangible assets on the consolidated balance sheets.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market value. We establish reserves for our inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand, estimated time required to sell such inventory, remaining shelf life, remaining contractual terms of any supply and distribution agreements including authorized generic agreements, and current expected market conditions, including level of competition. We record provisions for inventory to cost of goods sold.

We capitalize costs associated with certain products prior to regulatory approval and product launch ("pre-launch inventories") when it is reasonably certain that the pre-launch inventories will be saleable, based on management's judgment of future commercial use and net realizable value. The determination to capitalize is

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made once we (or our third party development partners) have filed an ANDA that has been acknowledged by the FDA for containing sufficient information to allow the FDA to conduct their review in an efficient and timely manner and management is reasonably certain that all regulatory and legal hurdles will be cleared. This determination is based on the particular facts and circumstances relating to the expected FDA approval of the generic drug product being considered, and accordingly, the time frame within which the determination is made varies from product to product. We could be required to expense previously capitalized costs related to pre-launch inventories upon a change in such judgment, due to a denial or delay of approval by regulatory bodies, a delay in commercialization, or other potential risk factors. If these risks were to materialize and the launch of such product were significantly delayed, we may have to write-off all or a portion of such pre-launch inventories and such amounts could be material. As of December 31, 2014, we had pre-launch inventories of $5.0 million. Should any launch be delayed, inventory write-offs may occur to the extent we are unable to recover the full value of our inventory investment. The recoverability of the cost of pre-launch inventories with a limited shelf life is evaluated based on the specific facts and circumstances surrounding the timing of anticipated product launches, including our expected number of competitors during the six-month period subsequent to any anticipated product launch. Further, we believe that the inventory balance at December 31, 2014 is recoverable based on anticipated launches and the related expected demand for lower priced generic products that may be substituted for referenced branded products upon FDA approval.

Goodwill and intangible assets

We determine the estimated fair values of goodwill and intangible assets with definite and/or indefinite lives based on valuations performed at the time of their acquisition. In addition, the fair value of certain amounts paid to third parties related to the development of new products and technologies, as described above in "Research and Development Agreements", are capitalized and included in intangible assets on the accompanying consolidated balance sheets.

Goodwill and indefinite-lived intangible assets are reviewed for impairment annually, or when events or other changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairment of goodwill and indefinite-lived intangibles is determined to exist when the fair value is less than the carrying value of the net assets being tested. Impairment of definite-lived intangibles is determined to exist when undiscounted forecasted cash flows related to the assets are less than the carrying value of the assets being tested.

As discussed above with respect to determining an asset's fair value, because this process involves management making certain estimates and because these estimates form the basis of the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates. The critical estimates include projected future cash flows related to subject product sales and related estimated costs, assumptions related to the time value of money and weighted average cost of capital, the market capitalization of our company, and the implied value of our business relative to similar companies and relative to acquisitions involving similar companies. For the intangible assets, the critical estimates include future projected prescriptions (demand), the operational execution of the related marketing and sales plans, the timing and operational execution of planned product launches, and the expected levels of competition in each product market.

As of October 1, 2014, we performed our annual goodwill impairment assessment and of our intangible assets with indefinite lives noting no impairment of goodwill and impairment of certain of our intangible assets, as described below. No changes in business or other factors are known as of the December 31, 2014 balance sheet date that would necessitate an evaluation for impairment. In the year ended December 31, 2014, we adjusted our forecast for certain products to reflect competition and pricing assumptions which caused us to assess the carrying value of certain intangible assets. During the twelve months ended December 31, 2014 we recorded intangible asset impairments totaling $146.9 million related to an adjustment to the forecasted operating results for two IPR&D intangible asset groups and eight Par Pharmaceutical segment products compared to their originally forecasted

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operating results at date of acquisition, inclusive of one discontinued product, one partially impaired product primarily due to the contract ending with the partner and a partially impaired IPR&D project from the Par Sterile acquisition due to an adverse court ruling pertaining to related patent litigation. The estimated fair values of the assets were determined by completing updated discounted cash flow models. During the twelve months ended December 31, 2013, we recorded intangible asset impairments totaling approximately $100.1 million for IPR&D classes of products and projects that were evaluated as part of the annual evaluation of indefinite lived intangible assets, as well as five products not expected to achieve their originally forecasted operating results we ceased selling a product that had been acquired with the divested products from the Watson and Actavis Group merger. During the period from January 1, 2012 to September 28, 2012, we abandoned an in-process research and development project that was acquired in the Anchen acquisition and recorded a corresponding intangible asset impairment of $2.0 million, and we exited the market of a commercial product that was acquired in the Anchen acquisition and recorded a corresponding intangible asset impairment of $3.7 million. During the period from July 12, 2012 (inception) to December 31, 2012, we had no impairment charges. We will continue to assess the carrying value of our goodwill and intangible assets in accordance with applicable accounting guidance and may in the future conclude that impairments exist. Events that may lead to future conclusions of impairment include product recalls, product supply issues, additional competition, pricing pressures from customers, competitors or governmental agencies, and/or failure to execute on marketing and sales plans.

As a result of the Par Sterile acquisition on February 20, 2014, we recorded $156.0 million of incremental goodwill. With finalization of purchase price allocation, we had goodwill of $1.0 billion at December 31, 2014. With the finalization of purchase accounting resulted from the Merger, at December 31, 2013 we had goodwill of $856.0 million. In addition, intangible assets, net of accumulated amortization, totaled $1.0 billion at December 31, 2014 and $1.1 billion at December 31, 2013.

Share-based compensation expense

Our stock-based compensation expense is estimated at the grant date, including our stock option grants that are valued using the Black-Scholes model (for options with service and performance conditions) and a Monte Carlo simulation model (for options with a market condition). These option-pricing models require the use of assumptions such as expected volatility. In addition, we estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. We estimate the forfeiture rate based on historical experience. To the extent our actual forfeiture rate is different from our estimate; stock-based compensation expense is adjusted accordingly. Our estimated grant date values and related inputs utilized and other data points are detailed in Note 17, "Share-Based Compensation" to our consolidated financial statements contained elsewhere in this prospectus.

Common stock valuation—February 19, 2014—$1.40

Another major driver of grant date estimated fair value related to our share-based compensation is the estimate of the value of a share of our common stock. In the absence of a public market for our common shares, our board of directors took reasonable actions to make estimates of the fair value of a share of common stock at February 19, 2014 and December 23, 2014, as detailed below.

Our board of directors determined the fair value of our common stock using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants (the "AICPA"), Audit and Accounting Practice Aid Series: *Valuation of Privately Held Company Equity Securities Issued as Compensation,* or the AICPA Practice Guide using a combination of various methodologies, each of which can be categorized under either of the following two valuation approaches: the income approach and the market approach.

The Income Approach or Discounted Cash Flow Analysis is primarily focused on our expected future operating performance. This approach determines the net present value of future free cash flows using an appropriate discount rate that reflects the risk associated with our business.

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The Market Approach is primarily focused on the value of public companies we consider peers and the value of recent market transactions. We identified companies that we considered to be reasonably comparable to us in terms of investment risks and attributes, as well as products provided and markets served. In this analysis, we reviewed valuation multiples and financial performance ratios for selected public companies. We also identified transactions involving the sale of a controlling interest in companies we deemed similar to us, in whole or in part. In this analysis we analyzed the implied valuation multiples paid in such transactions.

As of February 19, 2014, our board of directors, with the assistance of an independent third party valuation specialist firm, determined and approved a fair value for each share of common stock of $1.40.

Factors considered by our board of directors in establishing the fair value of the common stock as of February 19, 2014 included the following: (i) the lack of a public market for our common stock and the uncertainty of such a market developing; (ii) available cash, financial condition and results of operations; (iii) the risks associated with successfully integrating the recently announced Par Sterile acquisition; (iv) the estimated valuation range of $1.30 to $1.79 per common share as provided by the independent third party valuation specialist firm; (v) our expected operating performance; and (vi) market conditions for pharmaceutical company stocks in general.

Our board of directors reconfirmed an estimated fair value for each share of common stock of $1.40 at their May 6, 2014 and August 5, 2014 scheduled quarterly meetings.

Equity contribution from related parties

On February 20, 2014, we received an equity contribution of $110 million from certain investment funds associated with TPG, in conjunction with the Par Sterile acquisition. The equity contribution of $110 million resulted in the issuance of 78,571,429 shares of common stock using the $1.40 as the fair value per share of common stock.

2014 stock option grants

The following table summarizes key data points related to our 2014 stock option grants. Each of the 2014 stock option grants were issued with an exercise price equal to the estimated fair value of a common share of $1.40. Other data points are detailed in Note 17, "Share-Based Compensation" to our consolidated financial statements contained elsewhere in this prospectus.

Grant date	Number of stock options granted
March 13, 2014	1,250,000
April 1, 2014	2,857,143
May 9, 2014	7,435,000
June 13, 2014	500,000
July 21, 2014	480,000
August 5, 2014	185,714
Total—2014	12,707,857

Our board of directors and management intended all options granted to be exercisable at a price per share equal to the per share fair value of our common stock underlying those options on the date of grant.

Common stock valuation—December 23, 2014—$2.56

As of December 23, 2014, our board of directors, with the assistance of the same independent third party valuation specialist firm, determined and approved a fair value for each share of common stock of $2.56 using similar methodologies described above for the common stock valuation at February 19, 2014.

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Factors considered by our board of directors in establishing the fair value of our common stock as of December 23, 2014 and its related increase from February 19, 2014 included the following: (i) the lack of a public market for our common stock; (ii) available cash, financial condition and results of operations since February 19, 2014, including a number of successful product launches in the third and fourth quarters of 2014 as detailed in "—Results of Operations — Year Ended December 31, 2014, Year Ended December 31, 2013, Period from January 1, 2012 to September 28, 2012, and Period from July 12, 2012 (inception) to December 31, 2012 —Revenues (2014 compared to 2013)"; (iii) the success of integrating the Par Sterile acquisition into our operations; (iv) the estimated valuation range of $2.25 to $2.87 per common share as provided by the independent third party valuation specialist firm; (v) our expected operating performance; and (vi) market conditions for pharmaceutical company stocks in general.

Sensitivity analysis

Although we believe that the estimated fair values as determined, approved or reconfirmed at each date noted above by our board of directors are reasonable, and accordingly the grant date fair values of our stock option issuances in 2014 were appropriate at the time of grant, we performed a sensitivity analysis assuming our common stock estimated fair value rose ratably from February 19, 2014 to December 23, 2014, which dates encompass all of the stock option grants during 2014, to quantify the sensitivity of our stock based compensation for the effect of assumed changes in stock price. The sensitivity analysis demonstrated that the potential impact on our 2014 stock based compensation or our total deferred compensation would not be material to our 2014 results of operations, financial position or cash flows.

Contingencies and legal fees

We are subject to various patent litigations, product liability litigations, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses. Contingent accruals are recorded when we determine that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgment regarding future events. During the year ended December 31, 2014 we recorded an incremental provision of $91.0 million related to the settlement of omeprazole/sodium bicarbonate patent litigation for $100.0 million. In the year ended December 31, 2013, we provided for an additional $26.0 million as we continued to periodically assess and estimate our remaining potential liability for AWP actions. The amount provided for in 2013 represents the settlement of AWP actions in the States of Illinois, Kansas and Utah totaling $32.4 million less amounts accrued prior to 2013.

Income taxes

We prepare and file tax returns based on our interpretation of tax laws and regulations and record estimates based on these judgments and interpretations. In the normal course of business, our tax returns are subject to examination by various taxing authorities, which may result in future tax, interest, and penalty assessments by these authorities. Inherent uncertainties exist in estimates of many tax positions due to changes in tax law resulting from legislation, regulation, and/or as concluded through the various jurisdictions' tax court systems. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate resolution. The amount of unrecognized tax benefits is adjusted for changes in facts and circumstances. For example, adjustments could result from significant amendments to existing tax law and the issuance of regulations or interpretations by the

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taxing authorities, new information obtained during a tax examination, or resolution of an examination. We believe that our estimates for uncertain tax positions are appropriate and sufficient to pay assessments that may result from examinations of our tax returns. We recognize both accrued interest and penalties related to unrecognized tax benefits in income tax expense.

We have recorded valuation allowances against certain of our deferred tax assets, primarily those that have been generated from certain state net operating losses in certain taxing jurisdictions. In evaluating whether we would more likely than not recover these deferred tax assets, we have not assumed any future taxable income or tax planning strategies in the jurisdictions associated with these carryforwards where history does not support such an assumption. Implementation of tax planning strategies to recover these deferred tax assets or future income generation in these jurisdictions could lead to the reversal of these valuation allowances and a reduction of income tax expense. When evaluating valuation allowances, management utilizes forecasted financial information.

We believe that our estimates for the uncertain tax positions and valuation allowances against the deferred tax assets are appropriate based on current facts and circumstances.

Use of estimates in reserves

We believe that our reserves, allowances and accruals for items that are deducted from gross revenues are reasonable and appropriate based on current facts and circumstances. It is possible however, that other parties applying reasonable judgment to the same facts and circumstances could develop different allowance and accrual amounts for items that are deducted from gross revenues. Additionally, changes in actual experience or changes in other qualitative factors could cause our allowances and accruals to fluctuate, particularly with newly launched or acquired products. We review the rates and amounts in our allowance and accrual estimates on a quarterly basis. If future estimated rates and amounts are significantly greater than those reflected in our recorded reserves, the resulting adjustments to those reserves would decrease our reported net revenues; conversely, if actual product returns, rebates and chargebacks are significantly less than those reflected in our recorded reserves, the resulting adjustments to those reserves would increase our reported net revenues. If we were to change our assumptions and estimates, our reserves would change, which would impact the net revenues that we report. We regularly review the information related to these estimates and adjust our reserves accordingly, if and when actual experience differs from previous estimates.

Use of forecasted financial information in accounting estimates

The use of forecasted financial information is inherent in many of our accounting estimates, including determining the estimated fair value of goodwill and intangible assets, matching intangible amortization to underlying benefits (e.g. sales and cash inflows), establishing and evaluating inventory reserves, and evaluating the need for valuation allowances for deferred tax assets. Such forecasted financial information is based on numerous assumptions, including:

- our ability to achieve, and the timing of, FDA approval for pipeline products;
- our ability to successfully commercialize products in a highly competitive marketplace;
- the competitive landscape—including the number of competitors for a product at its introduction to the market and throughout its product lifecycle and the impact of such competition on both sales volume and price;
- our market share and our competitors' market share;

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- our ability to execute and maintain agreements related to contract-manufactured products (which are manufactured for us by third-parties under contract) and licensed products (which are licensed to us from third-party development partners);
- the ability of our third party partners and suppliers to adequately perform their contractual obligations;
- our ability to maintain adequate product supply to meet market demand;
- the reimbursement landscape and its impact on pricing power; and
- the product lifecycle, which for generic products is generally relatively short (2-10 years), and which for branded products is generally longer (8-12 years).

We believe that our financial forecasts are reasonable and appropriate based upon current facts and circumstances. It is possible however, that other parties applying reasonable judgment to the same facts and circumstances could develop different forecasts and that the application of those forecasts could result in different valuations of certain assets on our balance sheet. Additionally, differences in actual experience versus forecasted experience could cause our valuations of certain assets to fluctuate. These differences may be more prevalent in products that are newly launched, products that are newly acquired, and products that are at the end of their lifecycles or remaining contractual terms of any supply and distribution agreements including authorized generic agreements. We regularly review the information related to these forecasts and adjust the carrying amounts of the applicable assets accordingly, if and when actual results differ from previous estimates.

Recent accounting pronouncements:

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU 2014-08 amends guidance for reporting discontinued operations and disposals of components of an entity. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. The new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The guidance also expands the disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure is intended to provide users with information about the ongoing trends in a reporting organization's results from continuing operations. ASU 2014-08 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2014 with early adoption permitted only for disposals that have not been previously reported. We currently do not anticipate an impact of ASU 2014-08 on our consolidated financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of ASU 2014-09 is to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle: 1) identify the contract with a customer, 2) identify the separate performance obligations in the contract, 3) determine the transaction price,

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4) allocate the transaction price to the separate performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings or accumulated deficit. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and related disclosures and we have not yet selected a transition method.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which defines management's responsibility to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures if there is substantial doubt about its ability to continue as a going concern. The pronouncement is effective for annual reporting periods ending after December 15, 2016 with early adoption permitted. We currently do not anticipate an impact of ASU 2014-15 on our consolidated financial statements and related disclosures.

In November 2014, the FASB issued ASU 2014-17, "Business Combinations (Topic 805): Pushdown Accounting" ("ASU 2014-17"). The amendments in ASU 2014-17 provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The pronouncement is effective for annual reporting periods ending after November 14, 2014 with early adoption permitted. There is no impact from ASU 2014-17 on our consolidated financial statements and related disclosures.

Financial condition

Liquidity and capital resources

	For the years ended			For the period
($ in thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)
Cash and cash equivalents at beginning of period	$ 130,080	$ 38,864	$ 278,879	$ 162,516
Net cash provided by (used in) operating activities	145,245	113,045	(54,745)	153,760
Net cash used in investing activities	(519,575)	(12,198)	(2,026,531)	(46,602)
Net cash provided by (used in) financing activities	488,690	(9,631)	1,841,261	9,205
Net increase (decrease) in cash and cash equivalents	$ 114,360	$ 91,216	$ (240,015)	$ 116,363
Cash and cash equivalents at end of period	$ 244,440	$ 130,080	$ 38,864	$ 278,879

Discussion of liquidity for the year ended and as of December 31, 2014

Cash provided by operations for the year ended December 31, 2014, reflects gross margin dollars (excluding amortization) generated from revenues coupled with collection of accounts receivables. Refer below for further details of operating cash flows.

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Cash flows used in investing activities were primarily driven by the Par Sterile acquisition plus capital expenditures.

Cash provided by financing activities for the year ended December 31, 2014, primarily represented new debt borrowings under our Senior Credit Facilities plus a capital contribution from the Company less debt principal payments to reprice our Senior Credit Facilities coupled with other debt principal payments.

Our working capital (current assets minus current liabilities) of $375.0 million at December 31, 2014 increased approximately $168.0 million from $207.0 million at December 31, 2013, which primarily reflects the cash generated by operations coupled with increases in other working capital items. The working capital ratio, which is calculated by dividing current assets by current liabilities, was 2.35x at December 31, 2014 compared to 1.80x at December 31, 2013. We believe that our working capital ratio indicates the ability to meet our ongoing and foreseeable obligations for at least the next twelve fiscal months.

Detail of operating cash flows

	For the years ended			For the Period
($ in thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)	July 12, 2012 to December 31, 2012 (Successor)	January 1, 2012 to September 28, 2012 (Predecessor)
Cash received from customers, royalties and other	$ 1,493,521	$ 1,236,464	$ 275,079	$ 867,848
Cash paid for inventory	(272,731)	(233,631)	(50,356)	(136,440)
Cash paid to employees	(127,987)	(82,440)	(48,034)	(70,943)
Payment to DOJ	—	(46,071)	—	—
Payment related to AWP	(32,350)	(7,200)	—	(23,883)
Payment related to omeprazole litigation settlement	(100,000)	—	—	—
Cash paid to distribution partners	(288,149)	(303,426)	(58,747)	(247,894)
Cash paid to all other suppliers and third parties	(390,539)	(349,833)	(163,978)	(228,768)
Interest paid, net	(97,305)	(85,916)	(13,756)	(6,615)
Income taxes received, net	(39,215)	(14,902)	5,047	455
Net cash provided by (used in) operating activities	$ 145,245	$ 113,045	$ (54,745)	$ 153,760

Sources of liquidity

Our primary source of liquidity is cash received from customers. The increase in net cash provided by operating activities for the year ended December 31, 2014 as compared to 2013 resulted primarily from increased cash received from customers from increased gross margin dollars generated by increased revenues, tempered by the $100.0 million settlement of the omeprazole/sodium bicarbonate patent litigation coupled with other cash outflows detailed above. Our ability to continue to generate cash from operations is predicated not only on our ability to maintain a sustainable amount of sales of our current product portfolio, but also our ability to monetize our product pipeline and future products that we may acquire. Our future profitability depends, to a significant extent, upon our ability to introduce, on a timely basis, new generic products that are either the first to market (or among the first to market) or otherwise can gain significant market share. No assurances can be given that we or any of our strategic partners will successfully complete the development of any of these potential products either under development or proposed for development, that regulatory approvals will be

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granted for any such product, that any approved product will be produced in commercial quantities or that any approved product will be sold profitably. Commercializing brand pharmaceutical products is more costly than generic products. We cannot be certain that any of our branded product expenditures will result in the successful development or launch of branded product that will prove to be commercially successful or will improve the long-term profitability of our business.

Another source of available liquidity is our Senior Credit Facilities that include a five-year revolving credit facility in an initial amount of $150.0 million. The Senior Credit Facilities are more fully described in the "Description of indebtedness" section below. There were no outstanding borrowings from the revolving credit facility as of December 31, 2014.

Uses of liquidity

Our uses of liquidity and future and potential uses of liquidity include the following:

- Approximately $490.0 million in first quarter of 2014 for the Par Sterile acquisition.
- $100.0 million settlement of the omeprazole/sodium bicarbonate patent litigation in the third quarter of 2014.
- Business development activities, including the acquisition of product rights, which are typically in a range near $40.0 million annually. As of December 31, 2014, the total potential future payments that ultimately could be due under existing agreements related to products in various stages of development were approximately $13.8 million. This amount is exclusive of contingent payments tied to the achievement of sales milestones, which cannot be determined at this time and would be funded through future revenue streams.
- Capital expenditures of approximately $50.0 million are planned for 2015.
- Potential liabilities related to the outcomes of litigation, such as the AWP matters, or the outcomes of investigations by federal authorities, such as the DOJ. In the event that we experience a significant loss, such loss may result in a material impact on our liquidity or financial condition when such liability is paid.
- Cash paid for inventory purchases as detailed in "—Detail of operating cash flows" above.
- Cash paid to all other suppliers and third parties as detailed in "—Detail of operating cash flows" above.
- Cash compensation paid to employees as detailed in "—Detail of operating cash flows" above.
- Potential liabilities related to the outcomes of audits by regulatory agencies like the United States Internal Revenue Service ("IRS"). In the event that our loss contingency is ultimately determined to be higher than originally accrued, the recording of the additional liability may result in a material impact on our liquidity or financial condition when such additional liability is paid.
- Normal course payables due to distribution agreement partners of approximately $53.0 million as of December 31, 2014 related primarily to amounts due under profit sharing agreements. We paid substantially all of the $53.0 million during the first two months of the first quarter of 2015. The risk of lower cash receipts from customers due to potential decreases in revenues associated with competition or supply issues related to partnered products would be generally mitigated by proportional decreases in amounts payable to distribution agreement partners.

We believe that we will be able to monetize our current product portfolio, our product pipeline, and future product acquisitions and generate sufficient operating cash flows that, along with existing cash, cash equivalents and available for sale securities, will allow us to meet our financial obligations over the foreseeable future. We expect to continue to fund our operations, including our research and development activities, capital projects,

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in-licensing product activity and obligations under our existing distribution and development arrangements discussed herein, out of our working capital and funds available under the Senior Credit Facilities.

Contractual obligations as of December 31, 2014

The dollar values of our material contractual obligations and commercial commitments as of December 31, 2014 were as follows ($ in thousands):

		Amounts due by period				
Obligation	Total monetary obligations	2015	2016 to 2017	2018 to 2019	2020 and thereafter	Other
Operating leases	33,940	6,329	8,669	6,415	12,527	—
Senior credit facilities(1)	1,435,837	14,503	29,006	1,392,328	—	—
7.375% senior notes	490,000	—	—	—	490,000	—
Interest payments	507,547	100,032	197,667	173,710	36,138	—
Fees related to credit facilities	2,971	875	1,721	250	125	—
Purchase obligations(2)	165,056	165,056	—	—	—	—
Tax liabilities(3)	16,627	—	—	—	—	16,627
Management fee(4)	28,000	4,000	8,000	8,000	8,000	—
Severance payments	502	502	—	—	—	—
Other	1,242	1,242	—	—	—	—
Total obligations	$ 2,681,722	$292,539	$ 245,063	$1,580,703	$ 546,790	$16,627

(1) Excludes amendments to Senior Credit Facilities entered into in February 2015. See "—Recent Developments."

(2) Purchase obligations consist of both cancelable and non-cancelable inventory and non-inventory items.

(3) The difference between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to ASC 740-10 Income Taxes represents an unrecognized tax benefit. An unrecognized tax benefit is a liability that represents a potential future obligation to the taxing authorities. As of December 31, 2014, the amount represents unrecognized tax benefits, interest and penalties based on evaluation of tax positions and concession on tax issues challenged by the IRS. We do not expect to make a significant tax payment related to these long-term liabilities within the next year; however, we cannot estimate in which period thereafter such tax payments may occur. For presentation on the table above, we include the related long-term liability in the "Other" column.

(4) In connection with the Merger, we entered into a management services agreement with the Manager. Pursuant to such agreement, and in exchange for on-going consulting and management advisory services, the Manager has a right to an annual monitoring fee paid quarterly equal to 1% of EBITDA as defined under the credit agreement for the term loan facility that is part of our Senior Credit Facilities. There is an annual cap of $4.0 million for this fee. The Manager is also entitled to receive reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement

Financing

In conjunction with the closing of the Merger, Par Pharmaceutical Companies entered into the Tranche B Term Loans and a revolving credit facility and, additionally, in conjunction with the Merger, Par Pharmaceutical Companies issued the Notes. See "Description of indebtedness" for further details on the Tranche B Term Loans, revolving credit facility and the Notes. For additional information, refer to the credit agreements, indentures and related agreements filed as exhibits to this prospectus.

Senior credit facilities

Our Senior Credit Facilities consist of a $127.5 million Tranche B Revolving Credit Facility, which will mature on December 28, 2017; a $22.5 million Tranche A Revolving Credit Facility, which will mature on September 28, 2017; a $1,450 million Tranche B-2 Term Loan, which will mature on September 28, 2019; and a $425.0 million Incremental B-3 Term Loan, which will mature on September 28, 2019. The Senior Credit Facilities were amended in February 2015. See "— Recent developments" for a discussion of the amendments to the Senior Credit Facilities.

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On February 20, 2014 we drew in full on our $1,066 million Original Tranche B-2 Term Loan and used the proceeds therefrom to repay in full our Tranche B-1 Term Loan in connection with a repricing thereof, which had been incurred itself to repay in full our Tranche B Term Loan in a repricing of its interest rate outstanding at the time. Further, on February 20, 2014 we performed an incremental borrowing of an additional $395.0 million of Tranche B-2 Term Loans for the purpose of consummating the acquisition of Par Sterile. Additionally, on February 25, 2015 we drew in full our $425.0 million Incremental B-3 Term Loan to pay the Dividend Recapitalization and related fees and expenses. As of December 31, 2014, we had no outstanding balance under the Revolving Credit Facility.

Per the maturity dates set forth above, we believe that we do not currently face a substantial refinancing risk. However, upon the occurrence of certain events, such as a change of control or a violation of certain covenants in the Senior Credit Facilities, we could be required to repay or refinance our indebtedness. See "Risk factors — Risks related to our indebtedness — The substantial indebtedness of our indirect subsidiary, Par Pharmaceutical Companies, could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting obligations on our indebtedness."

Borrowings under each portion of the Senior Credit Facilities bear an interest at a base rate or at LIBOR, as elected by us, plus an applicable margin. The base rate is determined by reference to the higher of (i) the prime rate of Bank of America, N.A., (ii) the federal funds effective rate plus 0.50% and (iii) the one-month London interbank market rate plus 1.00% (the "base rate"). The base rate with respect to the term loans under the Senior Credit Facilities is subject to a 2.00% floor. The LIBOR rate is determined by reference to the interest rate for dollar deposits in the London interbank market for the interest period relevant to such borrowings. The base rate with respect to the term loans under the Senior Credit Facilities is subject to a 1.00% floor. The below table outlines the applicable margin for each credit facility.

	Applicable rate (per annum)	
Facility	**LIBOR rate borrowings**	**Base borrowings**
Tranche B Revolving Credit Facility	3.25%	2.25%
Tranche A Revolving Credit Facility	3.75%	2.75%
Tranche B-2 Term Loan	3.00%	2.00%
Incremental B-3 Term Loan	3.25%	2.25%

At December 31, 2014, the interest rate on the Tranche B-2 Term Loan was 4.0%. We must repay each of the term loans under the Senior Credit Facilities in quarterly installments equal to 0.25% of the original principal amount of the respective loan. The remaining amount of each of the term loans under the Senior Credit Facilities is due in full at maturity. We are also required to pay a commitment fee to the lenders under our Revolving Credit Facility in respect of the unused commitments thereunder of 0.50%.

The Senior Credit Facilities contain certain customary representations and warranties, affirmative covenants, events of default and various restrictive covenants, which are subject to certain significant exceptions.

7.375% senior notes

On September 28, 2012, Par Pharmaceutical Companies issued $490.0 million aggregate principal amount of the senior notes (the "Notes"). At December 31, 2014, Par Pharmaceutical Companies had $490.0 million outstanding of the Notes. Interest on the Notes is payable on April 15 and October 15 of each year and is payable in cash.

The Notes are unconditionally guaranteed, jointly and severally, by each of Par Pharmaceutical Companies' current and future wholly-owned domestic restricted subsidiaries that guarantee the Senior Credit Facilities. Each guarantee issued in respect of the Notes is automatically released upon, without limitation, the release of the corresponding guarantee of the Senior Credit Facilities.

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The indenture for the Notes contains various restrictive covenants, which are subject to certain significant exceptions. As of December 31, 2014, we believe that Par Pharmaceutical Companies was in compliance with all covenants and the provisions contained in the indenture for the Notes.

Quantitative and qualitative disclosures about market risk

Senior credit facilities

In connection with the Merger and related transactions, on September 28, 2012 we entered into the Senior Credit Facilities comprised of the seven-year Term Loan Facility in an initial aggregate principal amount of $1,055 million and the five-year Revolving Facility in an initial amount of $150 million. The proceeds of the Revolving Facility are available for general corporate purposes. Refer to Note 14, "Debt" in our consolidated financial statements included elsewhere in this prospectus for further information.

Borrowings under the Senior Credit Facilities bear interest at a rate per annum equal to an applicable margin plus, at our option, either LIBOR (which is subject to a 1.00% floor) or the base rate (which is subject to a 2.00% floor). During the fourth quarter of 2014, the effective interest rate on the seven-year Term Loan Facility was 4.00%, representing the 1.00% LIBOR floor plus 300 basis points. We are also obligated to pay a commitment fee based on the unused portion of the Revolving Facility. Repayments of the proceeds of the Term Loan Facility are due in quarterly installments over the term of the credit agreement governing our Senior Credit Facilities. Amounts borrowed under the Revolving Facility would be payable in full upon expiration of the credit agreement governing our Senior Credit Facilities.

If the three month LIBOR spot rate was to increase or decrease by 0.125% from current rates, interest expense would not change due to application of the 1.00% floor previously mentioned.

The following table summarizes the carrying value of our Senior Credit Facilities that subject us to market risk (interest rate risk) at December 31, 2014 and December 31, 2013:

($ in thousands)	December 31, 2014 (Successor)	December 31, 2013 (Successor)
Senior secured term loan	$ 1,435,837	$ 1,055,340
Senior secured revolving credit facility	—	—
7.375% senior notes	490,000	490,000
	1,925,837	1,545,340
Less unamortized debt discount to senior secured term loan	(7,265)	(7,821)
Less current portion	(14,503)	(21,462)
Long-term debt	$ 1,904,069	$ 1,516,057

Debt Maturities as of December 31, 2014	($ amounts in thousands)
2015	$ 14,503
2016	14,503
2017	14,503
2018	14,503
2019	1,377,825
2020	490,000
Total debt at December 31, 2014	$ 1,925,837

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Business

Our company

We are a leading U.S. pharmaceutical company specializing in developing, licensing, manufacturing, marketing and distributing generic drugs. We have a generics portfolio of approximately 95 products across an extensive range of dosage forms and delivery systems, including immediate and extended release oral solids (tablets, orally disintegrating tablets, capsules and powders), injectables, nasal sprays, ophthalmics and transdermal patches. Our focus is on high-barrier-to-entry products that are difficult to formulate, difficult to manufacture or face complex legal and regulatory challenges. These products often see limited competition and tend to be more profitable than commoditized generic drugs. We have an integrated team-based approach to product development that combines our formulation, regulatory, legal, manufacturing and commercial capabilities. As of December 31, 2014, we had over 200 products in our pipeline, which included 115 ANDAs pending with the FDA representing $36.7 billion of combined branded product sales in 2014, including 32 potential first-to-file and six potential first-to-market opportunities.

Our company operates in two business segments, Par Pharmaceutical, which includes generic products marketed under Par Pharmaceutical and sterile products marketed under Par Sterile Products, LLC ("Par Sterile," and formerly known as JHP Pharmaceuticals, LLC), and Par Specialty Pharmaceuticals ("Par Specialty," and formerly known as Strativa Pharmaceuticals), which markets two branded products. For the year ended December 31, 2014, we had revenue of $1,308.6 million and adjusted EBITDA of $433.8 million. Our product development strategy and ability to execute strategic transactions has resulted in a compound annual revenue growth rate of 12.2% and an adjusted EBITDA compound annual growth rate of 20.4% over the last three years. Our goal is to strengthen our position as a leading pharmaceutical company by developing and commercializing generic drugs with limited competition, significant barriers to entry and longer life cycles.

Our approach to product development is to target high-barrier-to-entry generic products, including first-to-file or first-to-market opportunities. A "first-to-file" product refers to an ANDA that is the first ANDA filed containing a Paragraph IV patent challenge to the corresponding branded product, which offers the opportunity for 180 days of generic marketing exclusivity if approved by the FDA and if we are successful in litigating the patent challenge. A "first-to-market" product refers to a product that is the first marketed generic equivalent of a branded product for reasons apart from statutory marketing exclusivity, such as the generic equivalent of a branded product that is difficult to formulate or manufacture. Our potential first-to-file and first-to-market opportunities account for 33% of our pipeline of 115 ANDAs, which we believe is one of the highest in the industry and demonstrates our differentiated development capabilities. As a result, more than half of our generic adjusted gross margin in 2014 was earned from products that are either exclusive or have two or fewer competitors, which we believe leads to more sustainable market share and profitability for our product portfolio.

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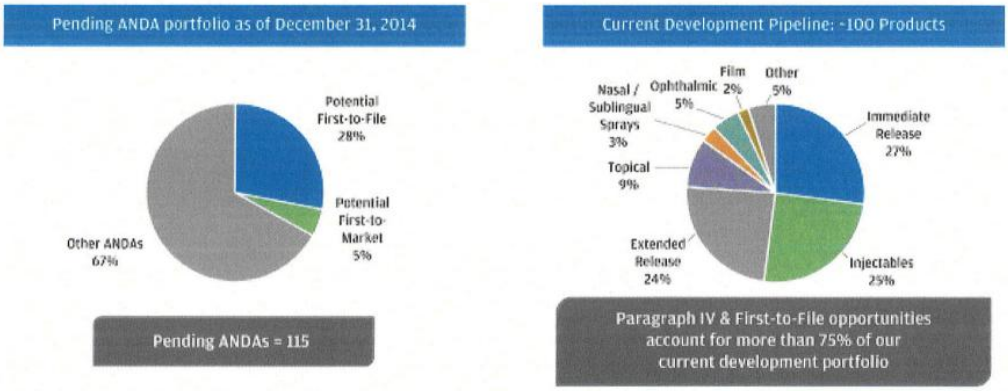
We have invested significant resources and focus to expand our technology capabilities to develop a range of products in-house, including immediate release oral solids and alternate dosage forms such as extended-release oral solids, injectables, topicals, nasal sprays, ophthalmics, films and transdermal patches. Our development pipeline reflects these efforts. As of December 31, 2014, our pipeline included over 200 products, 115 of which are pending at the FDA and approximately 100 of which are in development. In addition to development capabilities, we have acquired bioequivalence and clinical end point study capabilities, and we have entered into an agreement to acquire a dedicated, lower-cost API development and manufacturing facility in India. As a result of these investments, we have the flexibility to more fully control the management and development of key products from formulation stage to commercialization. The following charts demonstrate our pipeline of new product opportunities and our portfolio of alternate dosage products:



We are committed to high product quality standards and allocate significant resources and focus to quality assurance, quality control and manufacturing excellence. We operate five FDA approved manufacturing facilities, four of which are located in the United States and one in India, with ample capacity and room for expansion. In addition, our facilities have passed all recent FDA inspections. As a result of our operational excellence and high quality and compliance standards, we have not received any warning letters from the FDA with respect to manufacturing plants we have operated since before 2000, which we believe differentiates us from other generic manufacturers. Our track record in high-quality manufacturing and supply reliability is most recently demonstrated by the 2014 CVS Health Supplier Partner Award based on providing innovative product offerings, commitment to customer service and consistency of supply.

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Our senior management team has a strong track record and established history of executing and integrating business development opportunities and strategic acquisitions. Since 2011, we have completed and integrated over 20 business development transactions and six company acquisitions. These transactions have enhanced and deepened our presence in the industry by expanding our portfolio of products in development and manufacturing capabilities. We believe we are a partner of choice to brand companies seeking an authorized generics partner. Authorized generics are generic versions of branded drugs licensed to generic drug companies by brand drug companies that may be sold during (and after) the statutory exclusivity period granted to the first-to-file generic equivalent to the branded product. We also believe we are a partner of choice to large generic companies for product divestitures that arise as a result of industry consolidation, and for smaller development organizations looking for a partner that has deep experience with product development, patent litigation strategy and a strong market presence. A summary overview of our selected transactions since 2011 is described below:

	Type of Transaction	Selected Transactions
Business Development	Divestiture-Related Product Acquisitions	• Watson/Actavis - 5 commercial, 8 filed and 1 development project (2012) • Teva/Cephalon - 1 commercial and 2 filed products (2011)
	Other Product Acquisitions	• Handa - First-to-file for Dexilant® and Seroquel XR® (2012) • Synthon - First-to-file 5/320 mg strength of Exforge® (2011)
	Development Collaborations	• Ophthalmic - Undisclosed First-to-market product (2014) • Injectable - Undisclosed First-to-file product (2014) • Films - Generic Suboxone® film (2011), 2 undisclosed potential first-to-file film products (2014)
	Authorized Generics	• Bristol-Myers Squibb - Baraclude® (2014) • Covis - Lanoxin® (2014) • Merck & Co - Maxalt®, Maxalt-MLT® (2013) • Astrazeneca - Entocort EC® (2011), Atacand® (2013), Rhinocort Aqua® (2014)
Company Acquisitions	Technology, Manufacturing and R&D	• Innoteq - Transdermal patches and thin films (2015) • JHP - Sterile injectables, ophthalmics and otics (2014) • Edict - Low-cost development (2012) • Anchen - Extended release capabilities (2011)
	Capability Expansion	• Ethics (2015) - CRO • Nuray (2015) - acquisition of API development and manufacturing facility pending

Par Pharmaceutical

Par Pharmaceutical includes generic products marketed under Par Pharmaceutical and sterile products marketed under Par Sterile. The focus of Par Pharmaceutical is to develop, license, manufacture, market and distribute generic prescription drugs in an extensive range of dosage forms and delivery systems, including immediate release oral solids and alternate dosage forms such as extended release oral solids, injectables, topicals, nasal sprays, ophthalmics, films and transdermal patches. We sell our products primarily in the United States. As the percentage of branded pharmaceuticals that are expected to lose patent protection increasingly shifts towards alternate dosage forms (dosage forms other than immediate release oral solid dose), we have made investments in our development capabilities and technologies which better position us to take advantage of this change. On February 20, 2014, we completed our acquisition of Par Sterile, which expanded our capability and presence into the rapidly growing sterile drug market, including injectable products and ophthalmics. Par Pharmaceutical's products are primarily sold through wholesalers, retailers and mail order pharmacies. Par Sterile's products are primarily sold through wholesalers, often via an arrangement with a

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group purchasing organization, prior to being dispensed at hospitals or directly administered by physicians. The segment contributed $1,214.1 million in net product revenue and $620.6 million of adjusted gross margin in 2014.

Par Specialty Pharmaceuticals

Par Specialty Pharmaceuticals is focused on the marketing and distribution of two branded prescription products, Nascobal® Nasal Spray, and Megace® ES. Nascobal® is a prescription vitamin B12 treatment indicated for maintenance of remission in certain pernicious anemia patients in a once-weekly intranasal administration, which may be preferable to periodic subcutaneous or intramuscular injections. Megace® ES is indicated for the treatment of anorexia, cachexia or any unexplained significant weight loss in patients with a diagnosis of AIDS. These products are marketed by our branded field sales force of approximately 60 people, which communicates the therapeutic and health benefits of our products to healthcare providers and managed care organizations. The segment contributed $64.0 million in net product revenue and $54.1 million of adjusted gross margin in 2014.

Recent performance

Paul Campanelli was appointed as our Chief Executive Officer in September 2012 following the Merger. Prior to the Merger, Mr. Campanelli served as Par's Chief Operating Officer, having held positions of increasing responsibility since joining the Company in 2001. Over the past two years, under Mr. Campanelli's leadership, we have made significant investments in expanding our research, development and manufacturing capabilities. These investments have resulted in:

- submitting 61 ANDAs since the Merger, resulting in a total of 115 ANDAs pending at the FDA as of December 31, 2014, compared to 89 ANDAs pending as of December 31, 2012;
- diversifying our development portfolio from 83 development projects with 60 alternate dosage forms (including extended release solid oral dose) at December 31, 2012 to approximately 100 products in development with 70 alternate dosage forms (including extended release solid oral dose) at December 31, 2014;
- diversifying our manufacturing capabilities from largely solid oral dose capabilities in 2012 to capabilities covering almost all generic presentations, such as gels, nasal sprays, ophthalmics, films, transdermal patches and injectable products, through our internal investment and acquisitions of Par Sterile and Innoteq;
- expanding our core competencies to provide us the flexibility to more fully control key product development by acquiring Par Biosciences Private Limited (formerly known as Ethics Bio Lab Private Limited), a Chennai, India-based CRO that conducts bioequivalence and clinical end point studies, and by lowering development and manufacturing costs for a portion of our product portfolio through the utilization of Par Formulations Private Limited (formerly known as Edict Pharmaceuticals Private Limited), a Chennai, India-based developer and manufacturer of generic pharmaceuticals;
- enhancing our portfolio through business development and product acquisitions, including our November 2012 acquisition of a mix of marketed products, ANDAs awaiting FDA approval and one late-stage development product in connection with Watson's acquisition of Actavis Group;
- diversifying our revenue base such that over half of our total adjusted gross margin is derived from products that are either exclusive or have two or fewer competitors for the year ended December 31, 2014; and

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- establishing Par Laboratories Europe, Ltd. in 2015, a U.K.-based business office which will serve as an entry point into the European generics market.

In addition, the following financial metrics highlight improvements since the fiscal year ended December 31, 2011:

- total revenue increased from $926.1 million for the year ended December 31, 2011 to $1,308.6 million for the year ended December 31, 2014, representing a CAGR of 12.2%;
- adjusted gross margin increased from $406.0 million for the year ended December 31, 2011 to $674.7 million for the year ended December 31, 2014, representing a CAGR of 18.5%;
- adjusted gross margin as a percentage of revenue increased from 43.8% for the year ended December 31, 2011 to 51.2% for the year ended December 31, 2014;
- adjusted EBITDA increased from $248.5 million for the year ended December 31, 2011 to $433.8 million for the year ended December 31, 2014, representing a CAGR of 20.4%; and
- adjusted EBITDA as a percentage of revenue increased from 26.8% for the year ended December 31, 2011 to 33.1% for the year ended December 31, 2014.

Adjusted gross margin and adjusted EBITDA are non-GAAP financial measures and should not be considered substitutes for and are not comparable with net income or net operating income as determined in accordance with GAAP. We recorded a net loss of $105.5 million for the year ended December 31, 2014, a net loss of $105.9 million for the year ended December 31, 2013 and a net loss of $33.5 million for the combined 2012 year-end period. For additional information regarding these financial measures, including an explanation and reconciliation of our non-GAAP measures to the most directly comparable measure presented in accordance with GAAP, see "Prospectus summary—Summary historical and pro forma condensed consolidated financial data" included elsewhere in this prospectus. The Merger was accounted for as a business combination and therefore resulted in a new accounting basis. Our results of operations for the year ended 2012 presented elsewhere in this prospectus are presented for the predecessor and successor periods, which relate to the periods preceding the Merger (January 1, 2012 through September 28, 2012) and succeeding (July 12, 2012 (inception) through December 31, 2012) the inception date, respectively. The successor period reflects the new accounting basis established for us as of the incorporation date. In the discussion above, we present our net loss for the combined 2012 full year period for comparative purposes, using the mathematical sum of the net loss reported for the successor and predecessor periods. In addition, throughout the document we present certain other 2012 measures on a combined basis. Such information represents non-GAAP measures because Successor is on a new basis of accounting. These measures should not be considered substitutes for and are not compatible with GAAP measures. The information is presented in this manner as we believe it enables a reasonable comparison. This financial information may not reflect the actual financial results we would have achieved absent the Merger and may not be predictive of future financial results. For a presentation of our results of operations for the year ended 2012 on a GAAP basis, showing the separate predecessor and successor periods, see "Selected historical consolidated financial data."

Our capabilities

Since 2011, we have strategically expanded our technology, manufacturing, handling and development capabilities, shifting from primarily solid oral immediate and extended release products to a diversified array of dosage forms. These expanded technologies represent a sizeable market opportunity, with 2014 branded product sales utilizing these technologies of approximately $110 billion, according to IMS Health. As of December 31, 2014, our development product portfolio included 26 immediate release oral solids, 24 injectables, 23 extended release oral solids, eight topicals, five ophthalmics, three nasal sprays and two films.

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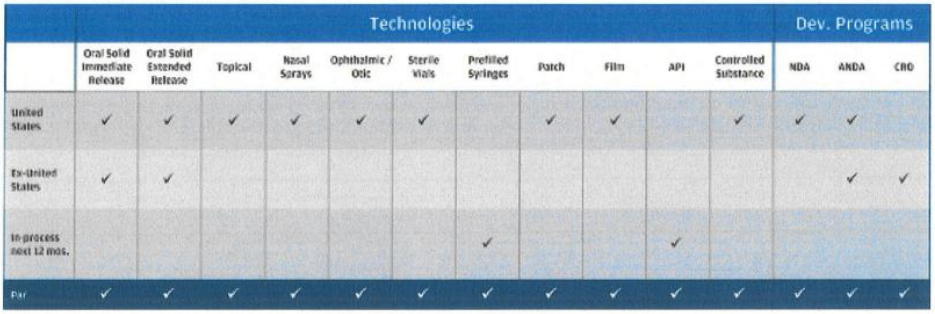
The following graphic shows Par Pharmaceutical's current capabilities and new in-process opportunities:



Technology, manufacturing & handling capabilities

We have broadened our product portfolio by investing in internal development capabilities as well as through acquisitions of companies that focus on difficult to formulate products and difficult to manufacture dosage forms. Our internal investments have included expansion of our technology capabilities in gels, nasal sprays and topicals. Additionally, we have added ophthalmic, sterile vial and hormonal handling capabilities through our acquisition of Par Sterile, and thin film, slow dissolve film and transdermal patch expertise through our acquisition of Innoteq.

Research and development capabilities

Our research and development capabilities have expanded in tandem with our broader product portfolio and access to new dosage forms. As of December 31, 2014, approximately 70% of our research and development portfolio targets alternate dosage forms such as extended release oral solids, injectables, topicals, nasal sprays, ophthalmics, films and transdermal patches. We believe these capabilities position us as one of a few companies globally that possesses this broad array of product technologies.

Since 2012, we have taken significant measures to optimize operational efficiencies throughout the product development process. We have acquired bioequivalence study capabilities through our acquisition of Par Biosciences, which decreases our dependence on third parties for such services. We expect to add API development and manufacturing capabilities through the pending acquisition of an API facility. In addition, since 2014, we completed our acquisition of (i) Par Sterile, which expanded our capabilities and presence into the rapidly growing sterile drug market, including injectable and ophthalmic products and (ii) Innoteq, which provided thin film and patch capability. These expanded capabilities provide the flexibility to more fully control the management and development of key products from formulation stage to commercialization.

Our comprehensive suite of technology, manufacturing and development capabilities increases the likelihood of success in commercializing high-barrier-to-entry products and obtaining first-to-file and first-to-market status on our products, yielding more sustainable market share and profitability for our product portfolio.

Our strengths

Our senior executive team has a strong track record of product selection and development, and has launched 47 new products since 2011, eight of which have been first-to-file and one of which has been first-to-market. We have an integrated team-based approach to product development, that combines our formulation, regulatory,

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legal, manufacturing and commercial capabilities. Our senior executive team is an integral part of this approach to product development and we believe this allows us to offer a high-value portfolio of products to our customers. We believe that the strengths of Par are as follows:

Focused approach to product selection targeting high-barrier-to-entry products with long-term value. We specialize in high-barrier-to-entry products that are difficult to formulate, difficult to manufacture or face complex legal and regulatory challenges. These products often see limited competition and tend to be more profitable than commoditized generic drugs. We believe our strong track record of developing products with limited competition, high barriers to entry and longer life cycles has enabled us to maintain more sustainable market share and profitability for our product portfolio. As a result, a large portion of our generics revenue comes from products where we are either the exclusive generic or have two or fewer competitors. As of December 31, 2014, among our top ten generic drugs by revenue, seven maintain market shares in excess of 50%. In recent years, we have introduced generic versions of several major pharmaceuticals with high barriers to entry such as Lovaza® (complex and difficult-to-source API), Precedex® (unique dosage form), Luvox CR® (controlled-release product) and Focalin XR® (controlled substance).

Full suite of technology capabilities. We have a full suite of dosage forms, including immediate release oral solids and alternate dosage forms such as extended release oral solids, injectables, topicals, nasal sprays, ophthalmics, films and transdermal patches. According to EvaluatePharma, approximately $45.0 billion of branded originator products focused in alternate dosage forms (excluding extended release oral solids) are expected to lose patent protection between 2014 and 2018, and they span the full range of injectables, ophthalmics, topicals, intranasals, transdermals and inhalers. During the same period, approximately $74.0 billion of branded originator products focused on oral solids (including immediate release and extended release) are expected to lose patent protection. Given the large value opportunity represented by alternate dosage forms, we have invested significant resources and focus to expand our technology capabilities. Our acquisition of Par Biosciences provides us with bioequivalence study capabilities, which allows us to control the speed, cost and execution of development. In addition, we are in the process of acquiring an API development and manufacturing facility. These expanded capabilities provide the flexibility to more fully control the management and development of key products from formulation stage to commercialization. Our investments in technology have allowed us to

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diversify our product offerings and expand our pipeline. These capabilities allow us to capitalize on opportunities as the market continues to migrate towards alternate dosage forms and technologies. The following chart illustrates how these expanded capabilities provide access to other U.S. market segments:

	Opportunities in Expanded Technologies	2014 Brand Sales(1) ($ Billions)
New Technologies Since 2012	Injectables	$92
	Derm/Semi-solids	$7
	Ophthalmics/Otics	$6
	Patches/Film	$5
	Total New Technologies	**$110**
Previously Existing Technologies	Solid Oral (Immediate Release)	$130
	Solid Oral (Extended Release)	$16
	Oral Liquids	$2
	Nasal Sprays	$2
	Total Previously Existing Technologies	**$150**

(1) IMS Full Year 2014 Data

Diverse portfolio of products. We have a generics portfolio of approximately 95 products across an extensive range of dosage forms and delivery systems. In addition to our current products, our pipeline consists of new products that will further expand and diversify our portfolio. We believe our broad suite of products has allowed us to increase our market presence and develop long term relationships with customers. In recent years, we introduced products across dosage forms such as generic versions of Actiq® (transmucosal lozenge), Entocort® EC (capsule), Precedex® (injectable) and Maxalt-MLT® (ODT), as well as Adrenalin® (injectable), which is marketed as a branded product. In addition, our adjusted gross margin is diversified across our drug portfolio with our top ten revenue products accounting for over half of our total consolidated adjusted gross margin for the fiscal year ended December 31, 2014.

Deep, targeted pipeline with high visibility into future launches. We have a large number of products pending regulatory approval and a robust pipeline of products in development. As of December 31, 2014, we had 115 ANDAs pending with the FDA representing $36.7 billion of combined branded product sales in 2014, including 32 potential first-to-file and six potential first-to-market opportunities representing $14.8 billion of combined branded product sales in 2014. Our potential first-to-file and first-to-market opportunities account for 33% of our pending ANDA pipeline, which we believe is one of the highest in the industry and differentiates our development capabilities. Moreover, we have a number of products that are date-certain product launches which provides us with high visibility into future launches and cash flows. For example, we have date-certain launches on the generic versions of Zetia® and Seroquel XR® in 2016, or earlier under certain circumstances. As of December 31, 2014, our Paragraph IV opportunities accounted for approximately 55% of our current development portfolio and 70% of the development portfolio targets alternate dosage forms.

Commitment to manufacturing excellence with a culture of quality and compliance. We have invested significant resources and focus on quality assurance, quality control and manufacturing excellence. As of December 31, 2014,

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we operated five FDA approved manufacturing facilities, four of which are located in the United States and one in India, with ample capacity and room for expansion. As a result of our commitment to operational excellence and high quality and compliance standards, we have not received any warning letters from the FDA with respect to manufacturing plants we have operated since before 2000, which we believe differentiates us from other generic manufacturers. High-quality manufacturing and supply reliability has become increasingly valuable to customers as the FDA has increased scrutiny of generics manufacturers. Our track record in high-quality manufacturing and supply reliability is most recently demonstrated by our 2014 CVS Health Supplier Partner Award based on providing innovative product offerings, commitment to customer service and consistency of supply. We are well positioned to take advantage of industry shortages or competitor manufacturing disruptions and have done so numerous times in the past.

Proven success in identifying and executing on business development and strategic acquisitions. We have successfully completed and integrated over 20 business development transactions and six company acquisitions since 2011, which has expanded our product portfolio, development capabilities and manufacturing platforms. Our experience and extensive network of relationships in the industry allows us to identify a significant number of opportunities and execute on them quickly and efficiently. On February 20, 2014, we completed our acquisition of Par Sterile, which expanded our capabilities and presence into the rapidly growing sterile drug market, including injectable and ophthalmic products. In addition, we have a successful track record of partnering with large brand pharmaceutical companies looking for an authorized generics partner, which we believe is a result of our strong distribution network and industry positioning. We believe we are a partner of choice for product divestitures for large generic companies, which are often reluctant to partner with one another given the competitive dynamics of the industry. In addition, our deep experience with product development, patent litigation strategy and our strong market presence allows us to partner with smaller development organizations. Examples of our success include our partnership with Glenmark Pharmaceuticals Ltd. for generic Zetia® rights and the acquisition of rights to generics for Actiq® and Provigil® from Teva. We intend to continue to pursue and execute on commercially compelling business development and strategic acquisitions that could further diversify our portfolio, pipeline and capabilities. Given our strong track record of success in executing similar transactions in the past in an effective and efficient manner, we believe that we are well positioned to compete for these potential opportunities.

Track record of strong top-line revenue growth and significant cash flow generation. We submitted 21, 21 and 30 new ANDA filings during 2012, 2013 and 2014, respectively, and introduced 38 new generic products during that period. Driven by our diversification into alternate dosage forms and targeted product selection, our net product revenue has grown from $887.5 million in 2011 to $1,278.1 million in 2014, which represents a CAGR of 12.9% over that period, and our adjusted EBITDA has grown from $248.5 million in 2011 to $433.8 million in 2014, which represents a CAGR of 20.4% over that period. Our adjusted gross margin as a percentage of revenue has expanded from 43.8% in 2011 to 51.2% in 2014. We expect to submit approximately 20 to 25 new ANDA filings during each of 2015, 2016 and 2017, and we expect a number of these potential products to be first-to-file or first-to-market opportunities that will drive top-line revenue growth.

Experienced management team with a strong track record of operational execution. We have a highly experienced leadership team that is committed to developing, manufacturing, marketing and distributing safe, innovative and quality pharmaceuticals. The four members of our executive management team average approximately 25 years of experience in the pharmaceutical industry, and each has been with us for at least nine years, with the exception of Terrance Coughlin, our Chief Operating Officer, who joined us in April 2014. Our senior management team has an average of 24 years of industry experience, which has led to our track record of high quality manufacturing and supply reliability. This leadership team has enabled us to successfully execute on our business strategy, growing revenue and enhancing profitability.

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Our strategy

Our goal is to strengthen our position as a leading pharmaceutical company by developing and commercializing generic drugs with limited competition, high barriers to entry and longer life cycles. We successfully manage our business for the long term by continuing to commit to provide high-quality pharmaceuticals that are affordable and accessible to patients. In implementing our strategy, we are focused on the following:

Grow our core business in attractive high-value segments. Our strategy focuses on high-value generic products, including first-to-file and first-to-market opportunities. According to EvaluatePharma, between 2014 and 2018, approximately $74 billion of branded originator products focused on oral solids (including immediate release and extended release) are expected to lose patent protection. By specializing in high-barrier-to-entry products that are either difficult to manufacture and/or present complex legal and regulatory challenges, we are able to market products that are more profitable and longer-lived relative to our competitors. As a result, over half of our generic adjusted gross margin as of December 31, 2014 was earned from products that are either exclusive or have two or fewer competitors.

Advance our pipeline to continue building our portfolio. We have expanded our development portfolio from approximately 60 products in development at December 31, 2011 to 100 as of December 31, 2014. We have also further diversified our product pipeline from approximately 30 to 70 products in alternate dosage forms as of the same periods. We have grown our ANDAs pending with the FDA from 57 products at December 31, 2011 to 115 products at December 31, 2014, including 32 potential first-to-file and six potential first-to-market opportunities. We expect to submit approximately 20 to 25 new ANDA filings during each of 2015, 2016 and 2017 and continue our research and development efforts to strengthen and grow our portfolio.

Strategically expand our technology capabilities across development and manufacturing. We have made significant investments to enhance our technology platforms and have expanded our capabilities to manufacture products in alternate dosage forms. We believe this will become an increasingly strategic asset over time. We are committed to high product quality standards and invest significant resources and focus to quality assurance, quality control and manufacturing excellence. In addition, we have expanded our manufacturing platforms by making strategic investments to acquire capabilities in orally dissolving thin films and transdermal patches, bioequivalence and clinical end point study services and API development and manufacturing (acquisition pending). As a result of these investments, we have the flexibility to more fully control the management and development of key products. We will continue to invest in expanding our technology capabilities across development and manufacturing to develop high-barrier-to-entry products.

Build upon our success in strategic acquisitions and business development. We have an established history of successfully executing and integrating strategic acquisitions that have enhanced and deepened our presence in our industry. Through these acquisitions, we have expanded our portfolio of products, pipeline, manufacturing and technological capabilities. We expect business development to remain a priority for us as we continue to identify and execute on transactions that fit our strategy and focus on high-barrier-to-entry products.

Leverage existing platform to drive operational efficiency. As a well-established industry player, we have built broad infrastructure in areas of technology, manufacturing, development, sales and distribution. This enables us to go from product selection to commercialization in an efficient manner, driving sales growth and enhancing profitability. As our portfolio expands, we can leverage these existing capabilities to accelerate bottom-line growth and margin expansion.

Our industry

Prescription pharmaceutical products are sold either as branded or generic products. Generic drugs are the pharmaceutical and therapeutic equivalents of branded products and are usually marketed under their generic

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(chemical) names rather than by brand names. Typically, a generic drug may not be marketed until the expiration of applicable patent(s) on the corresponding branded product, unless a resolution of patent litigation results in an earlier opportunity to enter the market. Generic drugs are the same as branded products in dosage form, safety, efficacy, route of administration, quality, performance characteristics and intended use, but they are sold generally at prices below those of the corresponding branded products. Generic drugs provide a cost-effective alternative for consumers, while maintaining the same high quality, efficacy, safety profile, purity and stability of the branded product. An ANDA is required to be filed and approved by the FDA in order to manufacture a generic drug for sale in the United States. The time required to obtain FDA approval of ANDAs is on average approximately 42 months after initial filing. The aggregate number of ANDAs submitted to the FDA in 2014 was 1,264. There have been recent changes in FDA submission requirements and those companies that are able to prepare high quality submissions are comparatively advantaged.

According to IMS Health, generic pharmaceuticals account for approximately 86% of all prescriptions dispensed in 2013. According to EvaluatePharma, the worldwide generics market was estimated to be worth $74 billion in sales in 2014 and is expected to grow an average rate of approximately 6.3% per year over the next six years. Key drivers of this growth include:

- *Demographic trends.* In 2015 the U.S. population over 65 years of age is expected to be 47.7 million, growing over 17% to 55.9 million by 2020. This growth in this segment of the population, who are significant consumers of pharmaceutical products, will increase generic utilization. In addition, the generic market will be positively impacted by an increased acceptance of generic drugs as lower-cost equivalents of branded pharmaceutical product among consumers, physicians and pharmacists.
- *Number of products coming off patent.* The continued volume of patent expiries in the branded pharmaceuticals market will fuel generic growth. According to EvaluatePharma, $117 billion of worldwide branded pharmaceutical sales in 2013 will expire between 2013 and 2015. This will grow to $264 billion for products set to expire between 2013 and 2020.
- *Cost containment measures.* A key driver of generic market growth has been the efforts of governments and the private sector to mitigate the increasing burden of healthcare expenditures by encouraging the use of generic pharmaceutical products. According to IMS Health, in 2013 the use of generics saved consumers $239 billion, an average of almost $655 million daily, and significant cost-cutting measures still continue to be implemented by stakeholders in the healthcare system.

Within the generic pharmaceuticals industry, complex and hard-to-formulate products have higher barriers to entry, limited competition and longer life cycles. Products and drug delivery systems with differentiated formulations, that require advanced manufacturing technology, and those in complex dosage forms fall into this category. Alternative dosage forms to solid oral dose generics, including injectables, nasal sprays, topicals, ophthamlics, patches and films are a high-growing sub-segment of the generics industry. Multiple factors such as (i) challenging regulatory requirements including high cGMP and FDA regulatory standards, (ii) expertise in complex manufacturing processes and (iii) difficulty in developing and sourcing the often complex API these dosage forms require, contribute to higher barriers to entry for these products. Additionally, trade customers highly value manufacturers that consistently offer high quality products, maintain high levels of customer service, and introduce new product offerings. As a result, the market for complex, hard-to-formulate, hard-to-manufacture generics is less commoditized, allowing companies who successfully produce high-quality products in this market to sustain competitive pricing, margins and longer life cycles for their products.

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Financial information about segments

Summarized net revenue and segment contribution information for each of the last three fiscal years are presented in "Note 21—Segment Information" to our audited consolidated financial statements included elsewhere in this prospectus.

Marketing and customers

Marketing of our generic products is primarily targeted to wholesalers, retailers and mail order pharmacies. Par Sterile's products are primarily sold through wholesalers, often via an arrangement with a group purchasing organization, prior to being dispensed at hospitals or directly administered by physicians. Par Specialty products are marketed by its sales force of approximately 60 people, which communicates the therapeutic and health benefits of our branded products to healthcare providers and managed care organizations. Some of our wholesalers purchase products and warehouse those products for certain retail drug store chains, independent pharmacies and managed health care organizations. Customers in the managed health care market include health maintenance organizations, nursing homes, hospitals, clinics, pharmacy benefit management companies and mail order customers.

We have approximately 120 customers, some of which are part of large buying groups. In the year ended December 31, 2014, our four largest customers in terms of net sales accounted for approximately 70% of our total net revenue. We do not have written agreements that guarantee future business with any of these major customers, and the loss of any one or more of these customers or the substantial reduction in orders from any of such customers could have a material adverse effect on our operating results, prospects and financial condition.

Manufacturing

We have manufacturing sites in Chestnut Ridge, New York; Irvine, California; Rochester, Michigan; Stratford, Connecticut; and Chennai, India, which handle the production, assembly, quality assurance testing and packaging of our products. We estimate that for the products we manufacture internally, our U.S. facilities contributed 98% of our manufacturing production based on revenue compared to 2% in India as of December 31, 2014.

Competition

The pharmaceutical industry is highly competitive. At times, we may not be able to differentiate our products from our competitors' products, successfully develop or introduce new products that are less expensive than our competitors' products, or offer purchasers payment and other commercial terms as favorable as those offered by our competitors. We believe that our principal generic competitors are Teva, Sandoz, Mylan and Actavis, based upon the markets in which we compete. Our strategy focuses on high-value, first-to-file or first-to-market opportunities, regardless of therapeutic category. By specializing in high-barrier-to-entry products that are either difficult to manufacture or require complex legal challenges, we endeavor to market more profitable and longer-lived products relative to our competitors. There can be no assurance, however, that this strategy will enable us to compete successfully in the industry or that we will be able to develop and implement any new or additional viable strategies.

The Hatch-Waxman amendments to the FDCA provide for a period of 180 days of generic marketing exclusivity for each applicant that is first-to-file an ANDA containing a Paragraph IV certification. The holder of an approved first-to-file ANDA that is successful in challenging the applicable branded drug patent(s) generally enjoys higher market share and revenue during this period of marketing exclusivity. At the expiration of the

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exclusivity period, other generic distributors may enter the market, resulting in a significant price decline for the drug. In some instances, price declines have exceeded 90%. As a result of price declines, we may at our discretion provide price adjustments to our customers for the difference between our new (lower) price and the price at which we previously sold the product then held in inventory by our customers. These types of price adjustments are commonly known as shelf stock adjustments. There are circumstances under which, as a matter of business strategy, we may decide not to provide price adjustments to certain customers, and consequently, we may receive returns of our customers' unsold products and lose future sales volume to competitors rather than reduce our pricing.

Competition in the generic drug industry has also increased due to the advent of authorized generics. Authorized generics are generic pharmaceutical products that are introduced by brand companies, either directly or through third parties, under the brand's NDA approval. Authorized generics may be sold during (and after) the statutory exclusivity period granted to the first-to-file generic equivalent to the branded product. This is a significant source of competition for us, because brand companies do not face any regulatory barriers to introducing a generic version of their own branded drugs. Further, authorized generics may be sold during any period of generic marketing exclusivity granted to a generic company, which significantly undercuts the profits that a generic company could otherwise receive as an exclusive marketer of a generic product. Such actions have the effect of reducing the potential market share and profitability of our generic products and may inhibit us from introducing generic products corresponding to certain branded drugs. We have also marketed authorized generics in partnership with brand companies, including during the exclusivity periods of our generic competitors.

Increased price competition has also resulted from consolidation among wholesalers and retailers and the formation of large buying groups, which has caused reductions in sales prices and gross margin. This competitive environment has led to an increase in customer demand for downward price adjustments from the distributors of generic pharmaceutical products. Such price reductions are likely to continue, or even increase, which could have a material adverse effect on our revenue and gross margin.

The principal competitive factors in the generic pharmaceutical market include:

- introduction of other generic drug manufacturers' products in direct competition with our products,
- introduction of authorized generic products in direct competition with our products, particularly during exclusivity periods,
- consolidation among distribution outlets through mergers and acquisitions and the formation of buying groups,
- ability of generic competitors to quickly enter the market after the expiration of patents or exclusivity periods, diminishing the amount and duration of significant profits,
- the willingness of generic drug customers, including wholesale and retail customers, to switch among products of different pharmaceutical manufacturers;
- pricing pressures by competitors and customers,
- a company's reputation as a manufacturer and distributor of quality products,
- a company's level of service (including maintaining sufficient inventory levels for timely deliveries),
- product appearance and labeling, and
- a company's breadth of product offerings.

Our branded products benefit from patent protection, making them subject to Paragraph IV patent challenges that could jeopardize our market exclusivity for these products. Consequently, competition from generic

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equivalents following a successful Paragraph IV patent challenge against one of our branded products could have an adverse effect on Par Specialty. In addition, after patent protections expire, generic products can be sold in the market at a significantly lower cost than the branded version, and, where available, may be required or encouraged in preference to the branded version under third party reimbursement programs. Generic products may also be substituted for branded products by pharmacies and state laws sometimes require pharmacies to effect such substitution. Par Specialty also faces competition from other brand drug companies. Many of our brand competitors have longer operating histories, broader product portfolios and greater financial, research and development, marketing and other resources than we do. Consequently, many of our brand competitors may be able to develop products superior to our own. Furthermore, we may not be able to differentiate our products from those of our brand competitors or offer customers payment and other commercial terms as favorable as those offered by our brand competitors. The markets in which we compete and intend to compete are undergoing, and are expected to continue to undergo, rapid and significant change. We expect brand competition to intensify as technological advances and consolidations continue.

Raw materials

The raw materials essential to our manufacturing business are purchased primarily from U.S. distributors of bulk pharmaceutical chemicals manufactured by foreign companies. To date, we have experienced no significant difficulties in obtaining raw materials and expect that raw materials will generally continue to be available in the future. However, because the federal drug application process requires specification of raw material suppliers, if raw materials from a specified supplier were to become unavailable, FDA approval of a new supplier would be required. A delay of six months or more in the manufacture and marketing of the drug involved while a new supplier becomes qualified by the FDA and its manufacturing process is determined to meet FDA standards could, depending on the particular product, have a material adverse effect on our results of operations and financial condition. Generally, we attempt to mitigate the potential effects of any such situation by providing for, where economically and otherwise feasible, two or more suppliers of raw materials for the drugs that we manufacture. In addition, we may attempt to enter into a contract with a raw material supplier in an effort to ensure adequate supply for certain products.

Employees

At December 31, 2014, we had approximately 1,600 employees, of which approximately 200 employees are covered by a collective bargaining agreement. We consider our employee relations to be good.

Government regulation

The development, manufacturing, sales, marketing and distribution of our products are subject to extensive regulation by the U.S. federal government, principally the FDA, and, as applicable, the Drug Enforcement Administration, FTC and state and local governments. For both currently marketed and future products, failure to comply with applicable regulatory requirements can, among other things, result in suspension of regulatory approval and possible civil and criminal sanctions. Regulations, enforcement positions, statutes and legal interpretations applicable to the pharmaceutical industry are constantly evolving and are not always clear. Significant changes in regulations, enforcement positions, statutes and legal interpretations could have a material adverse effect on our financial condition and results of operations.

Additionally, future healthcare legislation or other legislative proposals at the federal and state levels could bring about major changes in the affected health care systems, including statutory restrictions on the means that can be employed by brand and generic pharmaceutical companies to settle Paragraph IV patent litigations. We cannot predict the outcome of such initiatives, but such initiatives, if passed, could result in significant costs to us in terms of costs of compliance and penalties associated with failure to comply.

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The FDCA, the Controlled Substances Act and other federal statutes and regulations govern the development, testing, manufacture, safety, effectiveness, labeling, storage, record keeping, approval, import and export, and advertising and promotion of our products. Non-compliance with applicable regulations can result in judicially and/or administratively imposed sanctions, including the initiation of product seizures, injunctions, fines and criminal prosecutions. Administrative enforcement measures may involve the recall of products, as well as the refusal of an applicable government authority to enter into supply contracts or to approve NDAs and ANDAs. The FDA also has the authority to withdraw its approval of drugs in accordance with its regulatory due process procedures.

Review and approval of drugs in the United States

FDA approval is required before any new drug, including a generic equivalent of a previously approved branded name drug, may be marketed. To obtain FDA approval for a new drug, a prospective manufacturer must, among other things, demonstrate that its manufacturing facilities comply with the FDA's current Good Manufacturing Practices ("cGMP") regulations, which is discussed in further detail below. The FDA may inspect the manufacturer's facilities to ensure such compliance prior to approval or at any other time. The manufacturer is required to comply with cGMP regulations at all times during the manufacture and processing of drugs. To comply with the standards set forth in these regulations, we must continue to expend significant time, money and effort in the areas of production, quality control and quality assurance.

In order to obtain FDA approval of a new drug, a manufacturer must demonstrate the drug's safety and efficacy. There currently are two ways to satisfy the FDA's safety and effectiveness requirements:

- ***New drug applications (NDAs)***. Unless the procedure discussed in the following paragraph is permitted under the FDCA, a prospective manufacturer generally must submit to the FDA an NDA containing complete pre-clinical and clinical safety and efficacy data or a right of reference to such data. The pre-clinical data must provide an adequate basis for evaluating the safety and scientific rationale for the initiation of clinical trials. Clinical trials are conducted in three sequential phases and may take up to several years to complete. At times, the phases may overlap. Data from pre-clinical testing and clinical trials is submitted to the FDA as an NDA for marketing approval. The FDA is, however, authorized to approve an alternative type of NDA under Section 505(b)(2) of the FDCA. Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference from the data owner. The applicant may rely upon the FDA's findings of safety and efficacy for an approved product that acts as the "listed drug." The FDA may also require 505(b)(2) applicants to perform additional studies or measurements to support the change from the listed drug.
- ***Abbreviated new drug applications (ANDAs).*** The Hatch-Waxman amendments to the FDCA established a statutory procedure for submission and FDA review and approval of ANDAs for generic versions of branded drugs previously approved by the FDA (such previously approved drugs are referred to as "listed drugs"). Because the safety and efficacy of listed drugs have already been established by the brand company, the FDA waives the requirement for complete clinical trials. However, a generic manufacturer is typically required to conduct bioequivalence studies of its test product against the listed drug. The bioequivalence studies for orally administered, systemically available drug products assess the rate and extent to which the API is absorbed into the bloodstream from the drug product and becomes available at the site of action. Bioequivalence is established when there is an absence of a significant difference in the rate and extent for absorption of the generic product and the listed drug. For some drugs (e.g., locally acting drugs like topical anti-fungals), other means of demonstrating bioequivalence may be required by the FDA, especially where rate and/or extent of absorption are difficult or impossible to measure. In addition to the bioequivalence data, an ANDA must contain patent certifications and chemistry, manufacturing, labeling and stability data.

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Supplemental NDAs or ANDAs are required for, among other things, approval to transfer certain products from one manufacturing site to another or to change an API supplier, and may be under review for a year or more. In addition, certain products may only be approved for transfer once new bioequivalence studies are conducted or other requirements are satisfied.

Hatch-Waxman exclusivity and patent provisions

The Hatch-Waxman amendments also established certain statutory protections for listed drugs. Under the Hatch-Waxman amendments, approval of an ANDA for a generic drug may not be made effective for interstate marketing until all relevant patents for the listed drug have expired, been withdrawn, delisted, or determined to be invalid, unenforceable, or not infringed by the generic drug applicant submitting a Paragraph IV certification. Prior to enactment of the Hatch-Waxman amendments, the FDA did not consider the patent status of a previously approved drug. In addition, under the Hatch-Waxman amendments, statutory non-patent exclusivity periods are established following approval of certain listed drugs, where specific criteria are met by the drug. For example, for new chemical entities, an ANDA or 505(b)(2) application referencing that drug may not be filed with the FDA until the expiration of five years after approval of that drug, unless the submission is accompanied by a Paragraph IV certification, in which case the applicant may submit its application four years following the original product approval. The FDCA also provides for a period of three years of exclusivity if the NDA, including a 505(b)(2) NDA, includes reports of one or more new clinical investigations, other than bioavailability or bioequivalence studies, that were conducted by or for the applicant and are essential to the approval of the application. Additionally, drugs approved for so-called "orphan indications" (those diseases for which the patient population is sufficiently small) are entitled to a seven year data exclusivity period. The Hatch-Waxman amendments also provide for extensions of up to five years for certain patents covering drugs to compensate the patent holder for the reduction in the effective market life of the patented drug resulting from the time spent in the federal regulatory review process.

Upon approval of an NDA or a supplement thereto, NDA sponsors are required to list with the FDA each patent with claims that, according to the NDA holder/patent holder, cover the applicant's product or an approved method of using the product. Each of the patents listed by the NDA sponsor is published in the Orange Book. When an ANDA applicant files its application with the FDA, the applicant is required to certify to the FDA concerning any patents listed for the reference product in the Orange Book, except for patents covering methods of use for which the ANDA applicant is not seeking approval. To the extent that the Section 505(b)(2) applicant is relying on studies conducted for an already approved product, the applicant is required to certify to the FDA concerning any patents listed for the approved product in the Orange Book to the same extent that an ANDA applicant would.

Specifically, the applicant must certify with respect to each patent that:

- the required patent information has not been filed;
- the listed patent has expired;
- the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration; or
- the listed patent is invalid, unenforceable or will not be infringed by the new product.

A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification.

If the ANDA or 505(b)(2) applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA or 505(b)(2)

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application has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA or 505(b)(2) application until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

On February 6, 2015, the FDA issued proposed regulations concerning submission of patent information to FDA, patent certifications by ANDA and 505(b)(2) applicants, notices of Paragraph IV certifications, and the 30-month stay. We cannot predict when the regulations might be finalized or whether, if finalized, the regulations will be substantially similar to the proposal. When final regulations are promulgated, we will have a clearer view of their impact on this aspect of our business.

Stages of testing development for FDA approval

With respect to Par Specialty, our current strategy is to bypass the substantial investments associated with the development of branded drugs and instead to focus on the profitability of our existing branded products and consider opportunities to add to our portfolio through in-licensing and acquisition of late-stage development products or currently marketed products. If we were to undertake the process of developing a branded product and bringing it to market, the first step in obtaining FDA approval for a drug that has not been previously approved is pre-clinical testing. Pre-clinical tests are intended to provide a laboratory evaluation of the product to determine its chemistry, formulation and stability. Toxicology studies are also performed to assess the potential safety and efficacy of the product. The results of these studies are submitted to the FDA as part of an investigational new drug ("IND") application. The toxicology studies are analyzed to ensure that clinical trials can safely proceed. There is a 30-day period in which the FDA can raise concerns regarding the trials proposed in an IND. If the FDA raises any concerns, the developer must address those concerns before the clinical trials can begin. An IND becomes effective after such 30-day period if the FDA does not raise any concerns. Prior to the start of any clinical study, an independent institutional review board must review and approve such study.

There are three main stages of clinical trial development:

- In Phase I, the drug is tested for safety, absorption, tolerance and metabolism in a small number of subjects.
- In Phase II, after successful Phase I evaluations, the drug is tested for efficacy in a limited number of patients. The drug is further tested for safety, absorption, tolerance and metabolism.
- In Phase III, after successful Phase II evaluations, further tests are done to determine safety and efficacy in a larger number of patients who are to represent the population in which the drug will eventually be used.

The developer then submits an NDA containing the results from the pre-clinical and clinical trials. The NDA drug development and approval process takes approximately three to ten years or more.

Pricing regulation

Successful commercialization of our products depends, in part, on the availability of governmental and third-party payor reimbursement for the cost of our products. Government authorities and third-party payors increasingly are challenging the price of medical products and services. On the government side, there is a heightened focus, at both the federal and state levels, on decreasing costs and reimbursement rates in Medicaid, Medicare and other government insurance programs. This has led to an increase in federal and state legislative initiatives related to drug prices, which could significantly influence the purchase of pharmaceutical products, resulting in lower prices and changes in product demand. If enacted, these changes could lead to

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reduced payments to pharmacies. Many states have also created preferred drug lists and include drugs on those lists only when the manufacturers agree to pay a supplemental rebate. If our current products or future drug candidates are not included on these preferred drug lists, physicians may not be inclined to prescribe them to their Medicaid patients, thereby diminishing the potential market for our products.

Moreover, government regulations regarding reporting and payment obligations are complex, and we are continually evaluating the methods we use to calculate and report the amounts owed with respect to Medicaid and other government pricing programs. Our calculations are subject to review and challenge by various government agencies and authorities, and it is possible that any such review could result either in material changes to the method used for calculating the amounts owed to such agency or the amounts themselves. Because the process for making these calculations, and our judgments supporting these calculations, involve subjective decisions, these calculations are subject to audit. In the event that a government authority challenges or finds ambiguity with regard to our report of payments, such authority may impose civil and/or criminal sanctions, which could have a material adverse effect on our business. From time to time we conduct routine reviews of our government pricing calculations. These reviews may have an impact on government price reporting and rebate calculations used to comply with various government regulations regarding reporting and payment obligations.

Healthcare reform

In the United States, there have been a number of federal and state proposals during the last several years regarding the pricing of pharmaceutical products and other changes to the healthcare system. It is uncertain what other legislative proposals may be adopted or what actions federal, state, or private payors may take in response to any healthcare reform proposals or legislation. We cannot predict the effect such reforms may have on our business, and no assurance can be given that any such reforms will not have a material adverse effect.

By way of example, in March 2010, the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively, the Affordable Care Act, was signed into law, which, among other things, includes changes to the coverage and payment for drug products under government health care programs. The current legislation includes measures that (i) significantly increase Medicaid rebates through both the expansion of the program and significant increases in rebates; (ii) substantially expand the Public Health System (340B) program to allow other entities to purchase prescription drugs at substantial discounts; (iii) extend the Medicaid rebate rate to a significant portion of Managed Medicaid enrollees; (iv) assess a 50% rebate on Medicaid Part D spending in the coverage gap for branded and authorized generic prescription drugs; and (v) levy a significant excise tax on the industry to fund the healthcare reform. The impacts of these provisions are included in our current financial statements.

Fraud and abuse regulation

Pharmaceutical companies are subject to various federal and state laws that are intended to combat health care fraud and abuse, and that govern certain of our business practices, especially our interactions with customers and potential customers through sales and marketing, or research and development activities. These include anti-kickback laws, false claims laws, sunshine laws, privacy laws, and FDA regulation of advertising and promotion of pharmaceutical products.

- Anti-kickback laws, of which the Federal health care programs anti-kickback law is most commonly the subject of enforcement proceedings, prohibit, among other things, the knowing and willful offer or payment of remuneration intended to induce, or in exchange for, ordering (or arranging for or recommending ordering) covered products or services, including our products.

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- False claims laws prohibit knowingly presenting, or causing to be presented, claims for payment to third party payers (Medicare and Medicaid) that are false or fraudulent and, under the Federal False Claims Act, a claim is deemed false or fraudulent if it is made pursuant to an illegal kickback.
- Sunshine laws, including the Federal Open Payments law enacted as part of the Affordable Care Act, require pharmaceutical manufacturers to disclose payments and other transfers of value to physicians and certain other health care providers or professionals, and in the case of some state sunshine laws, restrict or prohibit certain such payments.
- Privacy laws, such as the privacy regulations implemented under the Health Insurance Portability and Accountability Act (HIPAA), restrict covered entities from using or disclosing protected health information. Covered entities commonly include physicians, hospitals, and health insurers from which we may seek to acquire data to aid in our research, development, sales and marketing activities. Although pharmaceutical manufacturers are not covered entities under HIPAA, our ability to acquire or use protected health information from covered entities may be affected by privacy laws.
- The FDA regulates the sale and marketing of prescription drug products and, among other things, prohibits pharmaceutical manufacturers from promoting products for unapproved uses.

We have incurred and will continue to incur costs to comply with these laws.

While we intend to comply in all respects with fraud and abuse laws, there has been an increase in government enforcement efforts at both the federal and state level. Numerous cases have been brought against pharmaceutical manufacturers under the Federal False Claims Act, alleging, among other things, that certain sales or marketing-related practices violate the Anti-kickback statute or the FDA's regulations, and many of these cases have resulted in settlement agreements under which the companies were required to change certain practices, pay substantial fines, and operate under the supervision of a federally-appointed monitor for a period of years. Due to the breadth of these laws and their implementing regulations and the absence of guidance in some cases, it is possible that our practices might be challenged by government authorities. Violations of fraud and abuse laws may be punishable by civil and/or criminal sanctions including fines, civil monetary penalties, as well as the possibility of exclusion of our products from payment by Federal health care programs. Any such violations or challenges could have a material adverse effect on our business.

AWP litigation

Many government and third-party payors reimburse the purchase of certain prescription drugs based on a drug's Average Wholesale Price or "AWP." In the past several years, state and federal government agencies have conducted ongoing investigations of manufacturers' reporting practices with respect to AWP, which they have suggested have led to excessive payments by state and federal government agencies for prescription drugs. We and numerous other pharmaceutical companies have been named as defendants in various state and federal court actions alleging improper or fraudulent practices related to the reporting of AWP.

Drug pedigree laws

State and federal governments have proposed or passed various drug pedigree laws which can require the tracking of all transactions involving prescription drugs from the manufacturer to the pharmacy (or other dispensing) level. Companies are required to maintain records documenting the chain of custody of prescription drug products beginning with the purchase of such products from the manufacturer. Compliance with these pedigree laws requires implementation of extensive tracking systems as well as heightened documentation and coordination with customers and manufacturers. While we fully intend to comply with these laws, there is

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uncertainty about future changes in legislation and government enforcement of these laws. Failure to comply could result in fines or penalties, as well as loss of business that could have a material adverse effect on our financial results.

Federal regulation of patent litigation settlements and authorized generic arrangements

As part of the Medicare Prescription Drug Improvement and Modernization Act of 2003, companies are required to file with the FTC and the DOJ certain types of agreements entered into between brand and generic pharmaceutical companies related to the settlement of patent litigation and/or manufacture, marketing and sale of generic versions of branded drugs. This requirement could affect the manner in which generic drug manufacturers resolve intellectual property litigation and other disputes with brand pharmaceutical companies, and could result generally in an increase in private-party litigation against pharmaceutical companies or additional investigations or proceedings by the FTC or other governmental authorities.

Other

The U.S. federal government, various states and localities have laws regulating the manufacture and distribution of pharmaceuticals, as well as regulations dealing with the substitution of generic drugs for branded drugs. Our operations are also subject to regulation, licensing requirements and inspection by the states and localities in which our operations are located and/or in which we conduct business.

Certain of our activities are also subject to FTC enforcement actions. The FTC enforces a variety of antitrust and consumer protection laws designed to ensure that the nation's markets function competitively, are vigorous, efficient and free of undue restrictions.

Federal, state, local and foreign laws of general applicability, such as laws regulating working conditions, also govern us. In addition, like other manufacturers, we are subject to numerous and increasingly stringent federal, state and local environmental laws and regulations concerning, among other things, the generation, handling, storage, transportation, treatment and disposal of toxic and hazardous substances, the discharge of pollutants into the air and water and the cleanup of contamination. We are required to maintain and comply with environmental permits and controls for some of our operations, and these permits are subject to modification, renewal and revocation by the issuing authorities. Our environmental capital expenditures and costs for environmental compliance may increase in the future as a result of changes in environmental laws and regulations or increased manufacturing activities at any of our facilities. We could incur significant costs or liabilities as a result of any failure to comply with environmental laws, including fines, penalties, third-party claims and the costs of undertaking a clean-up at a current or former site or at a site to which our wastes were transported. In addition, we have grown in part by acquisition, and our diligence may not have identified environmental impacts from historical operations at sites we have acquired in the past or may acquire in the future.

Legal proceedings

Our legal proceedings are complex and subject to significant uncertainties. As such, we cannot predict the outcome or the effects of the legal proceedings described below. While we believe that we have valid claims and/or defenses in the litigations described below, litigation is inherently unpredictable, and the outcome of these proceedings could include substantial damages, the imposition of substantial fines, penalties, and injunctive or administrative remedies. For proceedings where losses are both probable and reasonably estimable, we have accrued for such potential loss as set forth below. Such accruals have been developed based upon estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may ultimately prove to be inaccurate or incomplete,

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and unknown circumstances may exist or unforeseen events occur that could lead us to change those estimates and assumptions. Unless otherwise indicated below, at this time we are not able to estimate the possible loss or range of loss, if any, associated with these legal proceedings. In general, we intend to continue to vigorously prosecute and/or defend these proceedings, as appropriate; however, from time to time, we may settle or otherwise resolve these matters on terms and conditions that we believe are in the best interests of the Company. Resolution of any or all claims, investigations, and legal proceedings, individually or in the aggregate, could have a material adverse effect on our results of operations and/or cash flows in any given accounting period or on our overall financial condition.

Patent related matters

On April 28, 2006, CIMA Labs, Inc. ("CIMA") and Schwarz Pharma, Inc. ("Schwarz Pharma") filed separate lawsuits against us in the U.S. District Court for the District of New Jersey. CIMA and Schwarz Pharma each have alleged that we infringed U.S. Patent Nos. 6,024,981 (the "'981 patent") and 6,221,392 (the "'392 patent") by submitting a Paragraph IV certification to the FDA for approval of alprazolam orally disintegrating tablets. On July 10, 2008, the U.S. Patent and Trademark Office ("USPTO") rejected all claims pending in both the '392 and '981 patents. On September 28, 2009, the USPTO's Patent Trial and Appeal Board ("PTAB") affirmed the Examiner's rejection of all claims in the '981 patent, and on March 24, 2011, the PTAB affirmed the rejections pending for both patents and added new grounds for rejection of the '981 patent. On June 24, 2011, the plaintiffs re-opened prosecution on both patents at the USPTO. On May 13, 2013, the PTAB reversed outstanding rejections to the currently pending claims of the '392 patent reexamination application and affirmed a conclusion by the Examiner that testimony offered by the patentee had overcome other rejections. On September 20, 2013, a reexamination certificate was issued for the '392 patent, and on January 9, 2014, a reexamination certificate was issued for the '981 patent, each incorporating narrower claims than the respective originally-issued patent. We intend to vigorously defend this lawsuit and pursue our counterclaims.

Unimed and Laboratories Besins Iscovesco filed a lawsuit on August 22, 2003 against Paddock Laboratories, Inc. in the U.S. District Court for the Northern District of Georgia alleging patent infringement as a result of Paddock's submitting an ANDA with a Paragraph IV certification seeking FDA approval of testosterone 1% gel, a generic version of Unimed Pharmaceuticals, Inc.'s Androgel®. On September 13, 2006, we acquired from
Paddock all rights to the ANDA, and the litigation was resolved by a settlement and license agreement that permits us to launch the generic version of the product no earlier than August 31, 2015, and no later than February 28, 2016, assuring our ability to market a generic version of Androgel® well before the expiration of the patents at issue. On January 30, 2009, the Bureau of Competition for the FTC filed a lawsuit against us in the U.S. District Court for the Central District of California, subsequently transferred to the Northern District of Georgia, alleging violations of antitrust laws stemming from our court-approved settlement, and several distributors and retailers followed suit with a number of private plaintiffs' complaints beginning in February 2009. On February 23, 2010, the District Court granted our motion to dismiss the FTC's claims and granted in part and denied in part our motion to dismiss the claims of the private plaintiffs. On September 28, 2012, the District Court granted our motion for summary judgment against the private plaintiffs' claims of sham litigation. On June 10, 2010, the FTC appealed the District Court's dismissal of the FTC's claims to the U.S. Court of Appeals for the 11th Circuit. On April 25, 2012, the Court of Appeals affirmed the District Court's decision. On June 17, 2013, the Supreme Court of the United States reversed the Court of Appeals' decision and remanded the case to the U.S. District Court for the Northern District of Georgia for further proceedings. On October 23, 2013, the District Court issued an order on indicative ruling on a request for relief from judgment, effectively remanding to the District Court the appeal of the grant of our motion for summary judgment against the private plaintiffs' claims and holding those claims in abeyance while the remaining issues pending before the Court are resolved. We believe we have complied with all applicable laws in connection with the court-approved settlement and intend to continue to vigorously defend these actions.

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On September 13, 2007, Santarus, Inc. and The Curators of the University of Missouri ("Missouri") filed a lawsuit against us in the U.S. District Court for the District of Delaware alleging infringement of U.S. Patent Nos. 6,699,885; 6,489,346; and 6,645,988 because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of 20 mg and 40 mg omeprazole/sodium bicarbonate capsules. On December 20, 2007, Santarus and Missouri filed a second lawsuit alleging infringement of the patents because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of 20 mg and 40 mg omeprazole/sodium bicarbonate powders for oral suspension. The complaints generally sought (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On October 20, 2008, plaintiffs amended their complaint to add U.S. Patent Nos. 6,780,882 and 7,399,722. On April 14, 2010, the District Court ruled in our favor, finding that the plaintiffs' patents were invalid as being obvious and without adequate written description. On July 1, 2010, we launched our 20 mg and 40 mg generic omeprazole/sodium bicarbonate capsules product. Santarus and Missouri appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit, and we cross-appealed the District Court's decision of enforceability of plaintiffs' patents. On September 4, 2012, the Court of Appeals reversed the District Court's finding of invalidity and remanded to the District Court for further proceedings, and we ceased further distribution of our 20 mg and 40 mg generic omeprazole/sodium bicarbonate capsules product. Santarus was acquired by Salix Pharmaceuticals, Inc. on January 2, 2014. On September 22, 2014, we entered into a settlement agreement with Salix, Santarus and Missouri to resolve all claims relating to this matter, and the dismissal stipulation was entered on September 26, 2014. As part of the settlement, Salix, Santarus and Missouri released all claims against us in exchange for a payment of $100 million. We recorded a charge of $91.0 million in the third quarter of 2014 in addition to the $9.0 million previously accrued.

On April 29, 2009, Pronova BioPharma ASA ("Pronova") filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 5,502,077 and 5,656,667 because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of omega-3-acid ethyl esters oral capsules. On May 29, 2012, the District Court ruled in favor of Pronova in the initial case, and we appealed to the U.S. Court of Appeals for the Federal Circuit on June 25, 2012. On September 12, 2013, the Court of Appeals ruled in our favor, reversing the lower District Court decision. On March 5, 2014, judgment in our favor was formally entered in the District Court. On April 16, 2014, Pronova petitioned for writ of certiorari to the U.S. Supreme Court, which was denied on October 6, 2014.

On August 10, 2011, Avanir Pharmaceuticals, Inc. et al. ("Avanir") filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 7,659,282 and RE38,115 because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of oral capsules of 20 mg dextromethorphan hydrobromide and 10 mg quinidine sulfate. The complaint generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. Our case was consolidated with those of other defendants, Actavis, Impax, and Wockhardt. On September 12, 2012, Avanir filed an additional complaint against us, adding U.S. Patent No. 8,227,484 to the case. A bench trial was held from September 9-13 and October 15, 2013. On April 30, 2014, a decision was entered in favor of Avanir. On August 20, 2014, the Court issued an order requiring that Avanir delist the '115 patent, leaving only the '484 and '282 to be addressed on appeal. We filed our notice of appeal following resolution of the delisting claim on September 12, 2014. We intend to prosecute our appeal of this decision vigorously.

On September 1, 2011, we, along with EDT Pharma Holdings Ltd. (now known as Alkermes Pharma Ireland Limited) (Elan), filed a complaint against TWi Pharmaceutical, Inc. ("TWi") of Taiwan in the U.S. District Court for the District of Maryland alleging infringement of U.S. Patent No. 7,101,576 because TWi filed an ANDA with a Paragraph IV certification seeking FDA approval of a generic version of Megace® ES. Our complaint seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating

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at the expiration of the patents-in-suit. A bench trial was held from October 7-15, 2013. On February 21, 2014, the District Court issued a decision in favor of TWi, finding all asserted claims of the '576 patent invalid for obviousness, and we appealed to the U.S. Court of Appeals for the Federal Circuit. On August 12, 2014, the District Court granted our motion for preliminary injunction enjoining TWi's launch of its generic product pending disposition of the case on appeal, requiring us to post a $10.0 million bond. On December 3, 2014, the Federal Circuit reversed the District Court's decision, remanding for further findings of fact. On March 9, 2015, the District Court granted our motion for preliminary injunction enjoining TWi's launch of its generic product pending disposition of the case on remand, requiring us to post a $6.0 million bond. We intend to continue to vigorously pursue our case.

On April 4, 2012, AR Holding Company, Inc. filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 7,619,004; 7,601,758; 7,820,681; 7,915,269; 7,964,647; 7,964,648; 7,981,938; 8,093,296; 8,093,297; and 8,097,655 (subsequently adding U.S. Patent Nos. 8,415,395 and 8,415,396) because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of oral tablets of 0.6 mg colchicine. On November 1, 2012, Takeda Pharmaceuticals was substituted as the plaintiff and real party-in-interest in the case. On August 30, 2013, Takeda filed a second complaint in view of the same filing adding to the dispute U.S. Patent Nos. 7,906,519; 7,935,731; 7,964,648; 8,093,297; and 8,093,298. The complaint generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On August 30, 2013, Takeda filed a new complaint against us in view of our change of the ANDA's labeled indication. We intend to defend these actions vigorously.

On October 25, 2012, Purdue Pharma L.P. ("Purdue") and Transcept Pharmaceuticals ("Transcept") filed a lawsuit against us in the U.S. District Court for the District of New Jersey. The complaint alleged infringement of U.S. Patent Nos. 8,242,131 and 8,252,809 because we submitted an ANDA with a Paragraph IV certification seeking FDA approval of zolpidem tartrate sublingual tablets 1.75 and 3.5 mg. The complaint generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On November 24, 2014, we reached an agreement with Purdue and Transcept to stay our case contingent upon our agreement to be bound by the District Court's decision in Transcept's trial against Actavis and Novel Laboratories, which commenced December 1, 2014.

On December 19, 2012, Endo Pharmaceuticals and Grünenthal GmbH filed a lawsuit against us in the U.S. District Court for the Southern District of New York. The complaint alleges infringement of U.S. Patent Nos. 7,851,482; 8,114,383; 8,192,722; 8.309, 060; 8,309,122; and 8,329,216 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of oxymorphone hydrochloride extended release tablets 40 mg. The complaint generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On November 7, 2014, Endo and Mallinckrodt sued us on the same filing in the U.S. District Court for the District of Delaware, adding U.S. Patent Nos. 8,808,737 and 8,871,779 to the case. On January 15, 2015, the case in the Southern District of New York was dismissed by stipulation. We intend to defend the action in the District of Delaware vigorously.

On January 8, 2013, we were substituted for Actavis as defendant in litigation then pending in the U.S. District Court for the District of Delaware. The action was brought by Novartis against Actavis for filing an ANDA with a Paragraph IV certification seeking FDA approval of rivastigmine transdermal extended release film 4.6 and 9.5 mg/24 hr. We assumed the rights to this ANDA. The complaint alleges infringement of U.S. Patents 5,602,176; 6,316,023; and 6,335,031 and generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On August 22, 2013, Novartis filed an additional complaint in view of our submission of an ANDA supplement containing a Paragraph IV certification adding the 13.3 mg/24 hr. strength. A trial was held August 26-29, 2013, and a second bench trial directed to our non-infringement positions was held on May 1-2, 2014. On June 27, 2014, we filed a

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declaratory judgment action against Novartis in the same Court regarding all strengths, seeking judgment of non-infringement and invalidity on all asserted patents in view of all strengths embraced by our ANDA. On August 29, 2014, the Court in the first action entered judgment in our favor, finding that we do not infringe the asserted patents. On October 7, 2014, the Court entered judgment in our favor on the declaratory judgment complaint. On October 20, 2014 and October 30, 2014, Novartis filed notices of appeal to the U.S. Court of Appeals for the Federal Circuit from both the original case as well as the complaint initiated on the ANDA supplement. On November 7, 2014, Novartis filed an appeal from the declaratory judgment decision. We intend to defend these actions vigorously.

On February 7, 2013, Sucampo Pharmaceuticals, Takeda Pharmaceuticals, and R-Tech Ueno filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 6,414,016; 7,795,312; 8,026,393; 8,071,613; 8,097,653; and 8,338,639 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of lubiprostone oral capsules 8 mcg and 24 mcg. The complaint seeks (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On July 3, 2013, an amended complaint was filed, adding U.S. Patent No. 8,389,542 to the case. On October 9, 2014, the parties entered into a settlement agreement resolving the dispute and allowing us to launch our generic lubiprostone product on January 1, 2021, or earlier in certain circumstances. The consent judgment terminating the case was entered December 2, 2014.

On May 15, 2013, Endo Pharmaceuticals filed a lawsuit against us in the U.S. District Court for the Southern District of New York. The complaint alleges infringement of U.S. Patent Nos. 7,851,482; 8,309,122; and 8,329,216 as a result of our November 2012 acquisition from Watson of an ANDA with a Paragraph IV certification seeking FDA approval of non-tamper resistant oxymorphone hydrochloride extended release tablets. The complaint generally seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On June 21, 2013, we, along with Alkermes Pharma Ireland Limited (Elan), filed a complaint against Breckenridge Pharmaceutical, Inc. in the U.S. District Court for the District of Delaware. In the complaint, we allege infringement of U.S. Patent Nos. 6,592,903 and 7,101,576 because Breckenridge filed an ANDA with a Paragraph IV certification seeking FDA approval of a generic version of Megace® ES. Our complaint seeks (i) a finding of infringement, validity, and/or enforceability; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. A stipulation to stay the proceedings was entered on July 22, 2014. We intend to prosecute this infringement case vigorously.

On September 23, 2013, Forest Labs and Royalty Pharma filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos., 6,602,911; 7,888,342; and 7,994,220 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 12.5, 25, 50, and 100 mg milnacipran HCl oral tablets. The complaint seeks (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On August 20, 2013 and April 4, 2014, MonoSol RX and Reckitt Benckiser filed lawsuits against us in the U.S. District Court for the District of Delaware. The complaints allege infringement of U.S. Patent Nos. 8,017,150, 8,475,832 and 8,603,514, because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of EQ 2/0.5, 8/2, 4/1, 12/3 mg base buprenorphine HCl/naloxone HCl sublingual films. The complaints seek (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On December 31, 2014, the plaintiffs filed a complaint on the same ANDA filing, adding U.S. Patent Nos. 8,900,497 and 8,906,277. We intend to defend these actions vigorously.

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On December 27, 2013, Jazz Pharmaceuticals filed a lawsuit against us in the U.S. District Court for the District of New Jersey. The complaint alleges infringement of U.S. Patent Nos. 6,472,431; 6,780,889; 7,262,219; 7,851,506; 8,263,650; 8,324,275; 8,461,203; 7,668,730; 7,765,106; 7,765,107; 7,895,059; 8,457,988; and 8,589,182 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 500mg/ml sodium oxybate oral solution. On August 15, 2014, October 10, 2014, and January 8, 2015, Jazz filed additional complaints against us in view of the same ANDA filing, adding U.S. Patent Nos. 8,731,963; 8,772,306; and 8,859,619, respectively, to the case. The complaints seek (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend these actions vigorously.

On January 21, 2014, Lyne Laboratories, Fresenius USA Manufacturing and Fresenius Medical Care Holdings filed a lawsuit against us in the U.S. District Court for the District of Massachusetts. The complaint alleges infringement of U.S. Patent Nos. 8,591,938 and 8,592,480 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 169mg/5ml calcium acetate oral solution. The complaint seeks (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. The case has been settled on confidential terms with a stipulation of dismissal, which we expect will be entered by the Court presently.

On February 14, 2014 and August 15, 2014, Forest Laboratories, Inc., Forest Laboratories Holdings, Ltd., and Adamas Pharmaceuticals, Inc., filed lawsuits against us and our Anchen subsidiary in the U.S. District Court for the District of Delaware. The complaints allege infringement of U.S. Patent Nos. 8,039,009; 8,168,209; 8,173,708; 8,283,379; 8,329,752; 8,362,085; and 8,598,233 because we submitted ANDAs with Paragraph IV certifications to the FDA for approval of 7, 14, 21, and 28 mg memantine hydrochloride extended release capsules. The complaints seek (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On January 14, 2015, a joint stipulation of dismissal was entered in the case pursuant to a confidential settlement agreement between the parties.

On April 23, 2014, Hyperion Therapeutics filed a lawsuit against us in the U.S. District Court for the Eastern District of Texas. The complaint alleges infringement of U.S. Patent Nos. 8,404,215 and 8,642,012 because we submitted an ANDA with Paragraph IV certifications to the FDA for approval of 1.1 g/ml glyceryl phenylbutyrate oral liquid. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On June 20, 2014, Otsuka Pharmaceutical Co. filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 5,753,677 and 8,501,730 relating to our Paragraph IV certification accompanying our ANDA for approval of 15 and 30 mg tolvaptan oral tablets. The complaint seeks (i) a finding of infringement; and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On June 30, 2014, AstraZeneca filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent No. 7,951,400 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of eq 2.5 mg and eq 5 mg saxagliptin hydrochloride oral tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On July 17, 2014, Glycyx Pharmaceuticals and Salix filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 6,197,341 and 8,497,256 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 1.1 g balsalazide disodium oral tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

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On August 6, 2014, Prometheus Labs filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent No. 6,284,770 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 0.5 and 1.0 mg alosetron hydrochloride tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. On November 17, 2014, the court stayed our case pending the outcome of the appeal of the first Paragraph IV filer's victory in the District Court.

On August 19, 2014, Hospira, Inc. filed a declaratory judgment complaint against the FDA in the U.S. District Court for the District of Maryland in view of the FDA's approval of our ANDA for dexmedetomidine hydrochloride injection, concentrate (100 mcg/ml) vials pursuant to our submission and statement under section viii. On August 20, 2014, we moved to intervene in the case on the side of the FDA. On August 25, 2014, we filed a declaratory judgment complaint against Hospira, Inc. in view of U.S. Patent No. 6,716,867 in the U.S. District Court for the District of New Jersey. On September 5, 2014, the Maryland Court ruled in favor of the FDA, Par and joint intervenor Mylan, Inc. on summary judgment, and Hospira, Inc. and its intervenor/co-complainant Sandoz appealed that judgment to the U.S. Court of Appeals for the Fourth Circuit. On October 29, 2014, all parties stipulated jointly to a dismissal of all of the cases (Maryland, New Jersey, and the Fourth Circuit) pursuant to a confidential settlement agreement.

On October 10, 2014, Novartis Pharmaceuticals Corporation and Novartis AG filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 5,665,772; 6,004,973; and 6,455,518 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 0.25, 0.5, and 0.75 mg everolimus tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On November 19, 2014, we filed a declaratory judgment action against GlaxoSmithKline and Aptalis in the U.S. District Court for the Eastern District of Pennsylvania, seeking declaratory judgment of non-infringement and invalidity of U.S. Patent No. 7,919,115 in view of our April 11, 2012 submission of an ANDA with a Paragraph IV certification to the FDA seeking approval for lamotrigine orally disintegrating tablets 25, 50, 100, and 200 mg. On January 30, 2015, the consent judgment was entered.

Under a Development and Supply Agreement between Pharmaceutics International, Inc. ("PII") and Par Sterile, PII agreed to develop and manufacture, and Par Sterile agreed to market and sell, certain pharmaceutical products, including zoledronic acid, the generic version of Zometa® and Reclast®. Under the Agreement, the parties agreed to share equally all mutually agreed expenses and costs of Paragraph IV proceedings related to the product, including any costs and expenses related to any mutually agreed upon settlement. On February 20, 2013, Novartis Pharmaceuticals Corporation filed a lawsuit against PII, along with several other defendants, in the U.S. District Court for the District of New Jersey, for filing ANDAs with Paragraph IV certifications seeking FDA approval of both zoledronic acid eq 4 mg base/5 ml vials and zoledronic acid eq 5 mg base/100 ml bottles. The complaint alleges, among other things, that the sale of generic versions of Reclast® and Zometa® would infringe one or more of U.S. Patent Nos. 8,324,189; 7,932,241; and 8,052,987 and seeks (i) a finding of infringement, validity, and/or enforceability; (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit; and (iii) damages or other monetary relief in light of commercial manufacture, use, offers to sell, or sale of the ANDA products. On March 1, 2013, the District Court denied Novartis's request for a temporary restraining order against PII and the other defendants. On March 4, 2013, Par Sterile began distribution of PII's generic Zometa® product and began distribution of the generic Reclast® product in December 2013. On December 3, 2014, in view of the foregoing, Novartis sued Par Sterile in the same court, seeking (i) a finding of infringement, validity, and/or enforceability; (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit; and (iii) damages or other monetary relief in light of commercial manufacture, use, offers to sell, or sale of the ANDA products. We intend to defend this action vigorously.

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On December 18, 2014, and January 23, 2015, Novartis Pharmaceuticals Corporation and Novartis AG filed lawsuits against us in the U.S. District Court for the District of Delaware. The complaints allege infringement of U.S. Patent Nos. 5,665,772; 7,297,703; and 7,741,338 518 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 2.5, 5, 7.5, and 10 mg everolimus tablets. The complaints seek (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend these actions vigorously.

On January 16, 2015, Supernus Pharmaceuticals filed a lawsuit against us in the U.S. District Court for the District of New Jersey. The complaint alleges infringement of U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; and 8,877,248 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 25, 50, 100, and 200 mg topiramate extended release capsules. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On January 21, 2015, Tris Pharma, Inc., filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 8,062,667; 8,287,903; 8,465,765; 8,563,033; and 8,778,390 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 5 mg/ml methylphenidate hydrochloride extended release oral suspension. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On February 2, 2015, Cosmo Technologies, Ltd and Santarus, Inc. filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 7,410,651; 7,431,943; 8,293,273; 8,784,888; 8,895,064; and RE43,799 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 9 mg budesonide tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On February 20, 2015, Ferring Pharmaceuticals, Inc. and Ferring International Center S.A. filed a lawsuit against us in the U.S. District Court for the District of Delaware. The complaint alleges infringement of U.S. Patent Nos. 8,450,338 and 8,481,083 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 10/3.5/12 g sodium picosulfate/magnesium oxide/citric acid packets for oral solution. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On February 26, 2015, Shire, LLC filed a lawsuit against us in the U.S. District Court for the District of New Jersey. The complaint alleges infringement of U.S. Patent Nos. RE41,148 and RE42,096 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 5, 10, 15, 20, and 25 mg mixed amphetamine salts extended release capsules. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

On March 6, 2015, BioMarin Pharmaceutical Inc. and Merck & Cie filed a lawsuit against us in the U.S. District Court for the District of New Jersey. The complaint alleges infringement of U.S. Patent Nos. 7,566,462; 7,566,714; 7,612,073; 7,727,987; 8,003,126; 8,067,416; RE43,797; and 8,318,745 because we submitted an ANDA with a Paragraph IV certification to the FDA for approval of 100 mg sapropterin dihydrochloride oral tablets. The complaint seeks (i) a finding of infringement and (ii) a permanent injunction be entered, terminating at the expiration of the patents-in-suit. We intend to defend this action vigorously.

Industry related matters

Beginning in September 2003, we, along with numerous other pharmaceutical companies, have been named as a defendant in actions brought by the Attorneys General of Illinois, Kansas, and Utah, as well as a state law *qui tam* action brought on behalf of the state of Wisconsin by Peggy Lautenschlager and Bauer & Bach, LLC, alleging generally that the defendants defrauded the state Medicaid systems by purportedly reporting or causing the reporting of AWP and/or "Wholesale Acquisition Costs" that exceeded the actual selling price of the defendants' prescription drugs. During the year ended December 31, 2013, we recorded $25.7 million as "Settlements and

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loss contingencies, net" on the consolidated statements of operations as we continued to periodically assess and estimate our remaining potential liability. On January 28, 2014, we settled the claims brought by the State of Kansas for $1.8 million. On February 5, 2014, we settled the claims brought by the State of Utah for $2.1 million. On June 2, 2014, we settled the claims brought by the State of Illinois for $28.5 million, including attorneys' fees and costs. The amounts provided for 2013 represents the amounts settled, less amounts previously accrued. Other than as described below, all of the above AWP cases against the Company have been concluded.

On February 17, 2014, the Dane County Circuit Court for the State of Wisconsin dismissed the state law *qui tam* action brought on behalf of the state of Wisconsin by Peggy Lautenschlager and Bauer & Bach, LLC. On June 12, 2014, the Dane County Circuit Court denied the plaintiffs' renewed motion to amend the complaint and issued a final order of dismissal on the merits, without prejudice. The plaintiffs subsequently appealed the ruling, and on September 22, 2014, the Wisconsin Court of Appeals dismissed the plaintiffs' appeal. On August 11, 2014, plaintiffs filed a similar AWP *qui tam* action under seal in the Dane County Circuit Court, and the State of Wisconsin declined to intervene on December 19, 2014. On January 13, 2015, the Dane County Circuit Court unsealed the complaint. We intend to vigorously defend this lawsuit.

The Attorneys General of Florida, Indiana and Virginia and the U.S. Office of Personnel Management (the "USOPM") have issued subpoenas, and the Attorneys General of Michigan, Tennessee, Texas, and Utah have issued civil investigative demands, to us. The demands generally request documents and information pertaining to allegations that certain of our sales and marketing practices caused pharmacies to substitute ranitidine capsules for ranitidine tablets, fluoxetine tablets for fluoxetine capsules, and two 7.5 mg buspirone tablets for one 15 mg buspirone tablet, under circumstances in which some state Medicaid programs at various times reimbursed the new dosage form at a higher rate than the dosage form being substituted. We have provided documents in response to these subpoenas to the respective Attorneys General and the USOPM. The aforementioned subpoenas and civil investigative demands culminated in the federal and state law *qui tam* action brought on behalf of the United States and several states by Bernard Lisitza. The complaint was unsealed on August 30, 2011. The United States intervened in this action on July 8, 2011 and filed a separate complaint on September 9, 2011, alleging claims for violations of the Federal False Claims Act and common law fraud. The states of Michigan and Indiana have also intervened as to claims arising under their respective state false claims acts, common law fraud, and unjust enrichment. We intend to vigorously defend these lawsuits.

Other

On March 19, 2009, we were served with a subpoena by the DOJ requesting documents related to Par Specialty's marketing of Megace® ES. The subpoena indicated that the DOJ was investigating promotional practices in the sales and marketing of Megace® ES. We cooperated with the DOJ in this inquiry. On March 5, 2013, we entered into a settlement agreement with the DOJ that terminated the DOJ's investigation. The settlement agreement provided for our payment of $45.0 million (plus interest and fees) and included a plea agreement with the New Jersey Criminal Division of the DOJ in which the Company admitted to a single count of misdemeanor misbranding, a civil settlement with the DOJ, a state settlement encompassing forty-nine states (one state declined to participate due to the small amount of its potential recovery), and a release from each of these entities in favor of the Company related to the practices at issue in the terminated investigation. We accrued for the settlement in the period from January 1, 2012 through September 28, 2012 (Predecessor). The settlement was paid in 2013.

On August 6, 2014, we received a subpoena from the Office of the Attorney General of the State of Connecticut requesting documents related to our agreement with Covis Pharma S.a.r.l. to distribute an authorized generic version of Covis's Lanoxin® (digoxin) oral tablets. We completed our response on October 28, 2014.

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On December 5, 2014, we received a subpoena from the Antitrust Division of the DOJ requesting documents related to communications with competitors regarding our authorized generic version of Covis's Lanoxin® (digoxin) oral tablets and our generic doxycycline products. We intend to cooperate fully with the Department of Justice's inquiry.

On February 3, 2015, we received a Civil Investigative Demand from Office of the Attorney General of the State of Alaska instructing production of, among other documents, all production in the on-going lawsuit filed against us in 2009 by the Bureau of Competition for the FTC and currently on remand to the U.S. District Court for the Northern District of Georgia, described above under "Business—Legal proceedings—Patent related matters." We intend to comply fully with the Civil Investigative Demand.

On February 9, 2015, we received a Civil Investigative Demand from the FTC instructing production of, among other documents, all documents related to our license agreement and manufacturing and supply agreement with Concordia Pharmaceuticals, Inc. relating to our sale of clonidine hydrochloride extended release tablets, the generic version of Concordia's Kapvay®. We intend to comply fully with the Civil Investigative Demand.

We are, from time to time, a party to certain other litigations, including product liability litigations. We believe that these litigations are part of the ordinary course of our business and that their ultimate resolution will not have a material effect on our financial condition, results of operations or liquidity. We intend to defend or, in cases where we are the plaintiff, to prosecute these litigations vigorously.

Information technology

Our Information Technology ("IT") contributes state-of-the-industry infrastructure for reliable and compliant operations, business-driven solutions that align with our objectives for profitable growth and innovative ideas bound to business performance and efficiency goals. Our IT department is organized into three departments: Business Applications, Technology Operations, and Scientific Systems. Each department maintains its own development, implementation and support teams.

- The Business Applications department purchases, develops, and maintains business applications systems jointly with internal departments. This department follows industry best practices in project management, systems development life cycle, change management, account management, computer systems validation, and data archiving.
- The Technology Operations department purchases, deploys and maintains computing and communication infrastructure systems that enable reliable and efficient business operations. This department follows industry best practices in capacity planning, configuration management, incident/problem prevention and management, disaster recovery, data backup and restoration, data center operations, and security management.
- The Scientific Systems department purchases, develops, and maintains systems that support Quality Control, Regulatory, and Manufacturing operations. This department follows industry best practices in GxP compliance, project management, systems development life cycle, change management, computer systems validation, and data archiving.

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Properties

Location	Use	Square feet	Owned/Leased	Expiration of lease
Chestnut Ridge, NY	Manufacturing	120,000	Owned	
Chestnut Ridge, NY	Quality, Administrative	40,000	Owned	
Chestnut Ridge, NY	Future Administrative and Manufacturing	135,000	Owned	
Chestnut Ridge, NY	Research	57,000	Leased	December 2024
Montebello, NY	Distribution	190,000	Leased	January 2024
Woodcliff Lake, NJ	Administrative	61,000	Leased	March 2016
Parsippany, NJ	Administrative	19,000	Leased	July 2021
Irvine, CA	Administrative, Quality	40,500	Leased	March 2016
Irvine, CA	Manufacturing, Warehouse	40,700	Leased	December 2017
Irvine, CA	Research	26,800	Leased	August 2018
Rochester, MI (1)	Manufacturing	140,000	Owned	
Rochester, MI (1)	Warehouse	44,000	Owned	
Rochester, MI (1)	Quality, Research	65,000	Owned	
Rochester, MI (1)	Utilities	11,650	Owned	
Rochester, MI (1)	Administrative	59,500	Owned	
Stratford, CT	Manufacturing, Research	16,500	Leased	September 2021(2)
Stratford, CT	Distribution	8,000	Leased	December 2021
Chennai, India	Manufacturing, Research	95,000	Owned	
Chennai, India	CRO	22,900	Leased	January 2018
Watford, UK	Administrative	1,000	Leased	November 2015

(1) In February 2014, in conjunction with our acquisition of Par Sterile, we acquired an 80-acre site in Rochester, MI.

(2) Approximately 13,300 square feet of leased space is set to expire in November 2018.

We believe that our owned and leased properties are sufficient in size, scope and nature to meet our anticipated needs for the reasonably foreseeable future. See "Management's discussion and analysis of financial condition and results of operations—Financial condition" and Note 20 to our audited consolidated financial statements which are included elsewhere in this prospectus.

Par Pharmaceutical is managed and/or served out of all the properties noted above. Par Specialty is managed and/or served out of certain of the New York and New Jersey properties noted above.

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Management

Directors and Executive Officers

Below is a list of names, ages and positions, and a brief account of the business experience, of the individuals who are serving as our executive officers and our directors as of February 28, 2015.

Name	Age	Position
Paul V. Campanelli	52	Chief Executive Officer and Director
Thomas J. Haughey	51	General Counsel and Chief Administrative Officer
Michael A. Tropiano	57	Executive Vice President and Chief Financial Officer
Terrance J. Coughlin	49	Chief Operating Officer
Patrick G. LePore	59	Director (Chairman)
Todd B. Sisitsky	43	Director
Jeffrey K. Rhodes	40	Director
Sharad Mansukani	45	Director

Paul V. Campanelli has served as Chief Executive Officer and as a member of the board of directors since September 2012 following the closing of the Merger. Previously, he held certain roles at Par Pharmaceutical Companies, including Chief Operating Officer from November 2011 to September 2012 and Executive Vice President from February 2007 to November 2011. He also served as President of Par Pharmaceutical, our generic products division, from February 2007 to November 2011. As of November 2011, he assumed responsibility for Par Specialty, our branded products division. He was Executive Vice President, Business Development and Licensing of Par Pharmaceutical from September 2006 to March 2007. Mr. Campanelli also served as Par Pharmaceutical's Senior Vice President, Business Development and Licensing, from March 2004 to September 2006, and as Vice President, Business Development, from April 2002 to March 2004. Mr. Campanelli's past and ongoing management experience in the pharmaceutical industry as well as his intimate understanding of our day-to-day operations as Chief Executive Officer led to the conclusion that he should serve as a director of our company.

Thomas J. Haughey has served as General Counsel and Chief Administrative Officer since September 2012 following the closing of the Merger. Previously, he held certain roles at Par Pharmaceutical Companies, including as General Counsel and Chief Administrative Officer since November 2003 and October 2008, respectively, except during the period from November 2011 to November 2013 during which time he served as President. From March 2006 until October 2008, he served as Executive Vice President of Par Pharmaceutical Companies, and from November 2003 until November 2011, he served as Secretary. Prior to joining us, Mr. Haughey had served for more than five years as Legal Director of Licensing in the Law Department of Schering-Plough Corporation.

Michael A. Tropiano has served as Executive Vice President and Chief Financial Officer since September 2012 following the closing of the Merger. Previously he held certain roles at Par Pharmaceutical Companies, including as Executive Vice President and Chief Financial Officer since July 2010 and as Vice President and Treasurer from August 2005 to July 2010. Before joining us, Mr. Tropiano served from 2001 to July 2005 as Vice President and Corporate Treasurer of Medpointe Pharmaceuticals and Assistant Treasurer from 1984 to 2001 of Carter-Wallace, Inc. Mr. Tropiano is a Chartered Financial Consultant.

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Terrance J. Coughlin has served as Chief Operating Officer since April 2014. From April 2007 to October 2013, Mr. Coughlin served as President and Chief Executive Officer of Glenmark Generics, Inc. USA/Glenmark Generics Limited, a generic drug company focused on developing, manufacturing, selling and distributing generic drugs. From September 2004 to April 2007 he served as President. During his tenure at Glenmark, he had overall responsibility for the North American, Western European and Eastern European generics businesses, as well as the global API business and Glenmark's generics operations in India. Prior to Glenmark, he served as Senior Vice President of Dr. Reddy's Laboratories, Inc., which he joined in 1995.

Patrick G. LePore served as Executive Chairman of the board of directors following the closing of the Merger in September 2012 until January 31, 2013, and as Chairman since that time. From August 2007 to the closing of the Merger in September 2012, Mr. LePore served as Chairman of the board of directors of Par Pharmaceutical Companies and Chief Executive Officer (and President until November 2011). He was a director of Par Pharmaceutical Companies from May 2006 until January 31, 2013. From 2002 to 2005, Mr. LePore was President of the healthcare marketing group at Cardinal Health, Inc. From 1984 until 2002, he was with BLP Group Companies, a full service medical communication/education company, as Chairman, President and Chief Executive Officer. BLP Group Companies was sold to Cardinal Health in 2002. Mr. LePore currently serves on the board of PharMerica Corporation (NYSE:PMC), a pharmacy management service provider in long-term care settings and in the home, and serves as chairman of the board of AgeneBio, Inc., a private biotech company based in Baltimore. He is also a trustee of Villanova University. Mr. LePore's knowledge of our company and our industry based on his experience as our former Chief Executive Officer and his experience as a pharmaceutical executive and board member of pharmaceutical companies led to the conclusion that he should serve as a director of our company.

Todd B. Sisitsky has been a director since the closing of the Merger in September 2012. Mr. Sisitsky is a partner of TPG, where he leads the firm's investment activities in the healthcare services, pharmaceutical and medical device sectors. He has played leadership roles in connection with TPG's investments in Aptalis (GI-focused specialty pharmaceutical company, which is now owned by Actavis), Biomet (leading orthopedic implant manufacturer), Fenwal Transfusion Therapies (blood product technologies business), IASIS Healthcare (Tennessee-based acute care hospital company), Surgical Care Affiliates (ambulatory surgery center business carved out from HealthSouth Corporation), HealthScope (hospital and pathology company based in Australia), IMS Health (leading global data services and consulting business to several segments of the healthcare industry) and Immucor (leading automated blood screening and testing business). Mr. Sisitsky serves on the board of directors of IASIS Healthcare Corporation, Immucor, Inc., Surgical Care Affiliates, Inc., IMS Health Holdings, Inc. and Biomet, Inc. He also serves on the board of the global not-for-profit organization, the Campaign for Tobacco Free Kids, as well as on the Dartmouth Medical School Board of Overseers. Prior to joining TPG in 2003, Mr. Sisitsky was with Forstmann Little & Company and Oak Hill Capital Partners. He received an M.B.A. from the Stanford Graduate School of Business, where he was an Arjay Miller Scholar, and earned his undergraduate degree from Dartmouth College, where he graduated summa cum laude. Mr. Sisitsky's financial expertise as well as his experience as a director of other companies in the healthcare industry led to the conclusion that he should serve as a director of our company.

Jeffrey K. Rhodes has been a director since the closing of the Merger in September 2012. Mr. Rhodes is a partner of TPG where he helps lead the firm's investment activities in the healthcare services, pharmaceutical and medical device sectors. He is involved with TPG's investments and serves on the board of directors of Biomet, Inc., IMS Health Holdings, Inc., Immucor Inc., Surgical Care Affiliates, Inc. and Envision Pharmaceutical Holdings, Inc. (an Ohio-based full service pharmacy benefit management company). Prior to joining TPG in 2005, Mr. Rhodes was with McKinsey & Company and Article27 LTD, a start-up software company. He was a founding board member of the Healthcare Private Equity Association, a non-profit trade association that represents the U.S. healthcare private equity industry. Mr. Rhodes earned his M.B.A. from the Harvard Business

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School, where he was a Baker Scholar, and earned his B.A. in Economics from Williams College, where he graduated summa cum laude. Mr. Rhodes's financial expertise as well as his experience as a director of other companies in the healthcare industry led to the conclusion that he should serve as a director of our company.

Sharad Mansukani has been a director since the closing of the Merger in September 2012. He serves as a senior advisor to TPG and as a strategic advisor to the board of directors of Cigna Corporation. Dr. Mansukani has served as Chairman of the board of directors of Envision Pharmaceutical Holdings, Inc. since November 2013. He serves on the board of directors of IASIS Healthcare Corporation, Surgical Care Affiliates, Inc., IMS Health Holdings, Inc. and Immucor, Inc. He also serves on the board of directors of Children's Hospital of Philadelphia and on the editorial boards of the American Journal of Medical Quality, Managed Care, Biotechnology Healthcare, and American Health & Drug Benefits. Dr. Mansukani previously served as Vice Chairman-Strategic Planning and a member of the board of directors of HealthSpring, Inc. from June 2010 to January 2012; from November 2008 to June 2010 he was Executive Vice President and Chief Strategy Officer. He also previously served as a senior advisor to the Administrator of Centers for Medicare and Medicaid Services ("CMS") from 2003 to 2005, and as Senior Vice President and Chief Medical Officer of Health Partners, a non-profit Medicaid and Medicare health plan owned at the time by Philadelphia-area hospitals. Dr. Mansukani was appointed to Medicare's Program Advisory and Oversight Committee by the Secretary of the Dept. of Health and Human Services, which was established by the U.S. Congress and is tasked to advise Medicare upon CMS payment policies. Dr. Mansukani completed a residency and fellowship in ophthalmology at the Perelman School of Medicine at the University of Pennsylvania, a fellowship in quality management and managed care at the Wharton School of Business and is board certified in medical management by the American College of Physician Executives. Dr. Mansukani's expertise in the fields of medicine, managed care and medical management as well as his experience as a director and/or advisor to CMS and other companies in the healthcare industry led to the conclusion that he should serve as a director of our company.

Board composition and director independence

Our business and affairs are managed under the direction of the board of directors. Our board currently consists of five directors and TPG has the right to nominate, and has nominated, all of the directors that serve on the board. We anticipate that an additional director who is not affiliated with us or any of our stockholders and is independent under the rules of will be appointed to the board of directors prior to the effectiveness of the registration statement of which this prospectus forms a part.

Controlled company exception

Following the completion of this offering, we expect to be a "controlled company" under the rules of because more than 50% of our outstanding voting power will be held by TPG. See "Principal and selling stockholders." We intend to rely upon the "controlled company" exception relating to the board of directors and committee independence requirements under the rules of . Pursuant to this exception, we will be exempt from the rules that would otherwise require that our board of directors consist of a majority of independent directors and that our leadership development and compensation committee and nominating and governance committee be composed entirely of independent directors. The "controlled company" exception does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Exchange Act and the rules of , which require that our audit committee have at least one independent director upon consummation of this offering, consist of a majority of independent directors within 90 days following the effective date of the registration statement of which this prospectus forms a part and exclusively of independent directors within one year following the effective date of the registration statement of which this prospectus forms a part.

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Our board of directors has determined that is an independent director under the rules of . In making this determination, the board of directors considered the relationships that each such non-employee director has with our company and all other facts and circumstances that the board of directors deemed relevant in determining their independence, including beneficial ownership of our common stock.

Board committees

Upon the completion of this offering, our board of directors will have three standing committees: the audit committee; the compensation committee; and the nominating and corporate governance committee. Each of the committees operates under its own written charter adopted by the board of directors, each of which will be available on our website upon closing of this offering.

Audit committee

Following this offering, our audit committee will be composed of , with serving as chairman of the committee. We anticipate that, prior to the completion of this offering, our audit committee will determine that meets the definition of "independent director" under the rules of and under Rule 10A-3 under the Exchange Act. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that the audit committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement of which this prospectus forms a part, the audit committee will consist exclusively of independent directors. None of our audit committee members simultaneously serves on the audit committees of more than three public companies, including ours. Our board of directors has determined that is an "audit committee financial expert" within the meaning of the SEC's regulations and applicable listing standards of . The audit committee's responsibilities upon completion of this offering will include:

- appointing, approving the compensation of, and assessing the qualifications, performance and independence of our independent registered public accounting firm;
- pre-approving audit and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the internal audit plan with the independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- reviewing the adequacy of our internal control over financial reporting;
- reviewing all related party transactions for potential conflict of interest situations and approving all such transactions;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending, based upon the audit committee's review and discussions with management and the independent registered public accounting firm, the inclusion of our audited financial statements in our Annual Report on Form 10-K;

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- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- monitoring our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by the rules of the SEC to be included in our annual proxy statement; and
- reviewing and discussing with management and our independent registered public accounting firm our earnings releases.

Compensation committee

Following this offering, our compensation committee will be composed of , with serving as chairman of the committee. The leadership development and compensation committee's responsibilities upon completion of this offering will include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer and our other executive officers;
- evaluating the performance of our chief executive officer in light of such corporate goals and objectives and determining and approving the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- appointing, compensating and overseeing the work of any compensation consultant, legal counsel or other advisor retained by the leadership development and compensation committee;
- conducting the independence assessment outlined in the rules of with respect to any compensation consultant, legal counsel or other advisor retained by the leadership development and compensation committee;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- reviewing and establishing our overall management compensation philosophy and policy;
- overseeing and administering our equity compensation and similar plans;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and making recommendations to the board of directors with respect to director compensation; and
- reviewing and discussing with management the compensation discussion and analysis to be included in our annual proxy statement or Annual Report on Form 10-K.

Nominating and corporate governance committee

Following this offering, our nominating and corporate governance committee will be composed of , with serving as chairman of the committee. The nominating and corporate governance committee's responsibilities upon completion of this offering will include:

- developing and recommending to the board of directors criteria for board and committee membership;

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- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board of directors a set of corporate governance principles;
- articulating to each director what is expected, including reference to the corporate governance principles and directors' duties and responsibilities;
- reviewing and recommending to the board of directors practices and policies with respect to directors;
- reviewing and recommending to the board of directors the functions, duties and compositions of the committees of the board of directors;
- reviewing and assessing the adequacy of the committee charter and submitting any changes to the board of directors for approval;
- providing for new director orientation and continuing education for existing directors on a periodic basis;
- performing an evaluation of the performance of the committee; and
- overseeing the evaluation of the board of directors and management.

Director experience and qualifications

The board of directors believes that each director should possess a combination of skills, professional experience, and diversity of viewpoints necessary to oversee our business. In addition, it believes that there are certain attributes that every director should possess, as reflected in its membership criteria. Accordingly, the board of directors considers the qualifications of directors and director candidates individually and in the broader context of its overall composition and our current and future needs.

Among other things, the board of directors has determined that it is important to have individuals with the following skills and experiences:

- leadership experience, as directors with experience in significant leadership positions possess strong abilities to motivate and manage others and to identify and develop leadership qualities in others;
- knowledge of our industry, particularly distribution strategy and vendor and customer relations, which is relevant to understanding our business and strategy;
- operations experience, as it gives directors a practical understanding of developing, implementing and assessing our business strategy and operating plan;
- risk management experience, which is relevant to oversight of the risks facing our business;
- financial/accounting experience, particularly knowledge of finance and financial reporting processes, which is relevant to understanding and evaluating our capital structure, financial statements and reporting requirements; and
- strategic planning experience, which is relevant to the board of director's review of our strategies and monitoring their implementation and results.

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Board oversight of risk management

While the full board of directors has the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our audit committee oversees management of enterprise risks as well as financial risks. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and the incentives created by the compensation awards it administers. Our nominating and corporate governance committee oversees risks associated with corporate governance, business conduct and ethics, and is responsible for overseeing the review and approval of related party transactions. Pursuant to the board of directors' instruction, management regularly reports on applicable risks to the relevant committee or the full board of directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by the board of directors and its committees.

Code of conduct

We will adopt a code of conduct that applies to all of our employees, including our principal executive officer and principal financial officer. In connection with this offering, we will make our code of conduct available on our website. We intend to disclose any amendments to our codes, or any waivers of their requirements, on our website.

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Executive compensation

Compensation discussion and analysis

This compensation discussion and analysis describes our executive compensation philosophy and objectives and the key elements of, and the decisions made and actions taken with respect to, our compensation program for 2014 as they applied to the individuals identified in the "Summary compensation table for fiscal years 2014, 2013 and 2012" below.

The Compensation and Management Development Committee of our board of directors (the "Committee"), which is comprised of Mr. Campanelli, who is the chair of the Committee, as well as Messrs. LePore and Sisitsky and Dr. Mansukani, generally oversees our executive compensation program. However, since the Merger, certain aspects of our executive compensation program, including Mr. Coughlin's compensation arrangements, which were entered into in 2014, and grants of certain equity awards, have been approved by our board of directors.

The capitalized term "Named Executives" refers to the following executive officers whose compensation is required to be reported in the "Summary compensation table for fiscal years 2014, 2013 and 2012" with respect to 2014.

Name	Position
Paul V. Campanelli	Chief Executive Officer
Michael A. Tropiano	Executive Vice President and Chief Financial Officer
Thomas J. Haughey	General Counsel and Chief Administrative Officer
Terrance J. Coughlin	Chief Operating Officer

Because we only have four executive officers, we are only required to report the compensation of four individuals in the "Summary compensation table for fiscal years 2014, 2013 and 2012" with respect to 2014.

Executive summary

The overall objective of our executive compensation program is to effectively reward, motivate and retain individuals who are critical to the long-term success of our business. Our compensation decisions are guided by a "pay for performance" philosophy intended to align our compensation policies with the interests of our stockholders by tying a substantial portion of an executive's overall compensation opportunity to the achievement of key strategic business and financial objectives.

Highlights of our compensation practices

The Committee evaluates our compensation practices and programs with the goal of establishing fairness in compensation for our employees and our stockholders alike. The following are highlights of our current compensation practices:

- Performance-based compensation. Our cash-based annual incentive program and equity-based long-term incentive program, which comprise a substantial portion of the total compensation opportunities for our Named Executives, are performance-oriented. The cash bonus payouts under the annual incentive program are contingent upon the achievement of our financial and strategic goals. Under our long-term incentive