

S-1 1 d880840ds1.htm FORM S-1

[Table of Contents](#)

As filed with the Securities and Exchange Commission on March 12, 2015

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Par Pharmaceutical Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2834
(Primary Standard Industrial
Classification Code Number)

46-0634834
(I.R.S. Employer Identification Number)

One Ram Ridge Road
Chestnut Ridge, New York 10977
(845) 573-5500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Paul V. Campanelli
Chief Executive Officer
Par Pharmaceutical Holdings, Inc.
One Ram Ridge Road
Chestnut Ridge, New York 10977
(845) 573-5500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Patrick O'Brien, Esq.
Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199
(617) 951-7000

Barry J. Gilman, Esq.
Par Pharmaceutical Holdings, Inc.
One Ram Ridge Road
Chestnut Ridge, New York 10977
(845) 573-5500

William V. Fogg, Esq.
Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Common stock, \$0.001 par value	\$100,000,000	\$11,620

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, amended.

(2) Includes shares that may be sold upon exercise of the underwriters' option to purchase additional shares. See "Underwriting (conflicts of interest)."

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8 (a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion
Preliminary prospectus dated March 12, 2015

Prospectus

shares



Par Pharmaceutical Holdings, Inc.

Common stock

This is the initial public offering of common stock of Par Pharmaceutical Holdings, Inc. We are selling _____ shares of our common stock and the selling stockholders identified in this prospectus are selling _____ shares of our common stock. We will not receive any proceeds from the sale of shares being sold by the selling stockholders.

Prior to the offering, there has been no public market for our common stock. We expect the public offering price to be between \$ _____ and \$ _____ per share. We intend to apply to have our common stock listed on _____ under the symbol "PRX."

We and the selling stockholders have granted the underwriters an option to purchase up to an additional _____ shares of our common stock at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

After the completion of this offering, investment funds affiliated with TPG Global, LLC will continue to own a majority of the voting power of our outstanding shares of common stock. As a result, we expect to be a "controlled company" within the meaning of the corporate governance standards of _____. See "Principal and selling stockholders."

Investing in the common stock involves risks. See "[Risk factors](#)" beginning on page 18 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	\$ _____	\$ _____
Underwriting discount	\$ _____	\$ _____
Proceeds to us, before expenses(1)	\$ _____	\$ _____
Proceeds to selling stockholders, before expenses	\$ _____	\$ _____

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See "Underwriting (conflicts of interest)."

The underwriters expect to deliver the shares of common stock to investors on or about _____, 2015.

J.P. Morgan

Goldman, Sachs & Co.

Citigroup

Morgan Stanley

BofA Merrill Lynch

Deutsche Bank Securities

Evercore ISI

RBC Capital Markets

TPG Capital BD, LLC

Prospectus dated _____, 2015.

[Table of Contents](#)

Table of contents

Prospectus summary	1
Risk factors	18
Cautionary note regarding forward-looking statements	49
Use of proceeds	51
Dividend policy	52
Capitalization	53
Dilution	54
Selected historical consolidated financial data	56
Management's discussion and analysis of financial condition and results of operations	62
Business	99
Management	129
Executive compensation	136
Certain relationships and related party transactions	155
Principal and selling stockholders	157
Description of indebtedness	159
Description of capital stock	164
Shares eligible for future sale	166
Material United States federal income tax considerations for non-U.S. holders	168
Underwriting (conflicts of interest)	173
Legal matters	181
Experts	181
Where you can find more information	181
Index to consolidated financial statements	F-1

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. Neither we nor the underwriters have authorized anyone to provide you with different information, and neither we nor the underwriters take responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover, regardless of time of delivery of this prospectus or of any sale of our common stock. Our business, prospects, financial condition and results of operations may have changed since that date.

[Table of Contents](#)**Industry and market data**

This prospectus includes market share, ranking, industry data and forecasts that we obtained from industry publications and surveys, including from IMS Health Incorporated ("IMS Health") and EvaluatePharma, a service of Evaluate Ltd., public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position and ranking are based on market data currently available to us, management's estimates, and assumptions we have made regarding the size of our markets within our industry.

Trademarks and service marks

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. For example, our names and logos are protected. Some of the trademarks we own or have the right to use include "Par," "Par Pharmaceutical," "Par Pharmaceutical Companies, Inc.," "Par Formulations," "Nascobal," "Megace," "Vasostriect," "Adrenalin" and "Aplisol." We have applied for trademarks of "Par Specialty Pharmaceuticals" and "Par Sterile Products." All other trademarks or service marks appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners.

Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may be listed without the ®, SM and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names.

[Table of Contents](#)

Prospectus summary

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you should consider before investing in shares of our common stock and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. You should read the entire prospectus carefully, especially "Risk factors" and our financial statements and the related notes, before deciding to buy shares of our common stock. This summary contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements as a result of certain factors, including those set forth in "Risk factors" and "Cautionary note regarding forward-looking statements."

In this prospectus, the terms "we," "us," "our," "Company," "Issuer" and other similar terms refer to Par Pharmaceutical Holdings, Inc. and its subsidiaries, including Par Pharmaceutical Companies, Inc. ("Par Pharmaceutical Companies"), unless expressly stated otherwise or the context otherwise requires. References in this prospectus to fiscal years are to our fiscal years, which end on December 31.

On September 28, 2012, pursuant to an Agreement and Plan of Merger, we were acquired by investment funds affiliated with TPG Global, LLC (together with its affiliates, "TPG" or the "Sponsor") and certain co-investors (the "Merger"). Please note that our discussion of certain financial information for the year ended December 31, 2012 includes data from the "Predecessor" period, which covers the period preceding the Merger (January 1, 2012 to September 28, 2012) and data from the "Successor" period, which covers the period following the inception of the Company (July 12, 2012 (date of "inception") to December 31, 2012), on a combined basis. Although this presentation of financial information on a combined basis does not comply with U.S. generally accepted accounting principles ("GAAP"), we believe it provides a reasonable method of comparison to the other periods presented in this prospectus. The data is being presented for analytical purposes only. Combined operating results (i) have not been prepared on a pro forma basis as if the Merger occurred on the first day of the period, (ii) may not reflect the actual results we would have achieved absent the Merger and (iii) may not be predictive of future results of operations.

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 Abbreviated New Drug Applications ("ANDA") pending with the U.S. Food and Drug Administration (the "FDA") representing \$36.7 billion of combined annual sales for the corresponding branded products ("branded product sales") in 2014, including 32 potential first-to-file and six potential first-to-market opportunities.

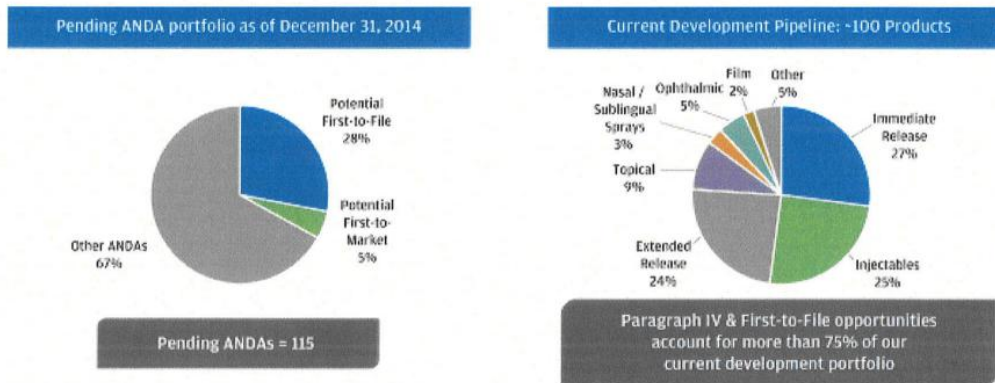
Our company operates in two business segments, Par Pharmaceutical, which includes generic products marketed under Par Pharmaceutical and sterile products marketed under Par Sterile Products, LLC ("Par Sterile," formerly known as JHP Pharmaceuticals, LLC), and Par Specialty Pharmaceuticals ("Par Specialty," formerly known as Strativa Pharmaceuticals), which markets two branded products. For the year ended

Table of Contents

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.

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 active pharmaceutical ingredient (“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

[Table of Contents](#)

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.

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.

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;
- expanding our core competencies to provide us the flexibility to more fully control key product development by acquiring Par Biosciences Private Limited ("Par Biosciences" formerly known as Ethics Bio Lab Private Limited), a Chennai, India-based clinical research organization ("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 Pharmaceuticals, Inc.'s ("Watson") acquisition of Actavis Group;

[Table of Contents](#)

- 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
- 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 compounded annual growth rate ("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 "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 inception 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

[Table of Contents](#)

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. As of December 31, 2014, approximately 70% of our development portfolio targets alternate dosage forms such as extended-release oral solids, injectables, topicals, nasal sprays, ophthalmics, films and transdermal patches.

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

	Technologies											Dev. Programs		
	Oral Solid Immediate Release	Oral Solid Extended Release	Topical	Nasal Sprays	Ophthalmic / Otic	Sterile Vials	Prefilled Syringes	Patch	Film	API	Controlled Substance	MDA	ANDA	CRO
United States	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	
Ex-United States	✓	✓											✓	✓
In process next 12 mos.							✓			✓				
Par	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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.

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, legal, manufacturing and commercial capabilities. 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. 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%.

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. 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.

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.

[Table of Contents](#)

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. 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, 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.

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. 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.

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 leadership team has a proven 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.

[Table of Contents](#)**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. 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. 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 continue our research and development efforts to strengthen and grow our portfolio and we expect to submit approximately 20 to 25 new ANDA filings during each of 2015, 2016 and 2017.

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 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.

Risk factors

An investment in our common stock involves a high degree of risk. Any of the factors set forth under "Risk factors" may limit our ability to successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under "Risk factors" in deciding whether to invest in our common stock. Among these important risks are the following:

- If we are unable to successfully develop or commercialize new products, our operating results will suffer.
- If we fail to obtain exclusive marketing rights for our generic products or fail to introduce these generic products on a timely basis, our revenues, gross margin and operating results may decline significantly.

[Table of Contents](#)

- We face intense competition in the pharmaceutical industry from both brand and generic companies, which could significantly limit our growth and materially adversely affect our financial results.
- Due to our dependence on a limited number of products, our business could be materially adversely affected if our key products do not perform as well as expected.
- Our profitability depends on our major customers. If these relationships do not continue as expected, our business, condition (financial and otherwise), prospects and results of operations could materially suffer.
- Our competitors, including brand pharmaceutical companies, or other third parties may allege that we are infringing their intellectual property, forcing us to expend substantial resources in resulting litigation, the outcome of which is uncertain. Any unfavorable outcome of such litigation, including losses related to “at-risk” product launches, could have a material adverse effect on our business, financial position and results of operations.
- We are, and will continue to be in the future, a party to legal proceedings that could result in unexpected adverse outcomes.
- Due to extensive regulation and enforcement in the pharmaceutical industry, we face significant uncertainties and potentially significant costs associated with our efforts to comply with applicable regulations. Failure to comply could result in material adverse effects to our business, financial position and results of operations.
- 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.

For additional information about the risks we face, please see the section of this prospectus captioned “Risk factors” beginning on page 18 of this prospectus.

Our sponsor

TPG is a leading global private investment firm founded in 1992 with over \$67 billion of assets under management as of December 31, 2014, and offices in San Francisco, Fort Worth, Austin, Beijing, Dallas, Hong Kong, Houston, London, Luxembourg, Melbourne, Moscow, Mumbai, New York, São Paulo, Shanghai, Singapore, Tokyo and Toronto. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings. The firm’s investments span a variety of industries, including healthcare, financial services, travel and entertainment, technology, energy, industrials, retail, consumer, real estate and media and communications.

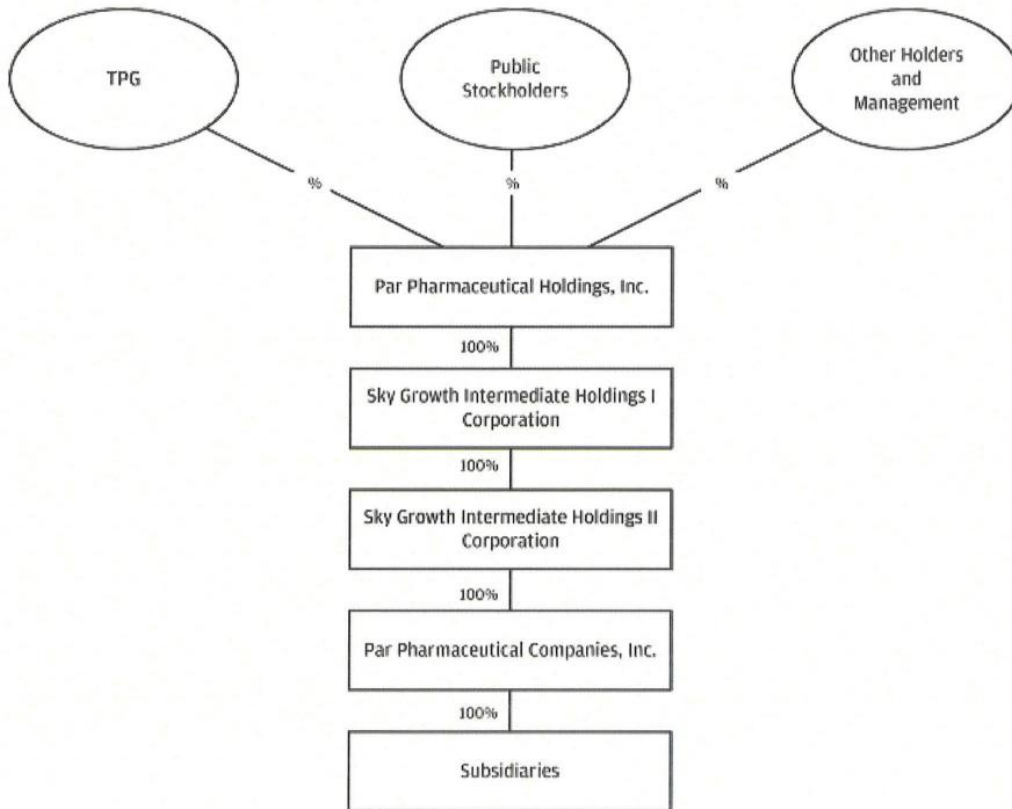
Following the completion of this offering, TPG will own approximately % of our common stock, or % if the underwriters’ option to purchase additional shares of our common stock is fully exercised. As a result, we expect to be a “controlled company” within the meaning of the corporate governance standards of and TPG will continue to have significant influence over us and decisions made by stockholders and may have interests that differ from yours. See “Risk factors—Risks related to our common stock and this offering—TPG will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.”

[Table of Contents](#)

Corporate information and structure

Par Pharmaceutical Holdings, Inc. is a Delaware corporation that was formed on July 12, 2012 in connection with the Merger under the name Sky Growth Holdings Corporation. On March 4, 2015, Sky Growth Holdings Corporation changed its name to Par Pharmaceutical Holdings, Inc. The only material asset of Par Pharmaceutical Holdings, Inc. is the equity interest of Sky Growth Intermediate Holdings I Corporation, which is the holder of 100% of the equity interest of Sky Growth Intermediate Holdings II Corporation, which is the holder of 100% of the equity of Par Pharmaceutical Companies, Inc. and was the holding company prior to the Merger. Prior to the Merger, we conducted our operations through the subsidiaries of Par Pharmaceutical Companies, Inc. and we continue to do so subsequent to the Merger. Our principal executive offices are located at One Ram Ridge Road, Chestnut Ridge, New York 10977, and our telephone number at that address is (845) 573-5500. Our website is located at <http://www.parpharm.com>. Our website and the information contained on our website do not constitute part of this prospectus.

The following chart shows our simplified organization structure immediately following the consummation of this offering assuming no exercise of the underwriters' option to purchase additional shares.



[Table of Contents](#)**The offering**

Common stock offered by us shares

**Common stock offered by the
selling stockholders** shares

**Common stock to be
outstanding after this offering** shares (or shares if the underwriters exercise their option to purchase
additional shares in full)

**Option to purchase additional
shares** The underwriters have an option for a period of 30 days to purchase up to
additional shares of our common stock from us and additional shares of
our common stock from the selling stockholders.

Use of proceeds We estimate that the net proceeds to us from this offering will be approximately
\$ million, or approximately \$ million if the underwriters exercise their option
to purchase additional shares in full, at an assumed initial public offering price of
\$ per share, the midpoint of the price range set forth on the cover of this
prospectus, after deducting the estimated underwriting discounts and commissions and
estimated offering expenses payable by us. We intend to use the net proceeds of this
offering to repay indebtedness. We intend to use the remainder of the net proceeds, if
any, for working capital and other general corporate purposes, including supporting our
strategic growth opportunities in the future. We will not receive any of the proceeds
from the sale of our common stock by the selling stockholders named in this
prospectus. See "Use of proceeds."

Dividend policy Our board of directors does not currently intend to pay dividends on our common
stock. However, we expect to reevaluate our dividend policy on a regular basis
following the offering and may, subject to compliance with the covenants contained in
the agreements governing our indebtedness and other considerations, determine to
pay dividends in the future. The declaration, amount and payment of any future
dividends on shares of our common stock will be at the sole discretion of our board of
directors, which may take into account general and economic conditions, our financial
condition and results of operations, our available cash and current and anticipated
cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, the
implications of the payment of dividends by us to our stockholders or by our
subsidiaries to us, and any other factors that our board of directors may deem relevant.
See "Dividend policy" and "Description of indebtedness."

Principal stockholders Upon completion of this offering, TPG will continue to beneficially own a controlling
interest in us. As a result, we intend to avail ourselves of the controlled company
exemption under the rules of . See "Risk factors" and "Management."

[Table of Contents](#)

Risk factors		You should read the "Risk factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed symbol	ticker	"PRX"
Conflicts of Interest		Affiliates of TPG Capital BD, LLC, an underwriter of this offering, own in excess of 10% of our issued and outstanding common stock. Therefore, a "conflict of interest" is deemed to exist under FINRA Rule 5121(f)(5)(B). In addition, because the TPG Funds (as defined under "Principal and selling stockholder") are affiliates of TPG Capital BD, LLC and, as selling stockholders, will receive more than 5% of the net proceeds of this offering, a "conflict of interest" is also deemed to exist under Rule 5121(f)(5)(C)(ii) of the Financial Industry Regulatory Authority ("FINRA"). Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. In accordance with FINRA Rule 5121(c), no sales of the shares will be made to any discretionary account over which TPG Capital BD, LLC exercises discretion without the prior specific written approval of the account holder. However, no "qualified independent underwriter" is required because the underwriters primarily responsible for managing this offering are free of any "conflict of interest," as that term is defined in the rule. See "Use of proceeds" and "Underwriting (conflicts of interest)."
<p>The number of shares of common stock to be outstanding after this offering is based on 784,335,270 shares of common stock outstanding as of December 31, 2014 and excludes the following:</p> <ul style="list-style-type: none"> • 71,870,476 shares reserved for future issuance in connection with the exercise of outstanding stock options at a weighted-average exercise price of \$0.89 per share; • 325,000 shares reserved for issuance upon vesting of restricted stock units; • 4,081,729 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan (the "2012 EIP"); and • _____ shares of common stock reserved for future issuance under the 2015 Equity Incentive Plan (the "2015 EIP"), which shall take effect prior to the consummation of this offering. <p>Unless otherwise indicated, this prospectus reflects and assumes the following:</p> <ul style="list-style-type: none"> • a _____ -for- _____ stock split on our common stock effected on _____, 2015; • the adoption of our amended and restated certificate of incorporation and our amended and restated bylaws, to be effective upon the closing of this offering; • no exercise by the underwriters of their option to purchase up to _____ additional shares of our common stock in this offering; and • an initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover of this prospectus. 		

[Table of Contents](#)

Summary historical and pro forma condensed consolidated financial data

The following table sets forth summary historical consolidated financial data for the periods ended and at the dates indicated below. Our summary historical consolidated financial data as of December 31, 2013 (Successor) and December 31, 2014 (Successor) and for the years ended December 31, 2013 (Successor) and December 31, 2014 (Successor) and for the period from January 1, 2012 to September 28, 2012 (Predecessor) and from July 12, 2012 (inception) to December 31, 2012 (Successor) presented in this table has been derived from our historical audited consolidated financial statements included elsewhere in this prospectus. We derived the summary historical consolidated balance sheet data presented below as of December 31, 2012 (Successor) from our unaudited consolidated financial statements that are not included in this prospectus. Our historical operating results are not necessarily indicative of future operating results.

On September 28, 2012, Sky Growth Acquisition Corporation, our wholly owned subsidiary, merged with and into Par Pharmaceutical Companies, which resulted in a change in basis of our assets and liabilities. Periods following our inception are referred to as the "Successor" periods. As a result of the Merger and the resulting change in basis of our assets and liabilities, the Predecessor and Successor period financial data is not comparable. Refer to "—Recent performance" for more information.

The summary historical and unaudited pro forma combined financial data set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with "Selected historical consolidated financial data," "Capitalization," "Management's discussion and analysis of financial condition and results of operations" and the financial statements and related notes included elsewhere in this prospectus.

[Table of Contents](#)

	Fiscal year ended December 31,		Period from July 12 to December 31,	Period from January 1 to September 28,
	2014	2013	2012	2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
	(\$ in thousands, except per share amounts)			
Statement of Operations Data:				
Net product sales	\$ 1,278,106	\$ 1,062,453	\$ 237,338	\$ 780,797
Other product related revenues	30,515	35,014	8,801	23,071
Total revenues	1,308,621	1,097,467	246,139	803,868
Cost of goods sold, excluding amortization expense	643,851	595,166	157,893	431,174
Amortization expense	185,655	184,258	42,801	30,344
Total cost of goods sold	829,506	779,424	200,694	461,518
Gross margin	479,115	318,043	45,445	342,350
Research and development	119,095	100,763	19,383	66,606
Selling, general and administrative	181,136	155,164	73,760	165,604
Intangible asset impairment	146,934	100,093	—	5,700
Settlements and loss contingencies, net	90,107	25,650	10,059	45,000
Restructuring costs	5,413	1,816	241	—
Total operating expenses	542,685	383,486	103,443	282,910
Loss on sale of product rights	(3,042)	—	—	—
Operating (loss) income	(66,612)	(65,443)	(57,998)	59,440
Other (expense) income, net	(3,489)	(6,213)	5,500	—
Interest income	18	87	50	424
Interest expense	(108,427)	(95,484)	(25,985)	(9,159)
(Loss) income before (benefit) provision for income tax	(178,510)	(167,053)	(78,433)	50,705
(Benefit) provision for income taxes	(72,993)	(61,182)	(23,727)	29,530
Net (loss) income	\$ (105,517)	\$ (105,871)	\$ (54,706)	\$ 21,175
Basic (loss) income per common share	\$ (0.14)	\$ (0.15)	\$ (0.08)	\$ 0.58
Diluted (loss) income per common share	\$ (0.14)	\$ (0.15)	\$ (0.08)	\$ 0.57
Weighted average common share outstanding:				
Basic	772,728	704,009	698,047	36,449
Diluted	772,728	704,009	698,047	37,231
Other Financial Data:				
Cash provided by (used in)				
Operating activities	\$ 145,245	\$ 113,045	\$ (54,745)	\$ 153,760
Investing activities	(519,575)	(12,198)	(2,026,531)	(46,602)
Financing activities	488,690	(9,631)	1,841,261	9,205
Capital expenditures	(45,460)	(17,465)	(10,306)	(11,454)
Adjusted EBITDA(1)	433,804	306,872	63,519	239,853
Adjusted gross margin(2)	674,729	510,117	110,013	387,788
Unaudited Pro Forma Data(3):				
Basic loss per common share	\$			
Diluted loss per common share	\$			
Weighted average common shares outstanding:				
Basic				
Diluted				
Balance Sheet Data (at period end):				
Cash and cash equivalents	244,440	130,080	38,864	
Total assets	3,007,134	2,637,569	2,846,687	
Total long-term debt, including current maturities (gross)	1,925,837	1,545,340	1,542,363	
Stockholders' equity	566,080	553,436	651,169	

[Table of Contents](#)

(1) "Adjusted EBITDA" is a financial measure that is not defined under GAAP. We present adjusted EBITDA because we consider it an important supplemental measure of our performance and our ability to service our indebtedness and we believe that it provides greater transparency into our results of operations and is frequently used by investors in the evaluation of companies in the industry. In addition, our management believes that adjusted EBITDA is a useful financial metric to assess our operating performance from period to period by excluding certain material unusual items and certain other adjustments we believe are not reflective of our ongoing operations and our performance. Adjusted EBITDA represents net (loss) income before interest expense, net, provision (benefit) for income taxes, depreciation and amortization, intangible asset impairment, restructuring costs, settlements and loss contingencies, net transaction related costs including severance, upfront and development milestones, stock-based compensation expense and certain other non-recurring, non-cash and other cash expenses. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by GAAP, and our calculations thereof may not be comparable to that reported by other companies. Adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, adjusted EBITDA:

- does not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- does not reflect expenditures related to current business development and product acquisition activities, including payments due under existing agreements related to products in various stages of development or contingent payments tied to the achievement of sales milestones;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- excludes income tax payments that represent a reduction in cash available to us;
- does not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect the impact of earnings or charges resulting from matters we consider not be indicative of our ongoing operations; and
- may be calculated differently by other companies in our industry, thereby limiting the usefulness as a comparative measure.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. We compensate for these limitations by using adjusted EBITDA along with other comparative tools, together with GAAP measurements, to assist in the evaluation of operating performance. These GAAP measurements include net (loss) income, cash flow from operating activities and other cash flow data. We have significant uses of cash flow from operating activities, including capital expenditures, interest payments, debt principal repayments, transaction related costs including severance, upfront and development milestones, taxes and other non-recurring charges, which are not reflected in adjusted EBITDA. Adjusted EBITDA should not be considered in isolation or as an alternative to net (loss) income, cash flow generated by operating, investing, or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. You should therefore not place undue reliance on adjusted EBITDA or ratios calculated using this measure. Our GAAP-based measures can be found in our consolidated financial statements and related notes included elsewhere in this prospectus.

[Table of Contents](#)

The table below reconciles net (loss) income to adjusted EBITDA for the periods presented. Adjusted EBITDA excludes the impact of discontinued operations for all periods.

	Fiscal year ended		Period from	Period from
	December 31,	December 31,	July 12 to	January 1 to
	2014	2013	December 31,	September 28,
	(Successor)	(Successor)	(Successor)	(Predecessor)
				(\$ in thousands)
Statement of Operations Data:				
Net (loss) income	\$ (105,517)	\$ (105,871)	\$ (54,706)	\$ 21,175
Interest expense, net	108,409	95,397	25,935	8,735
(Benefit) provision for income taxes	(72,993)	(61,182)	(23,727)	29,530
Depreciation and amortization	213,564	207,646	50,348	44,426
Cost of goods on acquired inventory step-up(a)	9,031	6,557	21,543	4,048
EBITDA	152,494	142,547	19,393	107,914
Litigation and loss contingencies, net(b)	90,107	25,650	10,059	45,000
AWP and DOJ litigation costs(c)	4,269	9,131	3,110	7,757
Restructuring costs(d)	5,413	1,816	241	—
Transaction related costs including severance(e)	7,461	5,447	32,951	45,882
Upfront and development milestones(f)	—	—	350	10,000
Inventory write-downs related to patent litigation(g)	—	—	—	10,318
Intangible asset impairment(h)	146,934	100,093	—	5,700
Loss on sale of product rights(i)	3,042	—	—	—
Gain on sale of securities and other investments(j)	—	(1,122)	—	—
Cost associated with refinancing of senior term loan	7,136	1,411	—	—
Loss on debt extinguishment(k)	3,989	7,335	—	—
Gain on bargain purchase(l)	—	—	(5,500)	—
Stock based compensation expense(m)	8,678	9,154	2,240	7,282
Management fee(n)	4,000	3,611	675	—
Other(o)	281	1,799	—	—
Adjusted EBITDA	\$ 433,804	\$ 306,872	\$ 63,519	\$ 239,853

- (a) Represents the charge associated with acquisitions for acquired inventory which was increased to its estimated selling price, less the cost of disposal and a reasonable profit allowance for the selling effort (the "inventory step-up"), as required under GAAP. The inventory step-up was recognized into earnings based on normal inventory turns and resulted in costs above standard post-acquisition costs.
- (b) 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 U.S. Department of Justice (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. We also accrued for a contingent liability of \$9.0 million related to omeprazole/sodium bicarbonate patent litigation during this period. In 2013, we recorded an incremental provision of \$25.7 million related to the settlement of average wholesale price ("AWP") litigation claims (Illinois \$19.8 million, Louisiana \$3.3 million, Utah \$1.7 million and Kansas \$0.9 million). 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 2014, we also received an arbitration award of approximately \$0.9 million from a former partner related to a discontinued project.
- (c) Consists of external legal costs incurred in conjunction with our defense of the actions brought by various states and the DOJ as it relates to the AWP litigation and the promotional practices of Par Specialty's marketing of Megace[®] ES.
- (d) In January 2013, we initiated a restructuring of Par Specialty, in anticipation of entering into a settlement agreement and corporate integrity agreement ("CIA") that terminated the DOJ 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 Nascoba[®] 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. 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 a 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.
- (e) Consists of transaction-related expenses incurred in connection with the acquisition of Anchen Incorporated and its subsidiary Anchen Pharmaceuticals, Inc. (collectively, "Anchen"), Par Formulations and Par Sterile as well as transaction-related expenses incurred in connection with the Merger and related transactions.

Table of Contents

- (f) Represents the initial payments made to acquire generic ANDAs and/or distribution rights from various other pharmaceutical manufacturers prior to the product achieving legal and/or regulatory approval.
- (g) Represents the write down of certain pre-launch and commercial inventory resulting from the loss of patent litigation including omeprazole/sodium bicarbonate and omega-3 acid ethyl esters oral capsules.
- (h) During the period from January 1, 2012 to September 28, 2012 (Predecessor), we abandoned an in-process research and development project and exited the market of a commercial product both of which were acquired in the Anchen acquisition and recorded a total corresponding intangible asset impairment of \$5.7 million. During the year ended December 31, 2013, we recorded intangible asset impairments totaling approximately \$100.1 million for in-process research and development ("IPR&D") relating to 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 year ended December 31, 2014 we recorded intangible asset impairments totaling approximately \$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 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.
- (i) We recognized a loss on the sale of product rights of \$3.0 million during the fiscal year ended December 31, 2014, related to the sale of multiple ANDAs.
- (j) During the year ended December 31, 2013, we recorded a gain on sale of stock of a public pharmaceutical company of \$1.1 million.
- (k) In February 2013, we refinanced our term loan facility. In accordance with the applicable accounting guidance for debt modifications and extinguishments, approximately \$5.9 million of the existing unamortized deferred financing costs and \$1.4 million of the related \$10.5 million soft call premium were written off in connection with this refinancing. In February 2014, in conjunction with our acquisition of Par Sterile, we amended certain senior facilities. In accordance with the applicable accounting guidance for debt modifications and extinguishments, approximately \$4.0 million of the existing unamortized deferred financing costs were written off in connection with this repricing.
- (l) During the period from July 12, 2012 (inception) to December 31, 2012 (Successor), we acquired U.S. marketing rights to five generic products that were marketed by Watson or Actavis Group, as well as eight ANDAs awaiting regulatory approval at that time 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 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 Watson and Actavis Group merger.
- (m) Represents the non-cash expense associated with stock-based compensation awards issued to various executive and non-executive employees.
- (n) In connection with the Merger and related transactions, we entered into a management services agreement with an affiliate of TPG (the "Manager") pursuant to such agreement, and in exchange for on-going consulting and management advisory services, the Manager receives an annual monitoring fee paid quarterly equal to 1% of EBITDA as defined under the credit agreement for the Senior Credit Facilities. There is an annual cap of \$4.0 million for this fee. The Manager also receives reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement. We recorded an expense of \$4.0 million and \$3.6 million for consulting and management advisory service fees and out-of-pocket expenses in the years ended December 31, 2014 and December 31, 2013, respectively, and \$0.7 million in the period from July 12, 2012 (inception) to December 31, 2012 (Successor).
- (o) Other includes costs associated with our CIA (2013 and 2014) and additional pharmaceutical manufacturer's fee charges recorded under PPACA due to final IRS regulations issued in 2014.

[Table of Contents](#)

- (2) We present adjusted gross margin because we believe it is a useful indicator of our operating performance and facilitates a meaningful comparison to our peers. In particular, we believe that adjusted gross margin is a useful indicator of our operating performance because adjusted gross margin measures our operating performance without regard to acquisition transaction-related amortization expenses. In addition, our management uses adjusted gross margin for planning purposes, including the preparation of our annual operating budget and assessment of performance. The table below reconciles gross margin to adjusted gross margin for the periods presented. "Adjusted gross margin" is a financial measure that is not defined under GAAP. Adjusted gross margin represents gross margin plus amortization expense, stock based compensation expense related to cost of goods, inventory write-downs related to patent litigation and cost of goods acquired on inventory step up. Adjusted gross margin does not represent and should not be considered as an alternative to gross margin, as determined by GAAP, and our calculations thereof may not be comparable to that reported by other companies.

	Fiscal year ended December 31,		Period from July 12 to December 31,	Period from January 1 to September 28,
	2014	2013	2012	2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
	(\$ in thousands)			
Statement of Operations Data:				
Gross margin	\$ 479,115	\$ 318,043	\$ 45,445	\$ 342,350
Amortization expense	185,655	184,258	42,801	30,344
Stock based compensation expense related to cost of goods	858	902	224	728
Inventory write-downs related to patent litigation(a)	—	—	—	10,318
Cost of goods acquired on inventory step up(b)	9,031	6,557	21,543	4,048
Other	70	357	—	—
Adjusted gross margin	\$ 674,729	\$ 510,117	\$ 110,013	\$ 387,788

(a) Represents the write down of certain pre-launch and commercial inventory resulting from the loss of patent litigation including omeprazole/sodium bicarbonate and omega-3 acid ethyl esters oral capsules.

(b) Represents the charge associated with acquisitions for acquired inventory which was increased to its estimated selling price, less the cost of disposal and a reasonable profit allowance for the selling effort (the "inventory step-up"), as required under GAAP. The inventory step-up was recognized into earnings based on normal inventory turns and resulted in costs above standard post-acquisition costs.

- (3) Pro Forma Earnings Per Share:

We declared and paid dividends to our stockholders of \$494.3 million in February 2015 and we amended our Senior Credit Facilities, which included new borrowings that were used to pay the cash dividends (the "Dividend Recapitalization"). For the purposes of the pro forma earnings per share of common stock calculations, we have assumed that the Dividend Recapitalization had occurred as of January 1, 2014. The basic and diluted pro forma per share of common stock calculations presented below give effect to the Dividend Recapitalization and the number of shares whose proceeds would be necessary to fund the Dividend Recapitalization in addition to historical EPS. The basic pro forma earnings per share of common stock is computed by dividing net loss available to common shareholders by the pro forma weighted average number of shares of common stock outstanding during the period. The diluted pro forma earnings per share of common stock calculation also assumes the conversion, exercise or issuance of all potential shares of common stock, unless the effect of inclusion would be anti-dilutive.

The following presents the computation of pro forma basic and diluted earnings per share:

	Year ended December 31, 2014
Numerator:	
Net loss as reported	\$
Net loss pro forma adjustments:	
Interest expense, net of tax	
Amortization of debt issuance costs and discount, net of tax	
Pro forma net loss	\$
Denominator:	
Weighted average common shares used in computing basic and diluted loss per common share outstanding	
Adjustment for common stock issued whose proceeds will be used to fund the Dividend Recapitalization	
Pro forma weighted average common shares used in computing basic and diluted loss per common share outstanding	
Pro forma basic and diluted loss per share	\$

[Table of Contents](#)

Risk factors

This offering and investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in our common stock. We have presented the below risks as "Risks related to our business," "Risks common to our industry," "Risks related to our indebtedness" and "Risks related to our common stock and this offering." If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, and the factors that we identify as risks to a particular segment of our business could materially affect another segment of our business or our company generally. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial also may materially and adversely affect our business, prospects, operating results or financial condition. In any such a case, the trading price of our common stock could decline and you could lose all or part of your investment.

Risks related to our business

If we are unable to successfully develop or commercialize new products, our operating results will suffer.

Developing and commercializing a new product is time consuming, costly and subject to numerous factors that may delay or prevent development and commercialization. Our future results of operations will depend to a significant extent upon our ability to successfully commercialize new products in a timely manner. There are numerous difficulties in developing and commercializing new products, including:

- the ability to develop products in a timely manner and in compliance with regulatory requirements;
- the success of the clinical testing process to assure that new products are safe and effective or the bioequivalent to the reference listed drug;
- the risk that any of our products presently under development, if and when fully developed and tested, will not perform as expected;
- delays or unanticipated costs, including delays associated with the FDA listing and approval process and the ability to obtain in a timely manner and maintain required regulatory approvals;
- legal actions against our generic products brought by brand competitors, and legal challenges to our branded product intellectual property;
- the availability, on commercially reasonable terms, of raw materials, including APIs and other key ingredients; and
- our ability to scale-up manufacturing methods to successfully manufacture commercial quantities of products in compliance with regulatory requirements.

As a result of these and other difficulties, products currently in development may or may not receive necessary regulatory approvals on a timely basis or at all. This risk exists particularly with respect to the introduction of branded products because of the uncertainties, higher costs and lengthy time frames associated with research and development of such products and the inherent unproven market acceptance of such products. If any of our products, when acquired or developed and approved, cannot be successfully or timely commercialized, our operating results could be adversely affected. We cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products.

[Table of Contents](#)***If we fail to obtain exclusive marketing rights for our generic products or fail to introduce these generic products on a timely basis, our revenues, gross margin and operating results may decline significantly.***

The Hatch-Waxman amendments to the Federal Food, Drug, and Cosmetic Act (the "FDCA") provide for a period of 180 days of generic marketing exclusivity for any applicant that is first to file an ANDA containing a certification of invalidity, non-infringement or unenforceability related to a patent listed with respect to the corresponding branded drug (commonly referred to as a "Paragraph IV certification"). "First filers" are often able to price the applicable generic drug to yield relatively high gross margins during this 180-day marketing exclusivity period. At various times in the past, a large portion of our revenues have been derived from the sales of generic drugs during such 180-day marketing exclusivity period and from the sale of other generic products for which there otherwise was limited competition.

ANDAs that contain Paragraph IV certifications generally become the subject of patent litigation that can be both lengthy and costly. There is no certainty that we will prevail in any such litigation, that we will be the first to file and granted the 180-day marketing exclusivity period, or, if we are granted the 180-day marketing exclusivity period, that we will not forfeit such period. Even where we are awarded marketing exclusivity, we may be required to share our exclusivity period with other first filers. In addition, brand companies often authorize a generic version of the corresponding branded drug to be sold during any period of marketing exclusivity that is awarded (described further below), which reduces gross margins during the marketing exclusivity period. Brand companies may also reduce the price of their branded product to compete directly with generics entering the market, which would similarly have the effect of reducing gross margins. Furthermore, timely commencement of the litigation by the patent owner imposes an automatic stay of ANDA approval by the FDA for 30 months, unless the case is decided in the ANDA applicant's favor during that period. Finally, if the court decision is adverse to the ANDA applicant, the ANDA approval will be delayed until the challenged patent expires, and the applicant forfeits the 180-day marketing exclusivity.

The majority of our revenues are generated by our generic products division. 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 that otherwise can gain significant market share. The timeliness of our product introductions is dependent upon, among other things, the timing of regulatory approval of our products, which to a large extent is outside of our control, as well as the timing of competing products. As additional distributors introduce comparable generic pharmaceutical products, price competition intensifies, market access narrows, and product sales prices and gross margins decline, often significantly and rapidly. Accordingly, our revenues and future profitability are dependent, in large part, upon our ability or the ability of our development partners to file ANDAs with the FDA timely and effectively or to enter into contractual relationships with other parties that have obtained marketing exclusivity. No assurances can be given that we will be able to develop and introduce successful products in the future within the time constraints necessary to be successful. If we or our development partners are unable to continue to timely and effectively file ANDAs with the FDA or to partner with other parties that have obtained marketing exclusivity, our revenues, gross margin and operating results may decline significantly, and our prospects and business may be materially adversely affected.

We face intense competition in the pharmaceutical industry from both brand and generic companies, which could significantly limit our growth and materially adversely affect our financial results.

The pharmaceutical industry is highly competitive. The principal competitive factors in the 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;

Table of Contents

- 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;
- consolidation among distribution outlets through mergers and acquisitions and the formation of buying groups;
- 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.

Many of our competitors have longer operating histories and greater financial, research and development, marketing and other resources than we do. Consequently, many of our competitors may be able to develop products and/or processes competitive with, or superior to, our own. Furthermore, we may not be able to differentiate our products from those of our competitors; to successfully develop or introduce new products—on a timely basis or at all—that are less costly than those of our competitors; or to offer customers payment and other commercial terms as favorable as those offered by our 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 competition to intensify as technological advances and consolidations continue. New developments by other manufacturers and distributors could render our products uncompetitive or obsolete.

We believe that our principal generic competitors are Teva Pharmaceutical Industries Limited ("Teva"), Sandoz (a division of Novartis AG) ("Sandoz"), Mylan Inc. ("Mylan") and Actavis plc ("Actavis"). These companies, among others, collectively compete with the majority of our products. We also face price competition generally as other generic manufacturers enter the market. Any such price competition may be especially pronounced where our competitors source their products from jurisdictions where production costs may be lower (sometimes significantly) than our production costs, especially lower-cost foreign jurisdictions. Any of these factors, in turn, could result in reductions in our sales prices and gross margin. This price competition has led to an increase in customer demands for downward price adjustments by generic pharmaceutical distributors. Our principal strategy in addressing our competition is to offer customers a consistent supply of our generic drugs, as well as to pursue product opportunities with the potential for less competition, such as high-barrier-to-entry first-to-file or first-to-market products. 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.

Competition in the generic drug industry has also increased due to the proliferation of authorized generic pharmaceutical products. Authorized generics are generic pharmaceutical products that are introduced by brand companies, either directly or through third parties, under the brand's new drug application ("NDA") approval for its own branded drug. Authorized generics do not face any regulatory barriers to introduction and are not prohibited from sale during the 180-day marketing exclusivity period granted to the first-to-file ANDA applicant. The sale of authorized generics adversely impacts the market share of a generic product that has been granted 180 days of marketing exclusivity. This is a significant source of competition for us, because an authorized generic can materially decrease the profits that we could receive as an otherwise exclusive marketer of a product. Such actions have the effect of reducing the potential market share and profitability of our generic products and may inhibit us from developing and introducing generic pharmaceutical products corresponding to certain branded drugs.

[Table of Contents](#)***As our competitors introduce their own generic equivalents of our generic pharmaceutical products, our revenues and gross margin from such products generally decline, often rapidly.***

Revenues and gross margin derived from generic pharmaceutical products often follow a pattern based on regulatory and competitive factors that we believe are unique to the generic pharmaceutical industry. As the patent(s) for a brand name product or the statutory marketing exclusivity period (if any) expires, the first generic manufacturer to receive regulatory approval for a generic equivalent of the product often is able to capture a substantial share of the market. However, as other generic manufacturers receive regulatory approvals for their own generic versions, that market share, and the price of that product, will typically decline depending on several factors, including the number of competitors, the price of the branded product and the pricing strategy of the new competitors. We cannot provide assurance that we will be able to continue to develop such products or that the number of competitors with such products will not increase to such an extent that we may stop marketing a product for which we previously obtained approval, which may have a material adverse impact on our revenues and gross margin.

Due to our dependence on a limited number of products, our business could be materially adversely affected if our key products do not perform as well as expected.

We generate a significant portion of our total revenues and gross margin from the sale of a limited number of products. For the year ended December 31, 2014, our top ten revenue products accounted for approximately 50% of our total net revenues and a significant portion of our gross margin. Any material adverse developments, including increased competition and supply shortages, with respect to the sale or use of these products, or our failure to successfully introduce new key products, could have a material adverse effect on our revenues and gross margin.

The majority of our products are produced at a few locations and a business interruption at one or more of these locations could have a material adverse effect on our business, financial position and results of operations.

We produce the majority of the products that we manufacture at our manufacturing facility in New York, and a significant number at our manufacturing facilities in California and India. Our recently acquired facility in Michigan produces all of our injectable products. Most of our inventory passes through our warehouse in New York. A significant disruption at any of these facilities, even on a short-term basis, could impair our ability to produce and ship products to the market on a timely basis, which could have a material adverse effect on our business, financial position and results of operations.

Our profitability depends on our major customers. If these relationships do not continue as expected, our business, condition (financial and otherwise), prospects and results of operations could materially suffer.

We have approximately 120 customers, some of which are part of larger buying groups. Our four largest customers in terms of our consolidated total revenues accounted for approximately 70% of our total revenues for the year ended December 31, 2014, as follows: McKesson Drug Co. (24.7%), Cardinal Health Inc. (18.3%), CVS Health Corporation (14.5%) and AmerisourceBergen Corporation (13.4%). The loss of any one or more of these or any other major customer or the substantial reduction in orders from any one or more of our major customers could have a material adverse effect upon our future operating results and financial condition.

We may experience declines in the sales volume and prices of our products as a result of the continuing trend of consolidation of certain customer groups, which could have a material adverse effect on our business, financial position and results of operations.

Our ability to successfully commercialize any generic or branded pharmaceutical product depends in large part upon the acceptance of the product by third parties, including pharmacies, government formularies, other

Table of Contents

retailers, physicians and patients. Therefore, our success will depend in large part on market acceptance of our products. We make a significant amount of our sales to a relatively small number of drug wholesalers and retail drug chains. These customers represent an essential part of the distribution chain of our pharmaceutical products. Drug wholesalers and retail drug chains have undergone, and are continuing to undergo, significant consolidation. This consolidation may result in these groups gaining additional purchasing leverage and consequently increasing the product pricing pressures facing our business. Additionally, the emergence of large buying groups representing independent retail pharmacies and other drug distributors, and the prevalence and influence of managed care organizations and similar institutions, potentially enable those groups to demand larger price discounts on our products. For example, there has been a recent trend of large wholesalers and retailer customers forming partnerships, such as the alliance between Walgreens and AmerisourceBergen Corporation, the alliance between Rite Aid and McKesson Drug Company and the alliance between CVS and Cardinal Health. The result of these developments may have a material adverse effect on our business, financial position and results of operations.

We depend to a large extent on third-party suppliers and distributors for the raw materials for our products, particularly the chemical compounds comprising the APIs that we use to manufacture our products, as well as for certain finished goods. A prolonged interruption in the supply of such products could have a material adverse effect on our business, financial position and results of operations.

The raw materials essential to our manufacturing business are purchased primarily from U.S. distributors of bulk pharmaceutical chemicals manufactured by foreign companies. If we experience supply interruptions or delays, we may have to obtain substitute materials or products, which in turn would require us to obtain amended or additional regulatory approvals, subjecting us to additional expenditures of significant time and resources. In addition, changes in our raw material suppliers could result in significant delays in production, higher raw material costs and loss of sales and customers, because regulatory authorities must generally approve raw material sources for pharmaceutical products, which may be time consuming. Any significant supply interruption could have a material adverse effect on our business, condition (financial and other), prospects and results of operations. To date, we have experienced no significant difficulties in obtaining raw materials. 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 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 of our products.

The testing required for the regulatory approval of our products is conducted primarily by independent third parties. Any failure by any of these third parties to perform this testing properly and in a timely manner may have an adverse effect upon our ability to obtain regulatory approvals.

Our applications for the regulatory approval of our products, including both internally-developed and in-licensed products, incorporate the results of testing and other information that is conducted or gathered primarily by independent third parties (including, for example, manufacturers of raw materials, testing laboratories, CROs or independent research facilities). Our ability to obtain and maintain regulatory approval of the products being tested is dependent upon the quality of the work performed by these third parties, the quality of the third parties' facilities, and the accuracy of the information provided by third parties. We have little or no control over any of these factors. If this testing is not performed properly, our ability to obtain or maintain regulatory approvals, and to launch or continue selling products, could be restricted or delayed.

[Table of Contents](#)

Additionally, while we recently acquired our own CRO in India that may supplant a portion of these services provided by third parties, we have no experience running a CRO and may need to continue to rely on third parties to provide a majority of these services.

We depend on third-party agreements for a portion of our product offering, including certain key products, and any failure to maintain these arrangements or enter into similar arrangements with new partners could result in a material adverse effect.

We have broadened our product offering by entering into a variety of third-party agreements covering any combination of joint development, supply, marketing and/or distribution of products. For example, we have entered into an agreement with Croda Europe, Ltd. for development and supply of API used in our generic omega-3-acid ethyl esters oral capsules product, and with Glenmark Generics ("Glenmark") to market and distribute Glenmark's generic ezetimibe product. For the year ended December 31, 2014, a significant percentage of our total net product sales were generated from products manufactured under contract or under license. We cannot provide assurance that the development or supply efforts of our contractual partners will continue to be successful, that we will be able to renew such agreements or that we will be able to enter into new agreements for additional products. Any alteration to or termination of our current distribution and marketing agreements, any failure to enter into new and similar agreements, or interruption of our product supply under the distribution and marketing agreements, could materially adversely affect our business, condition (financial and otherwise), prospects or results of operations.

Our recent acquisitions and any acquisitions we may undertake in the future involve numerous risks, including the risks that we may be unable to integrate the acquired businesses successfully and that we may assume liabilities that could adversely affect us.

We recently completed several important acquisitions, including our acquisitions of Par Sterile in February 2014 and Innoteq, Inc. ("Innoteq") and Par Biosciences in January 2015. We also entered into an agreement to acquire an API development and manufacturing facility from Nuray Chemicals Private Limited ("Nuray"). We expect to continue to evaluate strategic acquisitions in the future. Acquisitions involve numerous risks, including operational risks associated with the integration of acquired businesses. These risks include, but are not limited to:

- difficulties in achieving identified financial revenue synergies, growth opportunities, operating synergies and cost savings;
- difficulties in assimilating the personnel, operations and products of an acquired company, and the potential loss of key employees;
- difficulties in consolidating information technology platforms, business applications and corporate infrastructure;
- difficulties in integrating our corporate culture with local customs and cultures;
- possible overlap between our products or customers and those of an acquired entity that may create conflicts in relationships or other commitments detrimental to the integrated businesses;
- our inability to achieve expected revenues and gross margins for any products we may acquire;
- possible contingent liability that includes, among others, known or unknown environmental, patent or product liability claims;
- the diversion of management's attention from other business concerns; and
- risks and challenges of entering or operating in markets in which we have limited or no prior experience, including the unanticipated effects of export controls, exchange rate fluctuations, foreign legal and regulatory requirements, and foreign political and economic conditions.

[Table of Contents](#)

In addition, foreign acquisitions involve numerous risks, including those related to the absence of policies and procedures sufficient to assure compliance by a foreign entity with U.S. regulatory and legal requirements. There can be no assurance that we will not be subject to liability arising from conduct which occurred prior to our acquisition of any entity.

We incur significant transaction costs associated with our acquisitions, including substantial fees for investment bankers, attorneys, and accountants. Any acquisition could result in our assumption of unknown and/or unexpected, and perhaps material, liabilities. Additionally, in any acquisition agreement, the negotiated representations, warranties and agreements of the selling parties may not entirely protect us, and liabilities resulting from any breaches may not be subject to indemnification by the selling parties and/or could exceed negotiated indemnity limitations. These factors could impair our growth and ability to compete; divert resources from other potentially more profitable areas; or otherwise cause a material adverse effect on our business, financial position and results of operations.

The financial statements of the companies we have acquired or may acquire in the future are prepared by management of such companies and are not independently verified by our management. In addition, any pro forma financial statements prepared by us to give effect to such acquisitions may not accurately reflect the results of operations of such companies that would have been achieved had the acquisition of such entities been completed at the beginning of the applicable financial reporting periods. Finally, we cannot guarantee that we will continue to acquire businesses at valuations consistent with our prior acquisitions or that we will complete acquisitions at all.

We may make acquisitions of, or investments in, complementary businesses or products, which may be on terms that may not turn out to be commercially advantageous, may require additional debt or equity financing, and may involve numerous risks, including those set forth above.

We regularly review the potential acquisition of technologies, products, product rights and complementary businesses and are currently evaluating, and intend to continue to evaluate, potential product and/or company acquisitions and other business development opportunities. We may choose to enter into such transactions at any time. Nonetheless, we cannot provide assurance that we will be able to identify suitable acquisition or investment candidates. To the extent that we do identify candidates that we believe to be suitable, we cannot provide assurance that we will be able to reach an agreement with the selling party or parties, that the terms we may agree to will be commercially advantageous to us, or that we will be able to successfully consummate such investments or acquisitions even after definitive documents have been signed. If we make any acquisitions or investments, we may finance such acquisitions or investments through our cash reserves, debt financing (such as borrowings available to us under Par Pharmaceutical Companies' senior credit facilities (the "Senior Credit Facilities"), including any incremental facilities thereunder), which may increase our leverage, or by issuing additional equity securities, which could dilute the holdings of our then-existing stockholders. If we require financing, we cannot provide assurance that we will be able to obtain required financing when needed on acceptable terms or at all. Any future acquisitions may involve numerous risks, including but not limited to the types of risks set forth above with respect to our recent acquisitions.

Our expansion into international markets subjects us to increased regulatory oversight and regulatory, economic, social and political uncertainties, which could cause a material adverse effect on our business, financial position and results of operations.

We are subject to certain risks associated with our plans to commercialize products in the U.K. and other European markets and with having assets and operations located in foreign jurisdictions, including our operations in India and England. We are inexperienced operating in these jurisdictions, and we have no experience in seeking regulatory approvals, marketing or selling products in the U.K. or other European

[Table of Contents](#)

markets. Our operations in these jurisdictions may be adversely affected by general economic conditions and economic and fiscal policy, including changes in exchange rates and controls, interest rates and taxation policies, increased government regulation, and, with respect to India, any reversal of India's recent economic liberalization and deregulation policies, as well as social stability and political, economic or diplomatic developments in the future. Certain jurisdictions have, from time to time, experienced instances of civil unrest and hostilities, both internally and with neighboring countries. Rioting, military activity, terrorist attacks, or armed hostilities could cause our operations there to be adversely affected or suspended. We generally do not have insurance for losses and interruptions caused by terrorist attacks, military conflicts and wars. In addition, India is known to have experienced governmental corruption and, in some circumstances, anti-bribery laws may conflict with some local customs and practices. Our international operations may subject us to heightened scrutiny under the U.S. Foreign Corrupt Practices Act ("FCPA"), the UK Bribery Act and similar anti-bribery laws, and could subject us to liability under such laws despite our best efforts to comply with such laws. As a result of our policy to comply with the FCPA, the UK Bribery Act and similar anti-bribery laws, we may be at a competitive disadvantage to competitors that are not subject to, or do not comply with, such laws.

Our competitors or other third parties may allege that we are infringing their intellectual property, forcing us to expend substantial resources in litigation, the outcome of which is uncertain. Any unfavorable outcome of such litigation, including losses related to "at-risk" product launches, could have a material adverse effect on our business, financial position and results of operations.

Companies that produce branded pharmaceutical products routinely bring litigation against ANDA or similar applicants that seek regulatory approval to manufacture and market generic forms of their branded products alleging patent infringement or other violations of intellectual property rights. Patent holders may also bring patent infringement suits against companies that are currently marketing and selling approved generic products. Litigation often involves significant expense and can delay or prevent introduction or sale of our generic products. If patents are held valid, enforceable and infringed by our products, we would, unless we could obtain a license from the patent holder, need to delay selling our corresponding generic product and, if we are already selling our product, cease selling and potentially destroy existing product stock.

There may be situations in which we may make business and legal judgments to market and sell products that are subject to claims of alleged patent infringement prior to final resolution of those claims by the courts, based upon our belief that such patents are invalid, unenforceable, or are not infringed by our marketing and sale of such products. This is referred to in the pharmaceutical industry as an "at-risk" launch. The risk involved in an at-risk launch can be substantial because, if a patent holder ultimately prevails against us, the remedies available to such holder may include, among other things, damages measured by the profits lost by the patent holder, which can be significantly higher than the profits we make from selling the generic version of the product. For example, in September 2014, we paid \$100 million to settle claims relating to our at-risk launch of our generic omeprazole/sodium bicarbonate capsules. Par Sterile and its development partner are currently engaged in patent litigation in the U.S. District Court for the District of New Jersey with respect to two zoledronic acid products that Par Sterile, as well as several other generic manufacturers, launched in 2013, following FDA approval of their respective ANDAs but prior to the District Court reaching a finding on the merits of the alleged claims in the litigation. See discussion under "Business—Legal Proceedings—Patent Related Matters." We could face substantial damages from adverse court decisions in such matters. We could also be at risk for the value of such inventory that we are unable to market or sell.

We are, and will continue to be in the future, a party to legal proceedings that could result in unexpected adverse outcomes.

We are a party to other legal proceedings, including matters involving personnel and employment issues, breach of contract claims and other proceedings arising in the ordinary course of business. In addition, there

Table of Contents

are an increasing number of investigations and proceedings in the health care industry generally that seek recovery under the statutes and regulations identified in "Business—Government Regulation." We evaluate our exposure to these legal proceedings and establish reserves for the estimated liabilities in accordance with GAAP. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have a material adverse impact on our financial results.

The use of legal, regulatory and legislative strategies by brand competitors, including authorized generics and citizen's petitions, as well as the potential impact of proposed legislation, may increase our costs associated with the introduction or marketing of our generic products, delay or prevent such introduction and/or significantly reduce the profit potential of our products.

Brand drug companies often pursue strategies that may serve to prevent or delay competition from generic alternatives to their branded products. These strategies include, but are not limited to:

- marketing an authorized generic version of a branded product at the same time that we introduce a generic equivalent of that product, directly or through agreement with a generic competitor;
- filing "citizen's petitions" with the FDA to thwart generic competition by causing delays of our product approvals;
- using risk evaluation and mitigation strategies ("REMS") — related distribution restrictions or other means of limiting access to their branded products to prevent us from obtaining product samples needed to conduct bioequivalence testing required for ANDA approval, thereby delaying or preventing us from obtaining FDA approval of a generic version of such branded products;
- seeking to secure patent protection of certain "Elements to Assure Safe Use" of a REMS program, which are required medical interventions or other actions healthcare professionals need to execute prior to prescribing or dispensing the drug to the patient, in an attempt to thwart the generic company's ability to avoid infringement of the patents in question or secure approval;
- seeking to establish regulatory and legal obstacles that would make it more difficult to demonstrate a generic product's bioequivalence or "sameness" to the related branded product;
- initiating legislative and administrative efforts in various states to limit the substitution of generic versions of branded pharmaceutical products for the corresponding branded products;
- filing suits for patent infringement that automatically delay FDA approval of generic products;
- introducing "next-generation" products prior to the expiration of market exclusivity for their branded product, which often materially reduces the demand for the generic product for which we may be seeking FDA approval;
- obtaining extensions of market exclusivity by conducting clinical trials of branded drugs in pediatric populations or by other methods as discussed below;
- persuading the FDA to withdraw the approval of branded drugs for which the patents are about to expire, thus allowing the brand company to develop and launch new patented products serving as substitutes for the withdrawn products;
- seeking to obtain new patents on drugs for which patent protection is about to expire;
- filing patent applications that are more complex and costly to challenge;

Table of Contents

- seeking temporary restraining orders and injunctions against selling a generic equivalent of their branded product based on alleged misappropriation of trade secrets or breach of confidentiality obligations;
- seeking temporary restraining orders and injunctions against a generic company that has received final FDA approval for a product and is attempting to launch at risk prior to resolution of related patent litigation;
- reducing the marketing of the branded product to healthcare providers, thereby reducing the branded drug's commercial exposure and market size, which in turn adversely affects the market potential of the equivalent generic product; and
- converting branded prescription drugs that are facing potential generic competition to over-the-counter products, thereby significantly impeding the growth of the generic prescription market for the drugs.

The Food and Drug Modernization Act of 1997 includes a pediatric exclusivity provision that may provide an additional six months of market exclusivity for indications of new or currently marketed drugs if certain agreed upon pediatric studies are completed by the applicant. Brand companies are utilizing this provision to extend periods of market exclusivity. Some companies have lobbied Congress for amendments to the Hatch-Waxman legislation that would give them additional advantages over generic competitors. For example, although the term of a company's drug patent can be extended to reflect a portion of the time an NDA is under regulatory review, some companies have proposed extending the patent term by a full year for each year spent in clinical trials, rather than the one-half year that is currently permitted. If proposals like these were to become effective, our entry into the market and our ability to generate revenues associated with new generic products may be delayed, reduced or eliminated, which could have a material adverse effect on our business.

We expend a significant amount of resources on research and development, including milestones on in-licensed products, which may not lead to successful product introductions.

Much of our development effort is focused on technically difficult-to-formulate products and/or products that require advanced manufacturing technology. We expend resources on research and development primarily to enable us to manufacture and market FDA-approved pharmaceuticals in accordance with FDA regulations. Typically, research expenses related to the development of innovative compounds and the filing of NDAs are significantly greater than those expenses associated with ANDAs. We have entered into, and may in the future enter into, agreements that require us to make significant milestone payments upon achievement of various research and development events and regulatory approvals. As we continue to develop and in-license new products, we will likely incur increased research and licensing expenses. Because of the inherent risk associated with research and development efforts in the industry, particularly with respect to new drugs, our research and development expenditures may not result in the successful introduction of FDA-approved new pharmaceutical products. Also, after we or our development partners submit an ANDA or NDA, the FDA may request that we conduct additional studies. As a result, we may be unable to reasonably determine the total research and development costs required to develop a particular product. Finally, we cannot be certain that any investment made in developing products will be recovered, even if we are successful in commercialization. To the extent that we expend significant resources on research and development efforts and are not ultimately able to introduce successful new products as a result of those efforts, our business, financial position and results of operations may be materially adversely affected.

Our branded pharmaceutical expenditures may not result in commercially successful products.

Commercializing branded pharmaceutical products is more costly than generic products. We have made significant investments in the development of the branded segment of our business, Par Specialty. This has led to increased infrastructure costs. We cannot be certain that these business expenditures will result in the successful development or launch of branded products that will prove to be commercially successful or will

[Table of Contents](#)

improve the long-term profitability of our business. Just as our generic products take market share from the corresponding branded products, we will confront the same competitive pressures from other generic pharmaceutical companies that may seek to introduce generic versions of our branded products. Generic products are generally sold 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, or may be required by law to be substituted for branded versions by pharmacies. Competition from generic equivalents, accordingly, could have an adverse effect on our Par Specialty segment. While we have endeavored (with our relevant partners, as applicable) to protect our branded assets by securing regulatory exclusivities and intellectual property protections, such exclusivities and protections are subject to expiry and to legal challenges. For example, on February 21, 2014, a U.S. District Court issued an opinion invalidating on obviousness grounds the single patent we asserted in a litigation we brought against a Paragraph IV challenge to our Megace® ES product. We appealed the District Court's decision and on December 3, 2014, the U.S. Court of Appeals for the Federal Circuit reversed and remanded the case to the District Court for further findings. See discussion under "Business—Legal proceedings—Patent related matters." The launch of a generic version of Megace® ES or Nascobal® Nasal Spray would have a material adverse impact on our branded product sales of such product.

We continue to consider product or business acquisitions or licensing arrangements to expand our brand product line. Any growth of the Par Specialty segment will be based largely on the successful commercialization of our existing products and the acquisition or in-licensing of new product opportunities. Our current and future investments in acquisition or license arrangements may not lead to expected, adequate or any returns on investment. In the past, we have invested significant sums in license arrangements for products under development, which have been terminated unsuccessfully. We also may not be able to execute future license or acquisition agreements on reasonable or favorable terms in order to continue to grow or sustain Par Specialty. In addition, we cannot be certain that our branded product expenditures will result in commercially successful launches of these products or will improve the long-term profitability of Par Specialty. For example, in 2010, we launched two branded products that did not meet our commercial expectations, and in 2011 we returned all rights to these two products to our respective third-party development partners, resulting in a write-down of assets specifically related to these products. Any future commercialization efforts that do not meet expectations could similarly result in a write-down of assets related to the relevant products.

Our reporting and payment obligations under the Medicaid rebate program and other governmental purchasing and rebate programs are complex and may involve subjective decisions. Any determination that we have failed to comply with those obligations could subject us to penalties and sanctions, which could have a material adverse effect.

The regulations regarding reporting and payment obligations with respect to Medicaid reimbursement and rebates and other governmental programs are complex and, as discussed elsewhere in this prospectus, we and other pharmaceutical companies are defendants in a number of suits filed by state attorneys general and have been notified of an investigation by the DOJ with respect to Medicaid reimbursement and rebates. Our calculations and methodologies are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material changes. In addition, because our processes for these calculations and the judgments involved in making these calculations involve, and will continue to involve, subjective decisions and complex methodologies, these calculations are subject to the risk of errors. Any governmental agencies that have commenced (or that may commence) an investigation of our company could impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal health care programs (including Medicaid and Medicare). Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report

[Table of Contents](#)

payments, and even in the absence of any such ambiguity, a governmental authority may take a position contrary to a position that we have taken and may impose civil and/or criminal sanctions on us. Any such penalties, sanctions, or exclusion from federal health care programs could have a material adverse effect on our business, financial position and results of operations. 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.

Our operating results are affected by many factors and may fluctuate significantly on a quarterly basis.

Our operating results may vary substantially from quarter to quarter and may be greater or less than those achieved in the immediately preceding period or in the comparable period of the prior year. Factors that may cause quarterly results to vary include, but are not limited to, the following:

- the amount of new product introductions;
- losses related to inventory write-offs;
- marketing exclusivity, if any, which may be obtained on certain new products;
- the level of competition in the marketplace for certain products;
- our ability to create demand in the marketplace for our branded products;
- availability of raw materials and finished products from suppliers;
- our ability to manufacture products at our manufacturing facilities;
- the scope and outcome of governmental regulatory actions;
- our dependence on a small number of products for a significant portion of net revenue or income;
- legal actions against our generic products brought by brand competitors, and legal challenges to our intellectual property rights brought against our branded products by generic competitors;
- price erosion and customer consolidation; and
- significant payments (such as milestones) payable by us under collaboration, licensing, and development agreements to our partners before the related product has received FDA approval.

The profitability of our product sales is also dependent upon the prices we are able to charge for our products, the costs to purchase products from third parties, and our ability to manufacture our products in a cost effective manner. If our revenues decline or do not grow as anticipated, we may not be able to reduce our operating expenses to offset such declines. Failure to achieve anticipated levels of revenues could, therefore, significantly harm our operating results for a particular fiscal period.

In certain circumstances, we issue price adjustments and other sales allowances to our customers. Although we may establish reserves based on our estimates of these amounts, if estimates are incorrect and the reserves are inadequate, it may result in adjustments to these reserves that may have a material adverse effect on our financial position and results of operations.

As described above, the first company to file an ANDA containing a Paragraph IV certification that successfully challenges the patent(s) on a branded product may be granted 180 days of generic market exclusivity by the FDA for that generic product. At the expiration of such 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

[Table of Contents](#)

90%). When we experience price declines following a period of generic marketing exclusivity, or at any time when a competitor enters the market or offers a lower price with respect to a product we are selling, we may at our discretion decide to lower the price of our product to retain market share and provide price adjustments to our customers for the difference between our new (lower) price and the price at which we previously sold the product which is still held in inventory by our customers. Because the entry of a competitive generic product is unpredictable, we do not establish reserves for such potential adjustments, and therefore the full effect of such adjustments are not reflected in our operating results until they actually occur. There are also circumstances under which we may decide not to provide price adjustments to certain customers, and consequently, as a matter of business strategy, we may risk a greater level of sale returns of products in the customer's existing inventory and lose future sales volume to competitors rather than reduce our pricing.

We establish reserves for chargebacks, rebates and incentives, other sales allowances, and product returns at the time of sale, based on estimates. Although we believe our reserves are adequate as of the date of this prospectus, we cannot provide assurances that our reserves will ultimately prove to be adequate. Increases in sales allowances may exceed our estimates due to a variety of reasons, including unanticipated competition or an unexpected change in one or more of our contractual relationships. We will continue to evaluate the effects of competition and will record a price adjustment reserve if and when we deem it necessary. Any failure to establish adequate reserves with respect to sales allowances may result in a material adverse effect on our financial position and results of operations.

If we determine that our goodwill and other intangible assets have become impaired, we may record significant impairment charges, which would adversely affect our results of operations.

Goodwill and other intangible assets represent a significant portion of our assets. Goodwill is the excess of cost over the fair market value of net assets acquired in business combinations. In the future, goodwill and intangible assets may increase as a result of future acquisitions. We review our goodwill and indefinite lived intangible assets at least annually for impairment. Impairment may result from, among other things, deterioration in the performance of acquired businesses, adverse market conditions and adverse changes in applicable laws or regulations, including changes that restrict the activities of an acquired business. Any impairment of goodwill or other intangible assets would result in a non-cash charge against earnings, which would adversely affect our results of operations. For the year ended December 31, 2014, we recorded a non-cash impairment charge of \$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 acquisition of Par Sterile due to an adverse court ruling pertaining to related patent litigation.

We are subject to additional costs and burdens to comply with the terms of the March 5, 2013 resolution of the DOJ's investigation into sales and marketing activities for Megace® ES, and we could be subject to increased monetary penalties and/or other sanctions, including exclusion from federal health care programs, if we fail to comply with its terms.

On March 5, 2013, we settled U.S. federal and 49 state investigations into Par Specialty's sales and marketing activities for Megace® ES by pleading guilty to a misdemeanor misbranding violation of the FDCA and agreeing to pay approximately \$45 million in criminal fines and forfeitures and to resolve civil claims. In addition, we entered into a five-year CIA with the Office of Inspector General of the U.S. Department of Health & Human Services ("OIG"). The effective date of the CIA was March 12, 2013. The CIA requires enhancements to our compliance program, fulfillment of reporting and monitoring obligations, and management certifications, among other requirements. Compliance with the terms of the CIA has imposed and will continue to impose additional costs and burdens on us, including in the form of employee training, third party reviews, compliance

[Table of Contents](#)

monitoring, reporting obligations and management attention. If we fail to comply with the CIA, the OIG may impose monetary penalties or exclude us from federal health care programs, including Medicare and Medicaid, which could have a material adverse effect on our cash flows, financial position and results of operations. We may be subject to third party claims and shareholder lawsuits in connection with the settlement.

We have increased exposure to tax liabilities, including foreign tax liabilities.

As a U.S. corporation with subsidiaries in India and England, we are subject to income taxes as well as non-income based taxes in the United States, India and England. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. Changes in tax laws or tax rulings may have a significantly adverse impact on our effective tax rate. Recent proposals by the current U.S. administration for fundamental U.S. international tax reform, if enacted, could have a significant adverse impact on our effective tax rate. In addition, we have potential tax exposures resulting from the varying application of statutes, regulations and interpretations, which include exposures on intercompany terms of cross-border arrangements among any foreign subsidiaries in relation to various aspects of our business, including research and development activities and manufacturing. Tax authorities in various jurisdictions may disagree with and subsequently challenge the amount of profits taxed in their country, which may result in increased tax liability, including accrued interest and penalties, which would cause our tax expense to increase. This could have a material adverse effect on our business, financial position and results of operations and our ability to satisfy our debt obligations.

Risks common to our industry

Healthcare reform and a reduction in the reimbursement levels by governmental authorities, HMOs, MCOs or other third-party payers may adversely affect our business.

In order to assist us in commercializing products, we have obtained from governmental authorities and private health insurers and other organizations, such as health maintenance organizations ("HMOs") and managed care organizations ("MCOs"), authorization to receive reimbursement at varying levels for the cost of certain products and related treatments. Third party payers increasingly challenge pricing of pharmaceutical products. The trend toward managed healthcare in the United States, the growth of organizations such as HMOs and MCOs, and legislative proposals to reform healthcare and government insurance programs could significantly influence the purchase of pharmaceutical products, resulting in lower prices and a reduction in product demand. The Patient Protection and Affordable Care Act ("PPACA") and the Health Care and Education Reconciliation Act of 2010 were signed into law on March 23, 2010 and March 30, 2010, respectively. These laws are referred to herein as "healthcare reform." A number of provisions of the healthcare reform laws continue to have a negative impact on the price of our products sold to U.S. government entities. As examples, the 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) apply a 50% discount to Medicare Part D beneficiary 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. Such cost containment measures and healthcare reform affect our ability to sell our products and have a material adverse effect on our business, results of operations and financial condition. Additionally, the Medicare Part D Prescription Drug Benefit established a voluntary outpatient prescription drug benefit for Medicare beneficiaries (primarily the elderly over 65 and the disabled). These beneficiaries may enroll in private drug plans. There are multiple types of Part D plans and numerous plan sponsors, each with its own formulary and product access requirements. The plans have considerable discretion in establishing formularies and tiered co-pay structures and in placing prior authorization and other restrictions on the utilization of specific products. In addition, Part D plan sponsors are

[Table of Contents](#)

permitted and encouraged to negotiate rebates with manufacturers. The Medicare Part D program, which went into effect January 1, 2006, is administered by the Centers for Medicare & Medicaid Services ("CMS") within the Department of Health and Human Services.

CMS has issued extensive regulations and other sub-regulatory guidance documents implementing the Medicare Part D benefit, and the OIG has issued regulations and other guidance in connection with the Medicare Part D program. The federal government can be expected to continue to issue guidance and regulations regarding the obligations of Part D sponsors and their subcontractors. Participating drug plans may establish drug formularies that exclude coverage of specific drugs, and payment levels for drugs negotiated with Part D drug plans may be lower than reimbursement levels available through private health plans or other payers. Moreover, beneficiary co-insurance requirements could influence which products are recommended by physicians and selected by patients. There is no assurance that any drug that we market will be offered by drug plans participating under the Medicare Part D program or of the terms of any such coverage, or that covered drugs will be reimbursed at amounts that reflect current or historical levels. Additionally, any reimbursement granted may not be maintained, or limits on reimbursement available from third-party payers may reduce the demand for, or negatively affect the price of those products, and could significantly harm our business, results of operations, financial condition and cash flows. We may also be subject to lawsuits relating to reimbursement programs that could be costly to defend, divert management's attention and adversely affect our operating results. Most state Medicaid programs have established preferred drug lists, and the process, criteria and timeframe for obtaining placement on the preferred drug list varies from state to state. Under the Medicaid drug rebate program, a manufacturer must pay a rebate for Medicaid utilization of a product. The rebate for single source products (including authorized generics) is based on the greater of (i) a specified percentage of the product's average manufacturer price or (ii) the difference between the product's average manufacturer price and the best price offered by the manufacturer. The rebate for multiple source products is a specified percentage of the product's average manufacturer price. In addition, many states have established supplemental rebate programs as a condition for including a drug product on a preferred drug list. The profitability of our products may depend on the extent to which they appear on the preferred drug lists of a significant number of state Medicaid programs and the amount of the rebates that must be paid to such states. In addition, there is significant fiscal pressure on the Medicaid program, and amendments to lower the pharmaceutical costs of the program are possible. Such amendments could materially adversely affect our anticipated revenues and results of operations. Due to the uncertainties regarding the outcome of future healthcare reform initiatives and their enactment and implementation, we cannot predict which, if any, of the future reform proposals will be adopted or the effect such adoption may have on us. Additionally, future healthcare legislation could also have a significant impact on our business.

Implementation of healthcare reform and changes in the health care regulatory environment may adversely affect our business.

A number of the provisions of the healthcare reform laws required rulemaking action by governmental agencies to be implemented. The laws changed access to health care products and services and created new fees for the pharmaceutical and medical device industries. Future rulemaking could increase rebates, reduce prices or the rate of price increases for health care products and services, or require additional reporting and disclosure. We cannot predict the timing or impact of any future rulemaking.

Due to extensive regulation and enforcement in the pharmaceutical industry, we face significant uncertainties and potentially significant costs associated with our efforts to comply with applicable regulations. Failure to comply could result in material adverse effects to our business, financial position and results of operations.

The pharmaceutical industry operates in a highly regulated environment subject to the actions of courts and governmental agencies that influence the ability of a company to successfully operate its business and is

[Table of Contents](#)

subject to regulation by various governmental authorities at the federal, state and local levels with respect to the development, manufacture, labeling, sale, distribution, marketing, advertising and promotion of pharmaceutical products. Many of these factors are beyond our control and are, therefore, difficult to predict. These risks, along with others, have the potential to materially and adversely affect our business, financial position, results of operations and prospects. Failure to comply with governmental regulations can result in fines, disgorgement of profits, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA's review of NDAs or ANDAs, enforcement actions, injunctions and criminal prosecution. Although we have developed compliance programs to address the regulatory environment, there is no guarantee that these programs will meet regulatory agency standards now or in the future. Additionally, despite our efforts at compliance, there is no guarantee that we may not be deemed to be deficient in some manner in the future. If we are deemed to be deficient in any significant way, our business, financial position and results of operations could be materially affected.

Litigation is common in our industry, can be protracted and expensive, and could delay and/or prevent entry of our products into the market, which could have a material adverse effect on our business.

Litigation concerning intellectual property rights in the pharmaceutical industry can be protracted and expensive. Pharmaceutical companies with patented branded products regularly sue companies that file applications to produce generic equivalents of their patented branded products for alleged patent infringement or other violations of intellectual property rights, which are expensive to defend and may delay or prevent the entry of such generic products into the market. Generally, a generic drug may not be marketed until the applicable patent(s) on the brand name drug expire or are held to be invalid, unenforceable or not infringed by the generic product at issue. When we or our development partners submit an ANDA to the FDA for approval of a generic drug, we and/or our development partners must certify either (1) that there is no patent listed with the FDA as covering the relevant branded product, (2) that any patent listed as covering the branded product has expired, (3) that the patent listed as covering the branded product will expire prior to the marketing of the generic product, in which case the ANDA will not be finally approved by the FDA until the expiration of such patent, or (4) that any patent listed as covering the branded drug is invalid or will not be infringed by the manufacture, sale or use of the generic product for which the ANDA is submitted (a "Paragraph IV" certification). Whenever we file an ANDA with a Paragraph IV certification, there is a high likelihood that a brand pharmaceutical company will sue us for alleged patent infringement and/or other violations of intellectual property rights. Also, competing pharmaceutical companies may file lawsuits against us or our strategic partners alleging patent infringement or other violations of intellectual property rights or may file declaratory judgment actions against us alleging non-infringement, invalidity, or unenforceability of our own patents. Because substantially all of our current business involves the development and marketing of products that are subject to potential claims of patent infringement by third parties or, with respect to our own branded products, are subject to third party challenges, the threat of litigation, the outcome of which is inherently uncertain, is always present. Such litigation is often costly and time-consuming and could result in a substantial delay in, or prevent, the introduction and/or marketing of our products, which could have a material adverse effect on our business, condition (financial and other), prospects and results of operations. For more information on our material pending litigation, please see "Business—Legal proceedings."

We are susceptible to product liability claims that may not be covered by insurance, which, if successful, could require us to pay substantial sums.

Like all pharmaceutical companies, we face the risk of loss resulting from, and the adverse publicity associated with, product liability lawsuits, whether or not such claims are valid. We likely cannot avoid such claims. Unanticipated side effects or unfavorable publicity concerning any of our products or product candidates would likely have an adverse effect on our ability to achieve acceptance by prescribing physicians, managed care providers, pharmacies and other retailers, customers, patients and clinical trial participants. Even unsuccessful

Table of Contents

product liability claims could require us to spend money on litigation, divert management's time, damage our reputation and impair the marketability of our products. In addition, although we believe that we have adequate product liability insurance coverage, we cannot be certain that our insurance will, in fact, be sufficient to cover such claims or that we will be able to obtain or maintain adequate insurance coverage in the future at acceptable prices. A successful product liability claim that is excluded from coverage or exceeds our policy limits could require us to pay substantial sums. In addition, insurance coverage for product liability may become prohibitively expensive in the future or, with respect to certain high-risk products, may not be available at all, and as a result we may not be able to maintain adequate product liability insurance coverage to mitigate the risk of large claims, or we may be required to maintain a larger self-insured retention than we would otherwise choose.

We are subject to extensive governmental regulation, and any non-compliance may result in fines and/or other sanctions, including product seizures, product recalls, injunctive actions and criminal prosecutions.

As a pharmaceutical manufacturer and distributor, we are subject to extensive regulation by the federal government, principally the FDA and the Drug Enforcement Administration, as well as by state governments. The FDCA, the Controlled Substances Act, the Generic Drug Enforcement Act of 1992 (the "Generic Drug Act"), and other federal, state and local statutes and regulations govern the testing, manufacture, safety, labeling, storage, disposal, tracking, recordkeeping, approval, advertising and promotion (including to the healthcare community) of our products. The Generic Drug Act, a result of legislative hearings and investigations into the generic drug approval process, is particularly relevant to our business. Under the Generic Drug Act, the FDA is authorized to impose debarment and other penalties on individuals and companies that commit illegal acts relating to the generic drug approval process. In some situations, the Generic Drug Act requires the FDA not to accept or review for a period of time any ANDAs submitted by a company that has committed certain violations and provides for temporary denial of approval of such ANDAs during its investigation. Additionally, non-compliance with other applicable regulatory requirements may result in fines, perhaps significant in amount, and other sanctions imposed by courts and/or regulatory bodies, including the initiation of product seizures, product recalls, injunctive actions and criminal prosecutions. From time to time, we have voluntarily recalled our products and may do so in the future. In addition, administrative remedies may involve the refusal of the government to enter into supply contracts with, and/or to approve NDAs and ANDAs of, a non-complying entity. The FDA also has the authority to withdraw its approval of drugs in accordance with statutory procedures.

Because of the chemical ingredients of pharmaceutical products and the nature of the manufacturing process, the pharmaceutical industry is subject to extensive environmental laws and regulation and the risk of incurring liability for damages and/or the costs of remedying environmental problems. These requirements include regulation of the handling, manufacture, transportation, storage, use and disposal of materials, including the discharge of hazardous materials and pollutants into the environment. In the normal course of our business, we are exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and which could result in (i) our noncompliance with such environmental and occupational health and safety laws and regulations and (ii) regulatory enforcement actions or claims for personal injury and property damage against us. If an unapproved or illegal environmental discharge or accident occurred or if we were to discover contamination caused by prior operations, including by prior owners and operators of properties we acquire, then we could be liable for cleanup, damages or fines, which could have a material adverse effect on our business, financial position, results of operations, and cash flow. In the future, we may be required to increase expenditures in order to remedy environmental problems and/or comply with changes in applicable environmental laws and regulations. We could also become a party to environmental remediation investigations and activities. These obligations may relate to sites that we currently or in the future may own or lease, sites that we formerly owned or operated, or sites where waste from our operations was disposed. Additionally, if we fail to comply with environmental regulations to use, discharge or dispose of hazardous materials appropriately or otherwise to

Table of Contents

comply with the provisions of our operating licenses, the licenses could be revoked, and we could be subject to criminal sanctions and/or substantial civil liability or be required to suspend or modify our manufacturing operations. We currently operate in New Jersey, New York, California, Connecticut and Michigan, which are often recognized for having very aggressive public health and environmental protection laws. We also operate in India, where environmental, health and safety regulations are developing and expanding, and we cannot determine how these laws will be implemented and the impact of such regulation on our Indian operations. We may in the future establish or acquire operations in other jurisdictions subject to equally or more stringent laws and regulations. Stricter environmental, safety and health laws and enforcement policies could result in substantial costs and liabilities to us, and could subject our handling, manufacture, use, reuse or disposal of substances or pollutants to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures, as well as other costs and liabilities, which could materially adversely affect us.

As part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, companies are now required to file with the Federal Trade Commission (the "FTC") and the DOJ certain types of agreements entered into between brand and generic pharmaceutical companies related to the settlement of patent litigation or the 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. The potential for FTC investigations and litigation and private-party lawsuits associated with arrangements between brand and generic drug manufacturers could adversely affect our business. In recent years, the FTC has expressed its intention to take aggressive action to challenge settlements that include an alleged payment from the brand company to the generic company (so-called "pay for delay" patent litigation settlements) and to call on legislators to pass stronger laws prohibiting such settlements. In 2013, the U.S. Supreme Court held that certain of such settlements could violate anti-trust laws and must be evaluated under a "rule of reason" standard of review. We are currently, and we have been in the past and may be in the future, the subject of investigation and litigation by the FTC in which violations of antitrust laws are alleged stemming from our settlement of patent litigation with brand pharmaceutical companies and other activities. This litigation has also resulted, and may in the future result, in follow-on litigation against us by private plaintiffs alleging similar claims. We could be subject to similar investigations and litigation in the future, which would likely result in substantial costs and divert our management's attention and resources and could have a material adverse effect on our business activities and condition (financial or otherwise). For more information on our material pending litigation, please see "Business—Legal proceedings."

We are subject to the effects of changes in statutes, regulations and/or interpretative guidance that may adversely affect our business and/or that could require us to devote increased time and resources to our compliance efforts, which may not be successful. For example, the FDA has proposed revisions to regulations governing generic drugs with respect to both when and how a labeling change would be required, which could have negative consequences for our business. The proposed revisions could create a regulatory framework whereby multiple, different labeling, including different warnings, could simultaneously exist in the marketplace for multiple generic versions of a drug, which could adversely affect our customers' acceptance of our generic products or could place our products at a competitive disadvantage. Moreover, the proposed revisions could expose us to substantial new tort liability costs, which could cause us to withdraw or decline to pursue certain products. These or any other changes in statutes, regulations and/or interpretative guidance could have a material adverse effect on our business, condition (financial and other), prospects and results of operations.

[Table of Contents](#)

Investigations and litigation concerning the calculation of average wholesale prices may adversely affect our business.

Many government and third-party payors, including Medicare, Medicaid, HMOs and others, reimburse doctors and others for the purchase of certain prescription drugs based on a drug's average wholesale price ("AWP"). In the past several years, state and federal government agencies have conducted ongoing investigations of manufacturers' reporting practices with respect to AWP, in which the agencies have suggested that reporting of inflated AWPs by manufacturers have led to excessive payments for prescription drugs. For example, beginning in September 2003, we, along with numerous other pharmaceutical companies, had been named as a defendant in actions brought by the Attorneys General of Illinois, Kansas, Louisiana 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. These cases generally sought some combination of actual damages, and/or double damages, treble damages, compensatory damages, statutory damages, civil penalties, disgorgement of excessive profits, restitution, disbursements, counsel fees and costs, litigation expenses, investigative costs, injunctive relief, punitive damages, imposition of a constructive trust, accounting of profits or gains derived through the alleged conduct, expert fees, interest and other relief that the court may have deemed proper.

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. For the status of the Wisconsin state law *qui tam* action brought by Peggy Lautenschlager and Bauer & Bach, LLC, please see "Business—Legal proceedings—Industry related matters."

We can give no assurance that we will be able to settle the current or future actions on terms that we deem reasonable, or that such settlements or adverse judgments, if entered, will not exceed the amount of any reserve. Accordingly, such actions could adversely affect us and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Investigations and litigations related to allegations that our sales and marketing practices caused providers of pharmacy services to substitute or switch prescriptions written for specific drug formulations may adversely affect our business.

At various times between 2006 and 2010, the Attorneys General of Florida, Indiana and Virginia and the United States Office of Personnel Management issued subpoenas to us, and the Attorneys General of Michigan, Tennessee, Texas, and Utah issued civil investigative demands to us. These demands pertained to allegations that certain of our sales and marketing practices caused providers of pharmacy services to substitute or switch prescriptions written for specific drug formulations 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. 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 DOJ intervened in this action on July 8, 2011 and filed a separate complaint against us 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. See "Business—Legal proceedings—Industry related matters."

If the plaintiffs in any of these or future actions are ultimately successful, it could adversely affect us and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

[Table of Contents](#)***We are increasingly dependent on information technology, and our systems and infrastructure face certain risks, including cybersecurity and data leakage risks.***

Significant disruptions to our information technology systems or breaches of information security could adversely affect our business. In the ordinary course of business, we collect, store and transmit large amounts of confidential information, and it is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced significant elements of our information technology infrastructure, and as a result we are managing independent vendor relationships with third parties who are responsible for maintaining significant elements of our information technology systems and infrastructure and who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of our third party vendors with whom we contract, make such systems potentially vulnerable to service interruptions and security breaches from inadvertent or intentional actions by our employees, partners or vendors, from attacks by malicious third parties, or from intentional or accidental physical damage to our systems infrastructure maintained by us or by third parties. Maintaining the secrecy of this confidential, proprietary, and/or trade secret information is important to our competitive business position. While we have taken steps to protect such information and invested in information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches in our systems or the unauthorized or inadvertent wrongful use or disclosure of confidential information that could adversely affect our business operations or result in the loss, dissemination, or misuse of critical or sensitive information. A breach of our security measures or the accidental loss, inadvertent disclosure, unapproved dissemination, misappropriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, fraud, trickery or other forms of deception, or for any other cause, could enable others to produce competing products, use our proprietary technology or information, and/or adversely affect our business position. Further, any such interruption, security breach, loss or disclosure of confidential information, could result in financial, legal, business, and reputational harm to us and could have a material adverse effect on our business, financial position, results of operations and/or cash flow.

Our future success depends on our ability to attract and retain key employees and consultants.

Our future success depends, to a substantial degree, upon the continued service of the key members of our management team. The loss of the services of key members of our management team, or their inability to perform services on our behalf, could have a material adverse effect on our business, condition (financial and other), prospects and results of operations. Our success also depends, to a large extent, upon the contributions of our sales, marketing, scientific and quality assurance staff. We compete for qualified personnel against other brand and generic pharmaceutical manufacturers, who may offer more favorable employment opportunities. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we could experience constraints that would adversely affect our ability to sell and market our products effectively, to meet the demands of our strategic partners in a timely fashion and to support research and development programs. In particular, sales and marketing efforts depend on the ability to attract and retain skilled and experienced sales, marketing and quality assurance representatives. Although we believe that we have been successful in attracting and retaining skilled personnel in all areas of our business, we cannot provide assurance that we can continue to attract, train and retain such personnel. Any failure in this regard could limit the rates at which we generate sales and develop or acquire new products.

We depend on our ability to protect our intellectual property and proprietary rights. We cannot be certain of our ability to keep confidential and protect such rights.

Our success depends on our ability to protect and defend the intellectual property rights associated with our current and future products. If we fail to protect our intellectual property adequately, competitors may manufacture and market products similar to, or that may be confused with, our products, and our generic

[Table of Contents](#)

competitors may obtain regulatory approval to make and distribute generic versions of our branded products. Some patent applications in the United States are maintained in secrecy or are not published until the resulting patents issue. We also cannot be certain that patents will be issued with respect to any of our patent applications or that any existing or future patents issued to or licensed by us will provide competitive advantages for our products or will not be challenged, invalidated, circumvented or held unenforceable in proceedings commenced by our competitors or other third parties. Furthermore, our patent rights may not prevent or limit our present and future competitors from developing, making, importing, using or commercializing products that are functionally similar to our products. We rely particularly on trade secrets, trademarks, unpatented proprietary expertise and continuing innovation that we seek to protect, in part, by registering and using marks, and, with regard to other intellectual property, by entering into confidentiality agreements with licensees, suppliers, employees, consultants and other parties. This is done in large part because few of our products are protected by patents. We cannot provide assurance that these agreements will not be breached or circumvented. We also cannot be certain that we will have recourse to adequate remedies in the event of a breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. We cannot be sure that our trade secrets and proprietary technology will not be independently developed or otherwise become known by our competitors or, if patents are not issued with respect to internally-developed products, that we will be able to maintain the confidentiality of information relating to these products. In addition, efforts to ensure our intellectual property rights can be costly, time-consuming and/or ultimately unsuccessful.

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.

We currently have a substantial amount of indebtedness. As of December 31, 2014, on an as-adjusted basis giving effect to the funds borrowed to fund the Dividend Recapitalization, our total debt was \$2,351 million (excluding original issue discount or upfront payments), with unused commitments of \$150 million under the Senior Credit Facilities. We may also incur significant additional indebtedness in the future.

Subject to the limits contained in the credit agreement governing the Senior Credit Facilities and the indenture governing the Notes, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to this high level of debt could intensify. Specifically, the high level of debt could have important consequences, including, but not limited to:

- making it more difficult for Par Pharmaceutical Companies to satisfy its obligations with respect to its debt;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the Senior Credit Facilities, are at variable rates of interest;

Table of Contents

- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the indenture that governs the Notes and the credit agreement governing the Senior Credit Facilities contain restrictive covenants that limit Par Pharmaceutical Companies' ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

Our leveraged business model includes constituents (e.g., the Sponsor and debt holders) that by the nature of their relationship to our enterprise may have different points of view on the use of company resources as compared to our management. The financial and contractual obligations related to our debt also represent a natural constraint on any intended use of company resources.

The terms of the credit agreement governing the Senior Credit Facilities and the indenture governing the Notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indenture governing the Notes and the credit agreement governing the Senior Credit Facilities contain a number of restrictive covenants that impose significant operating and financial restrictions on Par Pharmaceutical Companies and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem our capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the credit agreement governing the Senior Credit Facilities require Par Pharmaceutical Companies to maintain a specified financial ratio if there are outstanding borrowings under the revolving credit facility portion of the Senior Credit Facilities. Par Pharmaceutical Companies' ability to meet those financial ratios can be affected by events beyond our control.

A breach of the covenants under the indenture governing the Notes or under the credit agreement governing the Senior Credit Facilities could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies which could have a material adverse effect on our business, operations and financial results. In addition, an event of default under the credit agreement governing the Senior Credit Facilities would permit the lenders under the Senior Credit Facilities to terminate all

Table of Contents

commitments to extend further credit under that facility. Furthermore, if Par Pharmaceutical Companies were unable to repay the amounts due and payable under the Senior Credit Facilities, those lenders could proceed against the collateral granted to them to secure that indebtedness which could force us into bankruptcy or liquidation. In the event Par Pharmaceutical Companies' lenders or noteholders accelerate the repayment of the borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness. Any acceleration of amounts due under the credit agreement governing the Senior Credit Facilities or the indenture governing the Notes or the exercise by the applicable lenders of their rights under the related security documents would likely have a material adverse effect on us. As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement governing the Senior Credit Facilities and the indenture governing the Notes restrict Par Pharmaceutical Companies' ability to dispose of assets and use the proceeds from those dispositions and also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations when due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations, including our indebtedness.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under the Senior Credit Facilities could terminate their commitments to loan Par Pharmaceutical Companies money and foreclose against the assets securing the borrowings; and
- we could be forced into bankruptcy or liquidation.

Table of Contents

We will require a significant amount of cash to service our indebtedness. The ability to generate cash or refinance our indebtedness as it becomes due depends on many factors, some of which are beyond our control.

We are a holding company, and as such have no independent operations or material assets other than our ownership of equity interests in our subsidiaries, and our subsidiaries' contractual arrangements with customers, and we will depend on our subsidiaries to distribute funds to us so that we may pay our obligations and expenses. Our ability to make scheduled payments on, or to refinance our respective obligations under, our indebtedness and to fund planned capital expenditures and other corporate expenses will depend on the ability of our subsidiaries to make distributions, dividends or advances to us, which in turn will depend on our subsidiaries' future operating performance and on economic, financial, competitive, legislative, regulatory and other factors and any legal and regulatory restrictions on the payment of distributions and dividends to which they may be subject. Many of these factors are beyond our control. We cannot assure our creditors that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized or that future borrowings will be available to us in an amount sufficient to enable us to satisfy our respective obligations under our indebtedness or to fund our other needs. In order for us to satisfy our obligations under our indebtedness and fund planned capital expenditures, we must continue to execute our business strategy. If we are unable to do so, we may need to reduce or delay our planned capital expenditures or refinance all or a portion of our indebtedness on or before maturity. Significant delays in our planned capital expenditures may materially and adversely affect our future revenue prospects. In addition, we cannot assure our creditors that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the indenture governing the Notes and the credit agreement governing the Senior Credit Facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. If new debt is added to our current debt levels, the related risks that we and the guarantors now face could intensify.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Senior Credit Facilities are at variable rates of interest and expose us to interest rate risk. The Senior Credit Facility includes a London Inter-Bank Offered Rates ("LIBOR") floor of 1.00%, which at December 31, 2014 is in excess of LIBOR which at December 31, 2014 was 0.25% for an interest period of three months. The interest period can be set at one, two, three or six months as selected by us in accordance with the terms of the Senior Credit Facilities. If the three month LIBOR spot rate were 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. If the specified LIBOR rate were to increase above 1.00%, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. An increase of 0.125% over the 1.00% floor previously mentioned would result in a \$1.0 million increase in our annual interest expense associated with the Senior Credit Facilities.

During 2013, Par Pharmaceutical Companies entered into derivatives to hedge the variable cash flows associated with existing variable-rate debt under the credit agreement governing the Senior Credit Facilities beginning as of September 30, 2013. Our objective in using interest rate derivatives is to add certainty to interest expense amounts and to manage our exposure to interest rate movements, specifically to protect us from variability in cash flows attributable to changes in LIBOR interest rates. To accomplish this objective, Par

Table of Contents

Pharmaceutical Companies entered into interest rate caps. Interest rate caps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if LIBOR exceeds the strike rate in exchange for the company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. As of December 31, 2014, we had eight outstanding interest rate caps with two counterparties with various termination dates and notional amounts, which we deemed to be effective for accounting purposes. The derivatives had a combined notional value of \$750.0 million, all with effective dates as of either September 30, 2013 or 2014 and with termination dates each September 30th beginning in 2015 and ending in 2018. Consistent with the terms of the credit agreement governing the Senior Credit Facilities, the interest rate caps have a strike of 1% which matches the LIBOR floor of 1.0% on the debt. The premium is deferred and paid over the life of the instrument. The effective annual interest rate related to these interest rate caps was a fixed weighted average rate of approximately 4.8% at December 31, 2014. These instruments are designated for accounting purposes as cash flow hedges of interest rate risk related to credit agreement governing the Senior Credit Facilities. In addition, amounts reported in "Accumulated other comprehensive loss" on our consolidated balance sheet related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt under credit agreement governing the Senior Credit Facilities. Approximately 35% of our total outstanding debt at December 31, 2014 remains subject to variability in cash flows attributable to changes in LIBOR interest rates. During the next twelve months, we estimate that \$5.8 million will be reclassified from "Accumulated other comprehensive loss" on our consolidated balance sheet at December 31, 2014 to interest expense.

In the future, Par Pharmaceutical Companies may enter into additional interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

A lowering or withdrawal of the ratings assigned to the Notes or our other debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

The Notes and the term loans under our Senior Credit Facilities have been rated by Moody's and Standard & Poor's and may in the future be rated by additional rating agencies. On February 9, 2015, Standard & Poor's affirmed our Corporate Credit Rating and outlook at B/Stable, while Moody's affirmed our Corporate Family Rating at B2 and changed our rating outlook to stable from negative. These actions were taken after each rating agency reassessed our risk profile in conjunction with the Dividend Recapitalization and the related additional borrowings. Any ratings assigned to our debt could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Any such fluctuation in the ratings of the Company may impact our ability to access debt markets in the future or increase the cost of future debt which could have a material adverse effect on the operations and financial condition of the Company, which in return may adversely affect the trading price of shares of our common stock.

Risks related to our common stock and this offering

TPG will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

We are currently controlled, and after this offering is completed will continue to be controlled, by TPG. Upon completion of this offering, investment funds affiliated with TPG will beneficially own % of our outstanding common stock (or % if the underwriters exercise in full their option to purchase additional shares). As long as TPG owns or controls at least a majority of our outstanding voting power, it will have the ability to exercise

[Table of Contents](#)

substantial control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Even if its ownership falls below 50%, TPG will continue to be able to strongly influence or effectively control our decisions.

Additionally, TPG's interests may not align with the interests of our other stockholders. TPG is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. TPG may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

Upon the listing of our shares, we will be a "controlled company" within the meaning of the rules of [redacted] and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements; you will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Because TPG will continue to control a majority of the voting power of our outstanding common stock after completion of this offering, we will be a "controlled company" within the meaning of the corporate governance standards of [redacted]. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirements that, within one year of the date of the listing of our common stock:

- we have a board that is composed of a majority of "independent directors," as defined under the rules of [redacted];
- we have a compensation committee that is composed entirely of independent directors; and
- we have a nominating and corporate governance committee that is composed entirely of independent directors.

Following this offering, we intend to utilize all of these exemptions. Accordingly, in the event TPG's interests differ from those of other stockholders, and, for so long as we are a "controlled company," you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of [redacted]. Our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price.

Our directors who have relationships with TPG may have conflicts of interest with respect to matters involving our company.

Following this offering, [redacted] of our [redacted] directors will be affiliated with TPG. Our TPG-affiliated directors have fiduciary duties to us and, in addition, will have duties to TPG. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and TPG, whose interests, in some circumstances, may be adverse to ours.

Provisions of Delaware Law and our corporate governance documents could make an acquisition of our company more difficult and may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.

In addition to TPG's beneficial ownership of a controlling percentage of our common stock, our certificate of incorporation and bylaws and the Delaware General Corporation Law (the "DGCL") contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Our board of directors has the right to issue preferred stock without stockholder approval that could be used to

[Table of Contents](#)

dilute a potential hostile acquiror. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board. Because our board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt to replace current members of our management team. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the Company may be unsuccessful. See "Description of capital stock."

If you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of your investment.

The initial public offering price of our common stock is substantially higher than the net tangible book deficit per share of our common stock. Therefore, if you purchase shares of our common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book deficit per share after this offering. Based on an assumed initial public offering price of \$ _____ per share, the midpoint of the range set forth on the cover page of this prospectus, you will experience immediate dilution of \$ _____ per share, representing the difference between our pro forma net tangible book deficit per share after giving effect to this offering and the initial public offering price. In addition, purchasers of common stock in this offering will have contributed _____ % of the aggregate price paid by all purchasers of our stock but will own only approximately

_____ % of our common stock outstanding after this offering. We also have a large number of outstanding stock options to purchase common stock with exercise prices that are below the estimated initial public offering price of our common stock. To the extent that these options are exercised, you will experience further dilution. See "Dilution" for more detail.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Pursuant to our certificate of incorporation and bylaws, our board of directors has the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock.

An active, liquid trading market for our common stock may not develop, which may limit your ability to sell your shares.

Prior to this offering, there was no public market for our common stock. Although we intend to list our common stock on _____ under the symbol "PRX," an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price will be determined by negotiations between us and the underwriters and may not be indicative of market prices of our common stock that will prevail in the open market after the offering. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our common stock. The market price of our common stock may decline below the initial public offering price, and you may not be able to sell your shares of our common stock at or above the price you paid in this offering, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

[Table of Contents](#)***As a public company, we will become subject to additional laws, regulations and stock exchange listing standards, which will impose additional costs on us and may strain our resources and divert our management's attention.***

Prior to this offering, although Par Pharmaceutical Companies has filed periodic and current reports with the United States Securities and Exchange Commission (the "SEC") to satisfy obligations under our debt instruments, we operated our company on a private basis. After this offering, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of _____, and other applicable securities laws and regulations. Compliance with these laws and regulations will increase our legal and financial compliance costs and make some activities more difficult, time-consuming or costly. In particular, we estimate that we will incur incremental costs in connection with the requirements to obtain an attestation report on our internal controls from our independent auditors under Section 404 of the Sarbanes-Oxley Act. In connection with preparation for providing this attestation, our independent auditors may identify deficiencies or weaknesses in our controls. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors may therefore strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

The Sarbanes-Oxley Act requires, among other things, that we maintain disclosure controls and procedures and internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place is a costly and time-consuming effort that needs to be re-evaluated frequently. Section 404 of the Sarbanes-Oxley Act will require that we evaluate our internal control over financial reporting to enable management to report on, and our independent auditors to audit as of the end of our fiscal year ended December 31, 2016, the effectiveness of those controls. Both we and our independent registered public accounting firm will be testing our internal controls in connection with the Section 404 of the Sarbanes-Oxley Act requirements and could, as part of that documentation and testing, identify material weaknesses, significant deficiencies or other areas for further attention or improvement.

Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, require the hiring of additional finance, accounting and other personnel, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. Moreover, adequate internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act on a timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could cause the market value of our common stock to decline.

Various rules and regulations applicable to public companies make it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' liability insurance, our ability to recruit and retain qualified officers and directors, especially those directors who may be deemed independent for purposes of the rules, will be significantly curtailed.

[Table of Contents](#)***Our operating results and share price may be volatile, and the market price of our common stock after this offering may drop below the price you pay.***

Our quarterly operating results are likely to fluctuate in the future as a publicly traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. We and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price or at all. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- results of operations that vary from expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors or our vendors of significant contracts or acquisitions;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory, legal or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- changing economic conditions;
- changes in accounting principles;
- default under agreements governing our indebtedness;
- exchange rate fluctuations; and
- other events or factors, including those from natural disasters, war, acts of terrorism or responses to these events.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively

Table of Contents

affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. After this offering, we will have outstanding _____ shares of common stock based on the number of shares outstanding as of _____, 2015. This includes _____ shares that we are selling in this offering, as well as the _____ shares that the selling stockholders are selling, which may be resold in the public market immediately, and assumes no exercises of outstanding options. Substantially all of the shares that are not being sold in this offering will be subject to a 180-day lock-up period provided under agreements executed in connection with this offering. These shares will, however, be able to be resold after the expiration of the lock-up agreement as described in the "Shares Eligible for Future Sale" section of this prospectus. We also intend to file a Form S-8 under the Securities Act of 1933, as amended (the "Securities Act"), to register all shares of common stock that we may issue under our equity compensation plans. Once we register these shares, they can be freely sold in the public market upon issuance, subject to the lock-up agreements described in the "Underwriting (conflicts of interest)" section of this prospectus. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them.

Since we have no current plans to pay regular cash dividends on our common stock following this offering, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

Although we have previously declared a dividend to our stockholders, we do not anticipate paying any regular cash dividends on our common stock following this offering. Any decision to declare and pay dividends in the future will be made at the discretion of our board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur. Therefore, any return on investment in our common stock is solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur. See "Dividend policy" for more detail.

We are a holding company with nominal net worth and will depend on dividends and distributions from our subsidiaries to pay any dividends.

We are a holding company with nominal net worth. We do not have any material assets or conduct any business operations other than our investments in our subsidiaries. Our business operations are conducted primarily out of our indirect operating subsidiary, Par Pharmaceutical, Inc. and its subsidiaries. As a result, notwithstanding any restrictions on payment of dividends under our existing indebtedness, our ability to pay dividends, if any, will be dependent upon cash dividends and distributions or other transfers from our subsidiaries, including from Par Pharmaceutical, Inc. Payments to us by our subsidiaries will be contingent upon their respective earnings and subject to any limitations on the ability of such entities to make payments or other distributions to us.

[Table of Contents](#)

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares or if our results of operations do not meet their expectations, our share price and trading volume could decline.

The trading market for our shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our share price could decline.

A ratings downgrade or other negative action by a ratings organization could adversely affect the trading price of the shares of our common stock.

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any such fluctuation in the rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our common stock.

[Table of Contents](#)

Cautionary note regarding forward-looking statements

This prospectus contains "forward-looking statements" within the meaning of the federal securities laws, which involve risks and uncertainties. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Forward-looking statements can be identified by words such as "anticipate," "believe," "envision," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue," "contemplate" and other similar expressions, although not all forward-looking statements contain these identifying words. Examples of forward-looking statements include, among others, statements we make regarding our intentions, beliefs or current expectations concerning, among other things, future operations; future financial performance, trends and future events, particularly relating to sales of current products and the development, approval and introduction of new products; FDA and other regulatory applications, approvals and actions; market position and expenditures; the continuation of historical trends; our ability to operate our business under our new capital and operating structure; and the sufficiency of our cash balances and cash generated from operating and financing activities for future liquidity and capital resource needs.

We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place significant reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Important factors that could cause actual results and events to differ materially from those indicated in the forward-looking statements include, among others, those discussed in the "Risk factors" section of this prospectus, which include the following:

- If we are unable to successfully develop or commercialize new products, our operating results will suffer.
- If we fail to obtain exclusive marketing rights for our generic products or fail to introduce these generic products on a timely basis, our revenues, gross margin and operating results may decline significantly.
- We face intense competition in the pharmaceutical industry from both brand and generic companies, which could significantly limit our growth and materially adversely affect our financial results.
- Due to our dependence on a limited number of products, our business could be materially adversely affected if our key products do not perform as well as expected.
- Our profitability depends on our major customers. If these relationships do not continue as expected, our business, condition (financial and otherwise), prospects and results of operations could materially suffer.
- Our competitors, including brand pharmaceutical companies, or other third parties may allege that we are infringing their intellectual property, forcing us to expend substantial resources in resulting litigation, the outcome of which is uncertain. Any unfavorable outcome of such litigation, including losses related to "at-risk" product launches, could have a material adverse effect on our business, financial position and results of operations.
- We are, and will continue to be in the future, a party to legal proceedings that could result in unexpected adverse outcomes.
- Due to extensive regulation and enforcement in the pharmaceutical industry, we face significant uncertainties and potentially significant costs associated with our efforts to comply with applicable regulations. Failure to comply could result in material adverse effects to our business, financial position and results of operations.

Table of Contents

- 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.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

[Table of Contents](#)

Use of proceeds

We estimate that the net proceeds to us from our issuance and sale of _____ shares of common stock in this offering will be approximately \$ _____ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us (or approximately \$ _____ million if the underwriters exercise their option to purchase additional shares of common stock in full). This estimate assumes an initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus.

We intend to use the net proceeds of this offering to repay indebtedness. We do not currently have a firm expectation as to how we will allocate the reduction of our indebtedness among these borrowing arrangements but intend to determine the allocation following the completion of this offering based on a number of factors, including amounts remaining at maturity, applicable interest rates, available pricing of repurchases, repayments or redemptions, outstanding balance and ability to reborrow.

We also intend to use the remainder of the net proceeds, if any, for working capital and other general corporate purposes, including supporting our strategic growth opportunities in the future.

We will not receive any proceeds from the sale of shares by the selling stockholders, including if the underwriters exercise their option to purchase additional shares. After deducting the underwriting discounts, the selling stockholders will receive approximately \$ _____ million of proceeds from this offering.

A \$1.00 increase (decrease) in the assumed public offering price of \$ _____, based upon the midpoint of the estimated price range set forth on the cover of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$ _____ million (or approximately \$ _____ million if the underwriters exercise their option to purchase additional shares of common stock in full), assuming the number of shares we offer, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. A 1,000,000 share increase (decrease) in the number of shares offered by us would increase (decrease) the net proceeds to us from this offering by \$ _____ million (or approximately \$ _____ million if the underwriters exercise their option to purchase additional shares of common stock in full), assuming the aggregate offering price set forth on the cover page of this prospectus remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Affiliates of TPG Capital BD, LLC, an underwriter of this offering, own in excess of 10% of our issued and outstanding common stock. Therefore, a "conflict of interest" is deemed to exist under FINRA Rule 5121(f)(5)(B). In addition, because the TPG Funds (as defined below) are affiliates of TPG Capital BD, LLC and, as selling stockholders, will receive more than 5% of the net proceeds of this offering, a "conflict of interest" is also deemed to exist under FINRA Rule 5121(f)(5)(C)(ii). Accordingly, this offering will be made in compliance with the applicable provisions of FINRA Rule 5121. In accordance with FINRA Rule 5121(c), no sales of the shares will be made to any discretionary account over which TPG Capital BD, LLC exercises discretion without the prior specific written approval of the account holder. However, no "qualified independent underwriter" is required because the underwriters primarily responsible for managing this offering are free of any "conflict of interest," as that term is defined in the rule. See "Underwriting (conflicts of interest)."

Under certain interpretations of the SEC, dividends declared in the year of an initial public offering are deemed to be in contemplation of the offering with the intention of repayment out of the offering proceeds to the extent that dividends exceeded earnings during such period. Accordingly, we have provided pro forma earnings per share information for 2014 that gives pro forma effect to the assumed issuance of a number of shares whose proceeds are deemed to be necessary to pay previous year's dividends in excess of 2014 earnings (\$494.3 million). See "Summary historical and pro forma condensed consolidated financial data" found elsewhere in this prospectus for pro forma earnings per share information.

[Table of Contents](#)

Dividend policy

Following the completion of the offering, our board of directors does not intend to pay dividends on our common stock. However, we expect to reevaluate our dividend policy on a regular basis following the offering and may, subject to compliance with the covenants contained in our credit facilities and other instruments governing our indebtedness which limit our ability to pay dividends and other considerations, determine to pay dividends in the future. The declaration, amount and payment of any future dividends on shares of our common stock will be at the sole discretion of our board of directors, which may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions, the implications of the payment of dividends by us to our stockholders or by our subsidiaries to us, and any other factors that our board of directors may deem relevant. See "Description of Indebtedness" for restrictions on payment of dividends.

In February 2015, our board of directors declared a cash dividend of \$0.6303 per share (or approximately \$494.3 million in the aggregate) to stockholders of record as of February 25, 2015.

[Table of Contents](#)

Capitalization

The following table sets forth our cash and cash equivalents and capitalization at December 31, 2014:

- on an actual basis;
- on an as adjusted basis to give effect to (1) the issuance of shares of common stock by us in this offering and our receipt of approximately \$ million in net proceeds from the sale of such shares, assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses, (2) the Dividend Recapitalization and (3) the application of the estimated net proceeds from the offering as described in "Use of proceeds."

You should read this table in conjunction with the information contained in "Use of proceeds," "Summary historical and pro forma condensed consolidated financial data," "Management's discussion and analysis of financial condition and results of operations" and "Description of indebtedness" as well as our consolidated financial statements and the related notes included elsewhere in this prospectus.

(dollars in thousands)	As of December 31, 2014	
	Actual	As adjusted (1)(2)
Cash and cash equivalents	\$ 244,440	\$
Long-term debt, including current portions:		
Senior secured credit facilities:		
Senior secured term loan	\$1,435,837	
Senior secured revolving credit facility	—	
7.375% senior notes	490,000	
Total debt	1,925,837	
Stockholders' equity:		
Common stock, par value \$0.001 per share; 900,000,000 shares authorized and 784,335,270 shares issued and outstanding on an actual basis, shares authorized and shares issued and outstanding on an as adjusted basis	784	
Additional paid in capital	835,880	
Accumulated deficit	(266,094)	
Accumulated other comprehensive loss	(3,648)	
Treasury stock	(842)	
Total stockholder's equity	566,080	
Total capitalization	\$2,736,357	\$

(1) As adjusted reflects the Dividend Recapitalization and the application of the estimated proceeds of the offering as described in "Use of proceeds."

(2) A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) the as adjusted amount of each of cash and cash equivalents and total stockholders' equity by approximately \$ million after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Each 1,000,000 share increase or decrease in the number of shares offered by us would increase or decrease, as applicable, as our cash and cash equivalents, additional paid-in capital and stockholders' equity by \$ million assuming no change in the assumed initial public offering price of \$ per share (the midpoint of the range listed on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. To the extent we raise more proceeds in this offering, we may repay additional indebtedness. To the extent we raise less proceeds in this offering, we may reduce the amount of indebtedness that will be repaid.

[Table of Contents](#)

Dilution

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock in this offering and the pro forma as adjusted net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of common stock is substantially in excess of the net tangible book deficit per share of our common stock attributable to the existing stockholders for our presently outstanding shares of common stock. Our net tangible book deficit per share represents the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the number of shares of common stock issued and outstanding.

As of December 31, 2014 we had a historical net tangible book deficit of \$1,486.8 million, or \$1.90 per share of common stock, based on 784,335,270 shares of our common stock outstanding as of December 31, 2014. Dilution is calculated by subtracting net tangible book deficit per share of our common stock from the assumed initial public offering price per share of our common stock.

Investors participating in this offering will incur immediate and substantial dilution. Without taking into account any other changes in such net tangible book deficit after December 31, 2014, after giving effect to the sale of shares of our common stock in this offering assuming an initial public offering price of \$ _____ per share (the midpoint of the offering range shown on the cover of this prospectus), less the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book deficit as of December 31, 2014 would have been approximately \$ _____ million, or \$ _____ per share of common stock. This amount represents an immediate decrease in net tangible book deficit of \$ _____ per share of our common stock to the existing stockholders and immediate dilution in net tangible book deficit of \$ _____ per share of our common stock to investors purchasing shares of our common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		\$
Net tangible book deficit per share as of December 31, 2014, before giving effect to this offering	\$1.90	
Decrease in net tangible book deficit per share attributable to investors purchasing shares in this offering		_____
Pro forma net tangible book value per share, after giving effect to this offering		\$
Dilution in as adjusted net tangible book deficit per share to investors in this offering		\$

If the underwriters exercise their option in full to purchase additional shares, the pro forma as adjusted net tangible book deficit per share of our common stock after giving effect to this offering would be \$ _____ per share of our common stock. This represents an increase in pro forma as adjusted net tangible book deficit of \$ _____ per share of our common stock to existing stockholders and dilution in pro forma as adjusted net tangible book deficit of \$ _____ per share of our common stock to new investors.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share would increase (decrease) the pro forma as adjusted net tangible book deficit per share of our common stock after giving effect to this offering by \$ _____, or by \$ _____ per share of our common stock, assuming no change to the number of shares of our common stock offered by us as set forth on the front cover page of this prospectus and after deducting the estimated underwriting discounts and expenses payable by us. An increase or decrease of 1,000,000 shares in the number of shares offered by us would increase or decrease our net tangible deficit as adjusted to give effect to this offering by \$ _____ per share, assuming the assumed initial offering price of \$ _____ per share (the midpoint of the range listed on the cover page of this prospectus) remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Table of Contents

The following table summarizes, as of December 31, 2014, the total number of shares of our common stock purchased from us, the total consideration paid to us, and the average price per share of our common stock paid by purchasers of such shares and by new investors purchasing shares of our common stock in this offering.

	Shares purchased		Total consideration		Average price per share
	Number	Percent	Amount	Percent	
Existing stockholders			\$	%	\$
New investors			\$	%	\$
Total			\$	%	

The number of shares of common stock to be outstanding after this offering is based on 784,335,270 shares of common stock outstanding as of December 31, 2014 and excludes the following:

- 71,870,476 shares reserved for future issuance in connection with the exercise of outstanding stock options at a weighted-average exercise price of \$0.89 per share;
- 325,000 shares reserved for issuance upon vesting of restricted stock units;
- 4,081,729 shares of common stock reserved for future issuance under the 2012 EIP; and
- _____ shares of common stock reserved for future issuance under the 2015 EIP, which shall take effect prior to the consummation of this offering.

[Table of Contents](#)

Selected historical consolidated financial data

The following table sets forth selected historical consolidated financial data for the periods ended and at the dates indicated below. Our selected historical consolidated financial data as of December 31, 2013 (Successor) and December 31, 2014 (Successor) and for the years ended December 31, 2013 (Successor) and December 31, 2014 (Successor) and for the periods from January 1, 2012 to September 28, 2012 (Predecessor) and from July 12, 2012 (inception) to December 31, 2012 (Successor) presented in this table has been derived from our historical audited consolidated financial statements included elsewhere in this prospectus. Our selected historical consolidated financial data for the years ended December 31, 2010 (Predecessor), December 31, 2011 (Predecessor) and December 31, 2012 (Successor) were derived from our audited consolidated balance sheets as of December 31, 2010 (Predecessor) and December 31, 2011 (Predecessor), our unaudited consolidated balance sheet as of December 31, 2012 (Successor), our audited consolidated statements of operations and consolidated statements of cash flows for the years ended December 31, 2010 (Predecessor) and December 31, 2011 (Predecessor) that are not included in this prospectus.

On September 28, 2012, Sky Growth Acquisition Corporation, our wholly owned subsidiary, merged with and into Par Pharmaceutical Companies, which resulted in a change in basis of our assets and liabilities. Periods following our inception are referred to as the "Successor" periods. As a result of the Merger and the resulting change in basis of our assets and liabilities, the Predecessor and Successor period financial data is not comparable. Refer to "Prospectus summary—Recent performance" for more information.

The historical results presented below are not necessarily indicative of the results to be expected for any future period. The following information should be read in conjunction with the sections entitled "Management's discussion and analysis of financial condition and results of operations" and our financial statements and the notes thereto contained elsewhere in this prospectus.

Table of Contents

	Fiscal year ended		For the period			
	December 31,		July 12, 2012	January 1,	Fiscal year ended	
	2014	2013	to December 31, 2012	2010 to September 28 2012	December 31,	
	(Successor)	(Successor)	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)
	(\$ in thousands)					
Net product sales	\$ 1,278,106	\$ 1,062,453	\$ 237,338	\$ 780,797	\$ 887,495	\$ 980,631
Other product related revenues	30,515	35,014	8,801	23,071	38,643	28,243
Total Revenues	1,308,621	1,097,467	246,139	803,868	926,138	1,008,874
Cost of goods sold, excluding amortization expense	643,851	595,166	157,893	431,174	526,288	620,904
Amortization expense	185,655	184,258	42,801	30,344	13,106	14,439
Total cost of goods sold	829,506	779,424	200,694	461,518	539,394	635,343
Gross margin	479,115	318,043	45,445	342,350	386,744	373,531
Research and development	119,095	100,763	19,383	66,606	46,538	50,369
Selling, general and administrative	181,136	155,164	73,760	165,604	173,378	192,504
Intangible asset impairment	146,934	100,093	—	5,700	—	—
Settlements and loss contingencies, net	90,107	25,650	10,059	45,000	190,560	3,762
Restructuring costs	5,413	1,816	241	—	26,986	—
Total operating expenses	542,685	383,486	103,443	282,910	437,462	246,635
(Loss) gain on sale of product rights and other	(3,042)	—	—	—	125	6,025
Operating (loss) income	(66,612)	(65,443)	(57,998)	59,440	(50,593)	132,921
Gain on bargain purchase	—	—	5,500	—	—	—
Loss on debt extinguishment	(3,989)	(7,335)	—	—	—	—
Gain on marketable securities and other investments, net	—	1,122	—	—	237	3,459
Interest income	18	87	50	424	736	1,257
Interest expense	(108,427)	(95,484)	(25,985)	(9,159)	(2,676)	(2,905)
Other income	500	—	—	—	—	—
(Loss) income from continuing operations before tax	(178,510)	(167,053)	(78,433)	50,705	(52,296)	134,732
(Benefit) provision for income taxes	(72,993)	(61,182)	(23,727)	29,530	(5,996)	41,980
(Loss) income from continuing operations after tax	(105,517)	(105,871)	(54,706)	21,175	(46,300)	92,752
Discontinued operations: (Benefit) provision for income taxes	—	—	—	—	(20,155)	21
Income (loss) from discontinued operations	—	—	—	—	20,155	(21)
Net (loss) income	\$ (105,517)	\$ (105,871)	\$ (54,706)	\$ 21,175	\$ (26,145)	\$ 92,731
Basic (loss) income per common share	\$ (0.14)	\$ (0.15)	\$ (0.08)	\$ 0.58	\$ (0.73)	\$ 2.70
Diluted (loss) income per common share	\$ (0.14)	\$ (0.15)	\$ (0.08)	\$ 0.57	\$ (0.73)	\$ 2.60
Weighted average common shares outstanding:						
Basic	772,728	704,009	698,047	36,449	35,950	34,307
Diluted	772,728	704,009	698,047	37,231	35,950	35,644
Other Financial Data						
Cash provided by (used in)						
Operating activities	\$ 145,245	\$ 113,045	\$ (54,745)	\$ 153,760	\$ 64,978	\$ 164,309
Investing activities	(519,575)	(12,198)	(2,026,531)	(46,602)	(457,856)	(42,034)
Financing activities	488,690	(9,631)	1,841,261	9,205	336,720	(25,269)
Capital expenditures	(45,460)	(17,465)	(10,306)	(11,454)	(11,600)	(10,685)
Purchase of intangibles	(153)	(1,000)	—	(15,000)	(34,450)	(42,000)
Adjusted EBITDA(1)	433,804	306,872	63,519	239,853	248,511	226,501
Adjusted gross margin(2)	674,729	510,117	110,013	387,788	405,985	389,377

[Table of Contents](#)

	Fiscal year ended		For the period		Fiscal year ended	
	December 31,	December 31,	July 12, 2012 to December 31, 2012	January 1, 2010 to September 28, 2012	December 31,	December 31,
	2014	2013	2012	2012	2011	2010
	(Successor)	(Successor)	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)
	(\$ in thousands)					
Unaudited pro forma Data (3):						
Basic loss per common share	\$					
Diluted loss per common share	\$					
Weighted average common shares outstanding:						
Basic						
Diluted						
Balance Sheet Data (at end of period)						
Cash and cash equivalents and marketable securities	\$ 244,440	\$ 130,080	\$ 38,864	\$ 162,516	\$ 218,674	
Total assets	3,007,134	2,637,569	2,846,687	1,231,453	783,232	
Total long-term debt, including current maturities (gross)	1,925,837	1,545,340	1,542,363	345,625	—	
Stockholders' equity	566,080	553,436	651,169	609,581	628,444	

(1) "Adjusted EBITDA" is a financial measure that is not defined under GAAP. We present adjusted EBITDA because we consider it an important supplemental measure of our performance and our ability to service our indebtedness and we believe that it provides greater transparency into our results of operations and is frequently used by investors in the evaluation of companies in the industry. In addition, our management believes that adjusted EBITDA is a useful financial metric to assess our operating performance from period to period by excluding certain material unusual items and certain other adjustments we believe are not reflective of our ongoing operations and our performance. Adjusted EBITDA represents net (loss) income before interest expense, net, provision (benefit) for income taxes, depreciation and amortization, intangible asset impairment, restructuring costs, settlements and loss contingencies, net transaction related costs including severance, upfront and development milestones, stock-based compensation expense and certain other non-recurring, non-cash and other cash expenses. Adjusted EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by GAAP, and our calculations thereof may not be comparable to that reported by other companies. Adjusted EBITDA has limitations as an analytical tool and you should not consider it in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, adjusted EBITDA:

- does not reflect our capital expenditures or future requirements for capital expenditures or contractual commitments;
- does not reflect expenditures related to current business development and product acquisition activities, including payments due under existing agreements related to products in various stages of development or contingent payments tied to the achievement of sales milestones;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- excludes income tax payments that represent a reduction in cash available to us;
- does not reflect any cash requirements for assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect the impact of earnings or charges resulting from matters we consider not be indicative of our ongoing operations; and
- may be calculated differently by other companies in our industry, thereby limiting the usefulness as a comparative measure.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. We compensate for these limitations by using adjusted EBITDA along with other comparative tools, together with GAAP measurements, to assist in the evaluation of operating performance. These GAAP measurements include net (loss) income, cash flow from operating activities and other cash flow data. We have significant uses of cash flow from operating activities, including capital expenditures, interest payments, debt principal repayments, transaction related costs, including severance, upfront and development milestones, taxes and other non-recurring charges, which are not reflected in adjusted EBITDA. Adjusted EBITDA should not be considered in isolation or as an alternative to net (loss) income, cash flow generated by operating, investing, or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. You should therefore not place undue reliance on adjusted EBITDA or ratios calculated using this measure. Our GAAP-based measures can be found in our consolidated financial statements and related notes included elsewhere in this prospectus.

Table of Contents

The table below reconciles net (loss) income to adjusted EBITDA for the periods presented. Adjusted EBITDA excludes the impact of discontinued operations for all periods.

	Fiscal years ended		July 12, 2012 to December 31, 2012	For the period		Fiscal years ended	
	December 31,			January 1, 2012 to September 28, 2012		December 31,	
	2014	2013		2011	2010		
	(Successor)	(Successor)	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(\$ in thousands)
Statement of Operations Data:							
Net (loss) income	\$ (105,517)	\$ (105,871)	\$ (54,706)	\$ 21,175	\$ (26,145)	\$ 92,731	
Interest expense, net	108,409	95,397	25,935	8,735	1,940	1,648	
(Benefit) provision for income taxes	(72,993)	(61,182)	(23,727)	29,530	(5,996)	41,980	
(Benefit) provision for income taxes related to discontinued operations	—	—	—	—	(20,155)	21	
Depreciation and amortization	213,564	207,646	50,348	44,426	28,036	29,389	
Cost of goods on acquired inventory step-up(a)	9,031	6,557	21,543	4,048	5,152	—	
EBITDA	152,494	142,547	19,393	107,914	(17,168)	165,769	
Litigation settlements and contingencies(b)	90,107	25,650	10,059	45,000	190,560	861	
AWP, DOJ and Pentech litigation costs(c)	4,269	9,131	3,110	7,757	18,988	23,086	
Restructuring costs(d)	5,413	1,816	241	—	27,660	—	
Transaction related costs including severance(e)	7,461	5,447	32,951	45,882	11,048	—	
Upfront and development milestones(f)	—	—	350	10,000	—	19,000	
Inventory write-downs related to patent litigation(g)	—	—	—	10,318	—	—	
Intangible asset impairment(h)	146,934	100,093	—	5,700	—	—	
Loss (gain) on sale of product rights and other(i)	3,042	—	—	—	(125)	(6,025)	
Gain on sale of securities and other investments(j)	—	(1,122)	—	—	(237)	(3,459)	
Cost associated with refinancing of senior term loan	7,136	1,411	—	—	—	—	
Loss on extinguishment of debt(k)	3,989	7,335	—	—	—	—	
Gain on bargain purchase(l)	—	—	(5,500)	—	—	—	
Stock based compensation expense(m)	8,678	9,154	2,240	7,282	9,830	14,074	
Run-rate impact of Par Specialty restructuring(n)	—	—	—	—	7,955	13,195	
Management fee(o)	4,000	3,611	675	—	—	—	
Other(p)	281	1,799	—	—	—	—	
Adjusted EBITDA	\$ 433,804	\$ 306,872	\$ 63,519	\$ 239,853	\$ 248,511	\$ 226,501	

- (a) Represents the charge associated with the acquisitions for acquired inventory which was increased to its estimated selling price, less the cost of disposal and a reasonable profit allowance for the selling effort (the "inventory step-up"), as required under GAAP. The inventory step-up was recognized into earnings based on normal inventory turns and resulted in costs above standard post-acquisition costs.
- (b) For the fiscal year ended December 31, 2011, we recorded the settlement in principle of AWP litigation claims related to federal contributions to state Medicaid programs in 49 states (excluding Illinois), and the claims of Texas, Florida, Alaska, South Carolina and Kentucky relating to their Medicaid programs for \$154.0 million, recorded a settlement with the State of Idaho for \$1.7 million and recorded an accrual for the remaining AWP matters. 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. We also accrued for a contingent liability of \$9.0 million related to omeprazole/sodium bicarbonate patent litigation during this period. In 2013, we recorded an incremental provision of \$25.7 million related to the settlement of AWP litigation claims (Illinois \$19.8 million, Louisiana \$3.3 million, Utah \$1.7 million and Kansas \$0.9 million). 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 2014, we also received an arbitration award of approximately \$0.9 million from a former partner related to a discontinued project.
- (c) Consists of external legal costs incurred in conjunction with our defense of litigation with Pentech Pharmaceuticals, the actions brought by various states and the DOJ as it relates to the AWP litigation and the promotional practices of Par Specialty's marketing of Megace® ES.
- (d) During the fiscal year ended December 31, 2011, we announced our plans to resize our Par Specialty division. We reduced our Par Specialty workforce by approximately 90 positions. In connection with these actions, we incurred cash expenses for severance and other

Table of Contents

employee-related costs of \$1.6 million, non-cash expenses of \$24.2 million related to the impairment of products no longer a priority for our remaining Par Specialty sales force, and non-cash expenses of \$1.9 million related to inventory write-downs for samples and products associated with the products no longer a priority for our remaining Par Specialty sales force. In January 2013, we initiated a restructuring of Par Specialty, 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. 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 a 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.

- (e) Consists of transaction-related expenses incurred in connection with the acquisition of Anchen, Par Formulations and Par Sterile as well as transaction-related expenses incurred in connection with the Merger and related transactions.
- (f) Represents the initial payments made to acquire generic ANDAs and/or distribution rights from various other pharmaceutical manufacturers prior to the product achieving legal and/or regulatory approval.
- (g) Represents the write down of certain pre-launch and commercial inventory resulting from the loss of patent litigation including omeprazole/sodium bicarbonate and omega-3 acid ethyl esters oral capsules.
- (h) During the period from January 1, 2012 to September 28, 2012 (Predecessor), we abandoned an in-process research and development project and exited the market of a commercial product both of which were acquired in the Anchen acquisition and recorded a total corresponding intangible asset impairment of \$5.7 million. 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 year ended December 31, 2014 we recorded intangible asset impairments totaling approximately \$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 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.
- (i) In fiscal year 2005, we entered into a joint development and collaboration agreement with Optimer Pharmaceuticals ("Optimer") to commercialize Difimicin (PAR 101), and then in 2007 in exchange for \$20.0 million we returned the marketing rights to Optimer. During the fiscal year ended December 31, 2010, Optimer announced positive results from the second of two pivotal Phase 3 trials evaluating the safety and efficacy of fidaxomicin in patients with clostridium difficile infection, triggering a one-time \$5.0 million milestone payment due to us under a termination agreement entered into by the parties in fiscal year 2007. In addition, we recognized a gain on the sale of product rights of \$1.0 million and \$0.1 million during the fiscal years ended December 31, 2010 and December 31, 2011, respectively, and a loss on the sale of product rights of \$3.0 million during the fiscal year ended December 31, 2014, related to the sale of multiple ANDAs.
- (j) During the fiscal year ended 2010, we received a settlement of \$3.6 million related to an "earnout" payment associated with our former investment in Abrika Pharmaceuticals Inc. ("Abrika"). Abrika merged with Actavis Group in 2007. During the year ended December 31, 2013, we recorded a gain on sale of stock of a public pharmaceutical company of \$1.1 million. In addition, we recognized miscellaneous non-operating gains and losses for certain periods presented.
- (k) In February 2013, we refinanced our term loan facility. In accordance with the applicable accounting guidance for debt modifications and extinguishments, approximately \$5.9 million of the existing unamortized deferred financing costs and \$1.4 million of the related \$10.5 million soft call premium were written off in connection with this refinancing. In February 2014, in conjunction with our acquisition of Par Sterile, we amended certain senior facilities. In accordance with the applicable accounting guidance for debt modifications and extinguishments, approximately \$4.0 million of the existing unamortized deferred financing costs were written off in connection with this repricing.
- (l) During the period from July 12, 2012 (inception) to December 31, 2012 (Successor), we acquired U.S. marketing rights to five generic products that were marketed by Watson or Actavis Group, as well as eight ANDAs awaiting regulatory approval at that time 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 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 Watson and Actavis Group merger.
- (m) Represents the non-cash expense associated with stock-based compensation awards issued to various executive and non-executive employees.
- (n) During the fiscal year ended December 31, 2011, we resized our Par Specialty division and discontinued two products, Oravig® and Zuplenz®, that are no longer a priority for our remaining Par Specialty sales force. The historical periods include certain selling, general and administrative costs, including employee compensation, sales commissions, research and development and promotion and marketing expenses that were previously dedicated to supporting these two brands and will not be part of continuing operations prospectively. This adjustment has the effect of excluding product sales and operating expenses related to Oravig® and Zuplenz® as well as historical royalty revenue related to our co-promotion of Solvay's brand product Androgel®, which terminated in December 2010.
- (o) In connection with the Merger and related transactions, 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 receives an annual

Table of Contents

monitoring fee paid quarterly equal to 1% of EBITDA as defined under the credit agreement for the Senior Credit Facilities. There is an annual cap of \$4.0 million for this fee. The Manager also receives reimbursement for out-of-pocket expenses incurred in connection with services provided pursuant to the agreement. We recorded an expense of \$4.0 million and \$3.6 million for consulting and management advisory service fees and out-of-pocket expenses in the years ended December 31, 2014 and December 31, 2013, respectively, and \$0.7 million in the period from July 12, 2012 (inception) to December 31, 2012 (Successor).

- (p) Other includes costs associated with our CIA (2013 and 2014) and additional pharmaceutical manufacturer's fee charges recorded under PPACA due to final IRS regulations issued in 2014.
- (2) We present adjusted gross margin because we believe it is a useful indicator of our operating performance and facilitates a meaningful comparison to our peers. In particular, we believe that adjusted gross margin is a useful indicator of our operating performance because adjusted gross margin measures our operating performance without regard to acquisition transaction-related amortization expenses. In addition, our management uses adjusted gross margin for planning purposes, including the preparation of our annual operating budget and assessment of performance. The table below reconciles gross margin to adjusted gross margin for the periods presented. "Adjusted gross margin" is a financial measure that is not defined under GAAP. Adjusted gross margin represents gross margin plus amortization expense, stock based compensation expense related to cost of goods, inventory write-downs related to patent litigation and cost of goods acquired on inventory step up. Adjusted gross margin does not represent and should not be considered as an alternative to gross margin, as determined by GAAP, and our calculations thereof may not be comparable to that reported by other companies.

	Fiscal years ended		For the Period		Fiscal years ended	
	December 31,	December 31,	July 12,	January 1,	December 31,	December 31,
	2014	2013	2012 to	2012 to	2011	2010
	(Successor)	(Successor)	(Successor)	(Predecessor)	(Predecessor)	(Predecessor)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(\$ in thousands)					
Gross margin	\$ 479,115	\$ 318,043	\$ 45,445	\$ 342,350	\$ 386,744	\$ 373,531
Amortization expense	185,655	184,258	42,801	30,344	13,106	14,439
Stock based compensation expense related to cost of goods	858	902	224	728	983	1,407
Inventory write-downs related to patent litigation(a)	—	—	—	10,318	—	—
Cost of goods acquired on inventory step up(b)	9,031	6,557	21,543	4,048	5,152	—
Other	70	357	—	—	—	—
Adjusted gross margin	\$ 674,729	\$ 510,117	\$ 110,013	\$ 387,788	\$ 405,985	\$ 389,377

- (a) Represents the write down of certain pre-launch and commercial inventory resulting from the loss of patent litigation including omeprazole/sodium bicarbonate and omega-3 acid ethyl esters oral capsules.
- (b) Represents the charge associated with acquisitions for acquired inventory which was increased to its estimated selling price, less the cost of disposal and a reasonable profit allowance for the selling effort (the "inventory step-up"), as required under GAAP. The inventory step-up was recognized into earnings based on normal inventory turns and resulted in costs above standard post-acquisition costs.
- (3) Pro Forma Earnings Per Share:

We declared and paid dividends to our stockholders of \$494.3 million in February 2015 and we amended our Senior Credit Facilities, which included new borrowings that were used to pay the cash dividends (the "Dividend Recapitalization"). For the purposes of the pro forma earnings per share of common stock calculations, we have assumed that the Dividend Recapitalization had occurred as of January 1, 2014. The basic and diluted pro forma per share of common stock calculations presented below give effect to the Dividend Recapitalization and the number of shares whose proceeds would be necessary to fund the Dividend Recapitalization in addition to historical EPS. The basic pro forma earnings per share of common stock is computed by dividing net loss available to common shareholders by the pro forma weighted average number of shares of common stock outstanding during the period. The diluted pro forma earnings per share of common stock calculation also assumes the conversion, exercise or issuance of all potential shares of common stock, unless the effect of inclusion would be anti-dilutive.

The following presents the computation of pro forma basic and diluted earnings per share:

	Year ended
	December 31,
	2014
Numerator:	
Net loss as reported	\$
Net loss pro forma adjustments:	
Interest expense, net of tax	
Amortization of debt issuance costs and discount, net of tax	
Pro forma net loss	\$
Denominator:	
Weighted average common shares used in computing basic and diluted loss per common share outstanding	
Adjustment for common stock issued whose proceeds will be used to fund the Dividend Recapitalization	
Pro forma weighted average common shares used in computing basic and diluted loss per common share outstanding	
Pro forma basic and diluted loss per share	\$

[Table of Contents](#)

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis includes forward-looking statements that involve risks and uncertainties. You should read the "Cautionary note regarding forward-looking statements" and "Risk factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Company overview and principal products

We are a leading U.S. pharmaceutical company specializing in developing, licensing, manufacturing, marketing and distributing generic drugs. As of December 31, 2014, 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 generic products that are difficult to formulate, difficult to manufacture or face complex legal and regulatory challenges. We operate in two business segments, Par Pharmaceutical, which includes generic products marketed under Par Pharmaceutical and sterile products marketed under Par Sterile, and Par Specialty, which markets two branded products, Nascobal® Nasal Spray and Megace® ES. Our top ten revenue products accounted for approximately 50% of total consolidated revenues in 2014 and a significant percentage of total consolidated gross margins for the year ended December 31, 2014.

Merger overview

On September 28, 2012, Par Pharmaceutical Companies and its subsidiaries were acquired by investment funds affiliated with TPG and certain co-investors through the Merger, resulting in Par Pharmaceutical Companies and its subsidiaries becoming our wholly-owned subsidiaries. The Merger had a significant impact on our financial condition and our results of operations are significantly different after September 28, 2012. Also, the application of acquisition method accounting as a result of the Merger required that our assets and liabilities be adjusted to their fair value, which resulted in an increase in our depreciation and amortization expense. The excess of the purchase price over the fair value of our net assets and identified intangible assets was allocated to goodwill.

Certain financial information for the year ended December 31, 2012 includes data from the "Predecessor" period, which covers the period preceding the Merger (January 1, 2012 to September 28, 2012) and data from the "Successor" period, which covers the period following the inception of the Company (July 12, 2012 to December 31, 2012). Certain amounts in this prospectus combine the results of the Predecessor and the Successor. Such combination was performed by mathematical addition and does not comply with GAAP, although we believe it provides a reasonable method of comparison for certain accounts. The data is being presented for analytical purposes only. Combined operating results (i) have not been prepared on a pro forma basis as if the Merger occurred on the first day of the period, (ii) may not reflect the actual results we would have achieved absent the Merger and (iii) may not be predictive of future results of operations. Refer to "Prospectus summary—Recent performance" for more information.

How we assess the performance of our business

In assessing the performance of our company, we consider a variety of performance and financial measures. These key measures include revenue and gross margin. We also review other metrics such as adjusted EBITDA

[Table of Contents](#)

and adjusted gross margin. For a discussion of our use of these measures and a reconciliation of adjusted EBITDA to net (loss) income and adjusted gross margin to gross margin, refer to "Prospectus Summary— Summary historical and pro forma condensed consolidated financial data" and "Selected historical consolidated financial data."

Components of our results of operations***Sales and gross margins***

Sales and gross margins of our products depend principally on:

- the extent of market penetration for our existing product line, the introduction of other products in direct competition with our products, and the pricing practices of our competitors;
- our ability to successfully develop, procure regulatory approvals of, overcome legal challenges to, manufacture commercial quantities of, launch and commercialize our products;
- our ability to select products for development that prove to be valuable in terms of market size, pricing dynamics and limited competition, such as first-to-file and first-to-market products;
- our ability to obtain marketing exclusivity periods for our products, and the pace at which our competitors enter the market after any applicable exclusivity period ends or during our exclusivity period with authorized generic products or products with shared exclusivity, which may diminish the amount and duration of significant profits we are able to generate from any such product;
- our ability to obtain quality raw materials for our products at competitive prices, including the APIs necessary to manufacture our products;
- the willingness of our customers to switch among generic drugs of different pharmaceutical manufacturers;
- the consolidation our customer base through mergers, acquisitions and the formation of buying groups;
- customer satisfaction with the breadth of our product line and with the level and quality of our customer service;
- the continuation of our existing license, supply and distribution agreements and our ability to enter into new agreements; and
- the market acceptance of our current and future branded products and our ability to maintain patent protection of our branded products.

Net sales and gross margins derived from generic pharmaceutical products often follow a pattern based on regulatory and competitive factors that we believe to be unique to the generic pharmaceutical industry. As the patent protection for a branded product expires or is successfully challenged in court and the related exclusivity period terminates, the first generic manufacturer to receive regulatory approval from the FDA for a generic version of the product is often able to capture a substantial share of the generic market. However, the brand company may launch an authorized generic, directly or through a third party, in competition with the generic manufacturer's version. As additional generic manufacturers receive regulatory approvals for their own generic versions of the product, the market share and the price of the generic products typically decline, often significantly and rapidly, depending on several factors, including the number and pricing strategy of competitors.

Net sales and gross margins derived from branded pharmaceutical products typically follow a different pattern. Sellers of branded products benefit from being the exclusive supplier to the market due to patent protections

Table of Contents

for the branded products. The benefits include significantly higher gross margins relative to sellers of generic pharmaceutical products. However, commercializing branded pharmaceutical products is more costly than generic pharmaceutical products. Sellers of branded pharmaceutical products often have increased infrastructure costs relative to sellers of generic pharmaceutical products and make significant investments in the development and/or licensing of these products without a guarantee that these expenditures will result in the successful development or launch of branded products that will prove to be commercially successful. Selling branded products also tends to require greater sales and marketing expenses to create a market for the products than is necessary with respect to the sale of generic products. The patents protecting a branded product's sales are also subject to attack by generic competitors. Specifically, after patent protections expire, or after a successful challenge to the patents protecting one of our branded products, generic products can be sold in the market at a significantly lower price than the branded version, and, where available, may be required or encouraged in preference to the branded version under third party reimbursement programs, or substituted by pharmacies for branded versions by law.

In addition to the substantial costs and uncertainty of product development, we incur significant legal costs in bringing our generic products to market. Litigation concerning patents and proprietary rights is often protracted and expensive, and the outcome of such suits is inherently uncertain. Pharmaceutical companies with patented branded products usually sue companies that seek approval to produce generic forms of their products for alleged patent infringement or other violations of intellectual property rights, which subjects the generic companies to expensive, protracted litigation that delays and may prevent the entry of such generic products into the market. In the case of an ANDA filed with a Paragraph IV certification, the overwhelming majority are subject to litigation by the brand company, because bringing suit triggers a 30-month statutory delay of FDA approval of the ANDA. Because we focus on developing first-to-file, Paragraph IV products, we are subject to a significant number of protracted and costly patent litigations, which can result in a substantial delay in, or prevent, the approval and sale of our generic products, which could have a material adverse effect on our business, financial condition, prospects and results of operations.

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. 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 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,

Table of Contents

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 in the United States, 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.

Expenses

In addition to the substantial costs and uncertainty of product development, we typically incur significant legal costs in bringing certain generic products to market. Litigation concerning patents and proprietary rights is often protracted and expensive. Pharmaceutical companies with patented branded products routinely sue companies that seek approval to produce generic forms of their products for alleged patent infringement or other violations of intellectual property rights, which delays and may prevent the entry of such generic products into the market. In the case of an ANDA filed with a Paragraph IV certification, the overwhelming majority are subject to litigation by the brand company, because bringing suit triggers a 30-month statutory delay of FDA approval of the ANDA. Because the majority of our current business involves the development, approval and sale of generic versions of branded products, many with a Paragraph IV certification, the threat of litigation, the outcome of which is inherently uncertain, is always present. Such litigation is often costly and time-consuming, and could result in a substantial delay in, or prevent, the introduction and/or marketing of our generic products, which could have a material adverse effect on our business, financial condition, prospects and results of operations

Recent developments

On February 20, 2015, Par Pharmaceutical Companies entered into an amendment ("Amendment No. 5") to its Senior Credit Facilities which was effective as of February 25, 2015 and increased the maximum first lien senior secured net leverage ratio levels included in the financial maintenance covenant, which covenant only applies to the extent there are borrowings under the Revolving Credit Facility (as defined below) (excluding undrawn letters of credit to the extent cash collateralized) outstanding.

On February 25, 2015, Par Pharmaceutical Companies entered into an amendment ("Amendment No. 6") to its Senior Credit Facilities which authorized the funding of a new tranche of term loans (the "Incremental B-3 Term Loans") in an aggregate principal amount of \$425.0 million, the proceeds of which were used to pay the Dividend Recapitalization and related fees and expenses. The terms of the Incremental B-3 Term Loans are substantially the same as the terms of the Tranche B-2 Term Loans (as defined below), except that (1) the interest rate margins applicable to the Incremental B-3 Term Loans are 3.25% for LIBOR and 2.25% for base rate, a 25 basis point increase compared to the Tranche B-2 Term Loans and (2) the Incremental B-3 Term Loans are subject to a soft call provision applicable to the optional prepayment of the loans which requires a premium equal to 1.00% of the aggregate principal amount of the loans being prepaid if, on or prior to August 25, 2015, Par Pharmaceutical Companies enters into certain repricing transactions. Additionally, all voluntary and mandatory prepayments of outstanding term loans must be made pro rata among the Incremental B-3 Term Loans and the Tranche B-2 Term Loans.

In February 2015, our board of directors declared a cash dividend of \$0.6303 per share (or approximately \$494.3 million in the aggregate) to stockholders of record as of February 25, 2015.

On February 20, 2014, we completed our acquisition of Par Sterile, a privately-held, specialty sterile products pharmaceutical company. The consideration for the acquisition consisted of \$487.0 million in cash, after

[Table of Contents](#)

finalization of certain customary working capital adjustments. We financed the acquisition with proceeds received in connection with the debt financing provided by third party lenders of \$395.0 million and an equity contribution of \$110 million from certain investment funds associated with the Sponsor. Among the primary reasons we acquired Par Sterile and the factors that contributed to the preliminary recognition of goodwill were that the acquisition immediately expanded our presence into the rapidly growing market for injectables and other sterile products, such as ophthalmics. The result is a broader and more diversified product portfolio, and an expanded development pipeline. With its high-barrier-to-entry products, Par Sterile represents a complement to our strategy and product line.

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 to December 31, 2012

Results of operations, including segment net revenues, segment gross margin and segment operating (loss) income information for Par Pharmaceutical, our generic and sterile products division, and Par Specialty, our branded products division are detailed below. Additionally, we have prepared discussion and analysis of the combination of the periods (a) January 1, 2012 to September 28, 2012 (Predecessor), and (b) July 12, 2012 (inception) to December 31, 2012 (Successor), on a combined basis (labeled "Total") for purposes of comparison with 2014 and 2013. We believe this approach provides the most reasonable method of comparison to the other periods presented in this prospectus. Refer to "Prospectus summary—Recent performance" for more information.

Revenues (2014 compared to 2013)

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

	For the year ended		\$ Change
	December 31, 2014	December 31, 2013	
Product	(Successor)	(Successor)	
Par Pharmaceutical			
Budesonide (Entocort® EC)	\$ 142,853	\$ 198,834	\$ (55,981)
Bupropion ER (Wellbutrin®)	84,467	45,403	39,064
Propafenone (Rythmol SR®)	75,966	70,508	5,458
Amlodipine/Valsartan (Exforge®)	60,784	—	60,784
Divalproex (Depakote®)	59,052	46,635	12,417
Metoprolol succinate ER (Toprol-XL®)	46,251	56,670	(10,419)
Clonidine ER (Kapvay®)	45,134	13,008	32,126
Lamotrigine (Lamictal XR®)	40,673	54,577	(13,904)
Aplisol®	35,228	—	35,228
Modafinil (Provigil®)	2,123	27,688	(25,565)
Chlorpheniramine/Hydrocodone (Tussionex®)	26,899	33,518	(6,619)
Other	594,751	450,148	144,603
Other product related revenues	26,950	31,429	(4,479)
Total Par Pharmaceutical Revenues	\$ 1,241,131	\$ 1,028,418	\$ 212,713
Par Specialty			
Nascobal® Nasal Spray	\$ 32,332	\$ 26,864	\$ 5,468
Megace® ES	31,653	39,510	(7,857)
Other and other product related revenues	3,505	2,675	830
Total Par Specialty Revenues	\$ 67,490	\$ 69,049	\$ (1,559)