All of our Named Executives, other than Mr. Coughlin, were employed at the time the Merger occurred and were granted option awards at that time that were intended to serve as long-term incentives covering a five-year time frame. In determining the size of each executive's equity award, the Holdings Board considered factors such as the estimated long-term values of these awards, the size of prior awards granted to the executive, and the executive's position and responsibilities. In 2014, Holdings made additional option grants to each of our Named Executives (other than Mr. Coughlin) following the Sponsor's purchase of additional shares of Holdings's common stock in connection with the acquisition of Par Sterile (described above under the heading "*Recent Acquisitions*"), which had resulted in the equity ownership of our Named Executives (other than Mr. Coughlin) and other holders of Holdings's common stock being diluted. The Holdings Board decided to make these grants in order to generally maintain the equity ownership levels of our Named Executives (on a fully diluted basis) before and after the additional equity purchase by the Sponsor. Because the long-term equity incentive grants made to our Named Executives (other than Mr. Coughlin) in 2012 were intended to provide incentives over a multi-year period, except for the anti-dilution grants described above, no equity grants were made to our Named Executives in 2014, other than Mr. Coughlin's grants, as described below.

Mr. Coughlin's option award, granted at his time of hire, was intended to be comparable in size to the awards made to our Named Executives who were employed at the time of the Merger, while still providing an appropriately-sized incentive based on factors such as internal equity and market conditions. Mr. Coughlin's option award was also intended to cover a four-year time frame that generally aligns with the last four years of vesting opportunities for option awards granted to our other Named Executives in connection with the Merger. The Committee, upon the recommendation of Mr. Campanelli, also approved a supplemental stock option award to Mr. Coughlin in December 2014, which was granted to him on January 26, 2015, and therefore does not appear in the tables below. This supplemental grant of 588,235 stock options was made in recognition of Mr. Coughlin's successful assumption of a key leadership role within the Company and contributions to our financial and operational results in 2014 and has vesting terms that align with the grants made to other Named Executives in connection with the Merger, except that it is intended to cover a three-year time frame that generally aligns with the last three years of vesting opportunities for those option awards.

Half of the stock options granted to our Named Executives in connection with the Merger are subject to time-based vesting; the other half of the stock options are subject to performance-based vesting. The time-based stock options vest over a five-year period and the performance-based stock options are eligible to vest over a five-year period based on our achievement of specified Adjusted EBITDA goals for each of the five fiscal years beginning with our 2013 fiscal year, subject to the executive's remaining in continuous employment with (or other service to) us through an applicable anniversary of the vesting commencement date (which is September 28, 2012 for option awards granted in connection with the Merger). To the extent the performance-based stock options do not vest because the Adjusted EBITDA goal is not met (and is not met based on the combined Adjusted EBITDA for a given fiscal year and the next succeeding fiscal year), the stock options will remain outstanding and vest (together with any other unvested performance-based stock options) if the Sponsor realizes certain returns on its investment in us. Each stock option award granted to our Named Executives in 2014 was also evenly split between time- and performance-based stock options and was subject to the same vesting conditions as are described above, except that, other than the supplemental grant approved for Mr. Coughlin at the end of 2014, the stock options are generally subject to vesting over a four-year period beginning in our 2014 fiscal year.

The vesting of stock options is described in greater detail in footnote 2 to the "Outstanding Equity Awards at 2014 Fiscal Year-End" table below. In addition, as discussed below in "Potential Payments upon Termination or Change in Control for Fiscal Year 2014 -- 2012 EIP," time-based stock options are subject to accelerated vesting in limited circumstances relating to change in control events and certain terminations of employment.

For our 2014 fiscal year, performance-based stock options were eligible to vest if we achieved an Adjusted EBITDA of $374 million (determined in the same manner as is described above). Because we achieved Adjusted EBITDA of $433.8 million for our 2014 fiscal year, performance-based stock options that were first eligible to vest with respect to our 2014 fiscal year have vested or, in certain cases, will vest if the holder remains employed with (or otherwise provides service to) us through an applicable anniversary of the vesting commencement date as set forth in his or her option agreement.

In connection with the Merger, we also provided our Named Executives (and other executives) with the opportunity to roll over outstanding equity of the Company held by them immediately prior to the consummation of the Merger into our equity, and each of our Named Executives (other than Mr. Coughlin, who was not employed by us at the time) elected to do so.

Traditional Employee Benefits and Executive Perquisites

In 2014, we maintained broad-based benefits programs for all eligible employees, including our Named Executives, which included health insurance, life and disability insurance and dental insurance, to remain competitive in the marketplace and enable us to attract and retain quality employees. We maintained a 401(k) plan, in which eligible employees, including our Named Executives, were permitted to contribute from 1% to 25% of their compensation to the plan. We also matched employee contributions, including those made by our Named Executives, to our 401(k) plan in an amount equal to 50% of up to 6% of the employee's compensation.

In addition, we provided our Named Executives with perquisites and other personal benefits that we believed were reasonable

and consistent with our overall compensation program and were intended to enable us to attract and retain highly-qualified employees for key positions. In 2014, perquisites granted to our Named Executives included an automobile allowance, supplemental life insurance, supplemental disability benefits, gym memberships and executive physicals. Please see "Summary Compensation Table for Fiscal Years 2014, 2013 and 2012" for a further description of the value of perquisites provided to each of our Named Executives.

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Compensation Mix

The mix of fixed versus variable compensation is an important factor in motivating our Named Executives and other key employees to contribute to our financial performance over the short- and long-term and in aligning management interests with stockholder interests. Our view is that, the more senior the executive, (i) the greater the percentage of the executive's cash compensation that should be in the form of an annual bonus opportunity, which is contingent on achieving the Company's short-term performance objectives, and (ii) the greater the percentage of the executive's overall target total direct compensation that should be comprised of equity compensation, the value of which is dependent on Holdings' stock performance. We believe this compensation framework focuses executives on improving financial results and creating value for our stockholders.

Our philosophy on the appropriate compensation mix for our Named Executives is evident in the long-term incentive awards we have granted to them since the Merger in 2012. As shown in the "Summary compensation table for the fiscal years 2014, 2013 and 2012" below, a very significant portion of the compensation paid to our Named Executives since the Merger has been in the form of stock options (including, in 2012, grants to Messrs. Campanelli, Tropiano and Haughey that were intended to serve as an incentive to them over a five-year vesting period). The Committee views long-term incentive compensation as a critical tool for linking executive pay with the interests of our stockholders and therefore has weighted it heavily in our overall compensation program. For more information on these awards, see the "Outstanding Equity Awards at 2014 Fiscal Year-End" table below.

Severance and Change of Control

We provide our Named Executives with certain benefits upon termination of their employment in various circumstances, including in connection with a change of control, pursuant to employment agreements and our Change in Control Severance Policy (the "Change in Control Policy"). However, the benefits payable to a Named Executive under the Change in Control Policy would be reduced by the severance benefits provided under an applicable employment or severance agreement. We believe providing severance benefits to our Named Executives helps retain their continued services and keep them focused on our long-term interests. Please see "Potential Payments upon Termination or Change of Control for Fiscal Year 2014" for a description of the benefits provided to our Named Executives upon termination of their employment in various circumstances.

Executive Financial Recoupment Program

We established the Executive Financial Recoupment Program (the "Recoupment Program"), which generally permits us to recover incentive compensation (which includes equity awards and cash bonuses) from a "covered person" upon a determination that (a) such covered person engaged in significant misconduct (e.g., a violation of a significant law or regulation or our policy) and/or (b) a company representative for whom such covered person had supervisory responsibility engaged in significant misconduct that does not constitute an isolated occurrence and that such covered person knew or should have known was occurring, with respect to the circumstances described in each of subsections (a) and (b), which makes (or with respect to cash bonuses or equity awards already made, would have made) such covered person and/or company representative ineligible for an annual bonus, bonus deferral or other deferred or unvested equity award in the applicable plan year or subsequent plan year. Subject to applicable law, the Recoupment Program permits us to recover incentive compensation from an executive (i) in the case of a cash bonus, for a period of three years from the date that such bonus was paid (or if the payment of the bonus is deferred, the date that such bonus would have been paid but for the deferral), (ii) in the case of deferred or unvested equity awards, until three years after such executive's employment termination date and (iii) in the case of vested equity awards, for the three-year period prior to the date that the applicable recoupment determination is made. Under the Recoupment Program, a "covered person" is any company executive at the level of Vice President or above, including each of our Named Executives.

Tax Consequences and Deductibility of Executive Compensation

Executive compensation paid in our 2014 fiscal year was not subject to the provisions of Section 162(m) of the United States Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), which limits the deductibility of compensation paid to certain individuals to $1 million, excluding qualifying performance-based compensation and certain other compensation. Following any initial public offering of Holdings' common stock, at such time as we are subject to the deduction limitation under Section 162(m) of the Internal Revenue Code, we expect that the Committee will consider the impact of Section 162(m) of the Internal Revenue Code when structuring our executive compensation arrangements with our Named Executives. However, the Committee will retain flexibility to approve compensation arrangements that promote the objectives of our compensation program but that may not qualify for full or partial tax deductibility.

Accounting Considerations with Regard to Compensation Practices

We review on an on-going basis our compensation programs and the impact of such compensation programs on our financial statements, including the accounting treatment of equity-based compensation, and our compensation decisions may be influenced by such factors.

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Compensation Risk Assessment

We last completed a comprehensive compensation risk assessment in 2012, when our common stock was publicly-traded on the New York Stock Exchange. Since that time, management has continued to monitor the Company's compensation programs to ensure that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table for Fiscal Years 2014, 2013 and 2012

The following table sets forth information regarding compensation earned or paid, as applicable, for the fiscal years ended December 31, 2014, December 31, 2013, and December 31, 2012, by or to our Named Executives.

Name and Principal Position	Year	Salary ($)	Stock Awards (1) ($)	Option Awards (2) ($)	Non-Equity Incentive Plan Compensation (3) ($)	All Other Compensation (4) ($)	Total ($)
	2014	870,933	0	3,360,000	2,200,000	25,343	6,456,278
Paul V. Campanelli, *Chief Executive Officer*	2013	850,000	0	0	1,250,000	25,163	2,125,163
	2012	615,385	1,666,698	9,067,841	550,000	26,043	11,925,967
	2014	486,418	0	201,600	448,000	26,674	1,162,692
Michael A. Tropiano, *Executive Vice President and Chief Financial Officer*	2013	475,000	0	0	358,750	27,474	861,224
	2012	434,615	375,004	2,646,157	425,000	26,374	3,907,150
	2014	665,625	0	373,800	734,000	23,477	1,796,902
Thomas J. Haughey, *Chief Administrative Officer and General Counsel*	2013	650,000	0	0	587,500	23,827	1,261,327
	2012	569,231	1,666,698	5,017,841	550,000	23,177	7,826,947
Terrance J. Coughlin, *Chief Operating Officer*(5)	2014	399,808	0	2,400,000	433,125	7,800	3,240,733

(1) The amounts listed reflect the grant date values of stock awards determined in accordance with FASB ASC 718-10 Compensation - Stock Compensation. For assumptions used in determining these values, see Note 17 to our audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K. No stock awards were granted to our Named Executives from the effective date of the Merger through the end of our 2014 fiscal year.

(2) The amounts listed reflect the grant date fair values of option awards determined in accordance with FASB ASC 718-10 Compensation - Stock Compensation. For assumptions used in determining these values, see Note 17 to our audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K. Please see "Outstanding Equity Awards at 2014 Fiscal Year-End" below for a description of the vesting terms that apply to outstanding stock options held by our Named Executives. For the performance-based option awards, the maximum payout level of such awards is equal to the target payout level, which is reflected in the amounts listed.

(3) The amounts listed represent amounts paid pursuant to our annual incentive program. See the discussion under "Components of Executive Compensation and Decisions Related to 2014 Compensation for Named Executives- Annual Cash Incentive" for a description of how the amounts paid for 2014 were determined.

(4) The total amounts shown in the "All Other Compensation" column are comprised of the following items, as applicable to each Named Executive for our 2014 fiscal year:

Name	Year	401(k) Plan Matching Contributions ($)	Premiums for Executive Life and Disability Insurance ($)	Car Allowance ($)	Gym Membership ($)
Paul V. Campanelli	2014	7,800	4,398	12,600	500
Michael A. Tropiano	2014	7,800	6,274	12,600	0
Thomas J. Haughey	2014	7,800	3,077	12,600	0
Terrance J. Coughlin	2014	7,800	0	0	0

(5) Mr. Coughlin commenced employment with us on April 1, 2014.

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Grants of Plan-Based Awards for Fiscal Year 2014

The following table sets forth the grants of plan-based awards made to our Named Executives during 2014.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) ($) Threshold	Target	Maximum	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (2) ($/Sh)	Grant Date Fair Value of Option Awards (3) ($)
Paul V. Campanelli	-- 5/9/14	566,312	871,250	1,742,500	4,000,000	$1.40	$3,360,000
Michael A. Tropiano	-- 5/9/14	205,705	316,469	632,938	240,000	$1.40	$201,600
Thomas J. Haughey	-- 5/9/14	324,797	499,688	999,376	445,000	$1.40	$373,800
Terrance J. Coughlin	-- 4/1/14	205,718	385,000	--	2,857,143	$1.40	$2,400,000

(1) We provide performance-based annual incentive awards to our Named Executives under our annual incentive program administered by the Committee. These columns indicate the ranges of possible payouts for 2014 performance for each of our Named Executives. “Threshold” refers to the minimum amount payable for a certain level of performance under the annual incentive program, whereas “Target” refers to the amount payable if the specified performance target is reached, and “Maximum” refers to the maximum payout possible under the program. Actual bonus awards paid in 2014 are set forth in the “Non-Equity Incentive Plan Compensation” column of the “Summary compensation table for fiscal years 2014, 2013 and 2012” above. For additional discussion of our annual incentive program, see “Components of Executive Compensation and Decisions Related to 2014 Compensation for Named Executives-Annual Cash Incentive.”

(2) The exercise price of the stock options represents the fair market value of a share of Holdings' common stock on the applicable grant date as determined by the Holdings Board.

(3) The amounts listed reflect the grant date fair values of option awards determined in accordance with FASB ASC 718-10 Compensation - Stock Compensation. For assumptions used in determining these fair values, see Note 17 to our audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K. Please see “Outstanding Equity Awards at 2014 Fiscal Year-End” below for a description of the vesting terms that apply to outstanding stock options held by our Named Executives.

Narrative Disclosure to Summary Compensation Table and Grants of Plan Based-Awards Table

Employment Agreements. On September 28, 2012, Par Pharmaceutical, Inc. and the Company entered into employment agreements with each of Messrs. Campanelli, Tropiano and Haughey. The agreements with Messrs. Campanelli, Tropiano and Haughey amended and restated the employment agreement to which each executive was party immediately prior to September 28, 2012. Each amended and restated employment agreement provides for an initial term that runs from September 28, 2012 to September 28, 2017 and automatically renews for an additional year on September 29, 2017 and on each September 29 thereafter, unless terminated by the parties pursuant to the agreement’s terms. Under his employment agreement, Mr. Campanelli’s annual base salary was initially set at $850,000 and he is eligible to receive an annual cash bonus with a target of 100% of his annual base salary and a maximum of 200% of his annual base salary. Under his employment agreement, Mr. Tropiano’s annual base salary was initially set at $475,000 and he is eligible to receive an annual cash bonus with a target of 60% of his annual base salary (his target annual cash bonus has since been increased to 65% of his annual base salary, as discussed above) and a maximum of 120% of his annual base salary (increased to 130% of his annual base salary). Under his employment agreement, Mr. Haughey’s annual base salary was initially set at $650,000 and he is eligible to receive an annual cash bonus with a target of 75% of his annual base salary and a maximum of 150% of his annual base salary. Each of Messrs. Campanelli, Tropiano and Haughey is entitled to an automobile allowance equal to $1,050 per month under his employment agreement.

On February 12, 2014, Par Pharmaceutical, Inc. and the Company entered into an employment agreement with Mr. Coughlin. The agreement provides for an initial term that runs from April 1, 2014 through March 31, 2017 and automatically renews for an additional year on April 1, 2017 and on each April 1 thereafter, unless terminated by the parties pursuant to the agreement’s terms. Under his employment agreement, Mr. Coughlin’s annual salary was initially set at $550,000 and he is eligible to receive an annual cash bonus with a target of 70% of his base salary.

Pursuant to his employment agreement, each Named Executive is also entitled to participate in our employee benefit and welfare plans and programs, subject to their terms, and to Company-paid premiums for a $1 million life insurance policy.

Severance. The severance and restrictive covenants provisions of each Named Executive’s employment agreement are

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described below under “Potential Payments upon Termination or Change of Control for Fiscal Year 2014.”

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Outstanding Equity Awards at 2014 Fiscal Year-End

The following table sets forth certain information with respect to the number of shares of Holdings common stock covered by exercisable and unexercisable stock options held by our Named Executives at December 31, 2014. None of our Named Executives held any stock awards at December 31, 2014.

	Option Awards					
Name	Number of Securities Underlying Unexercised Options Exercisable (#)		Number of Securities Underlying Unexercised Options Unexercisable (2) (#)		Option Exercise Price (3) ($)	Option Expiration Date
(a)	(b)		(c)		(d)	(e)
Paul V. Campanelli	1,329,840	(1)			0.25	1/07/2019
	522,864	(1)			0.25	1/03/2020
	319,253	(1)			0.25	1/05/2021
	1,169,446	(1)			0.25	1/04/2022
	5,000,000	(2)	7,500,000		1.00	10/31/2022
			4,000,000	(4) (5)	1.40	5/9/2024
Michael A. Tropiano	179,063	(1)			0.25	1/03/2020
	294,684	(1)			0.25	1/05/2021
	526,257	(1)			0.25	1/04/2022
	1,400,000	(2)	2,100,000		1.00	10/31/2022
			240,000	(4)	1.40	5/9/2024
Thomas J. Haughey	427,174	(1)			0.25	1/07/2019
	750,787	(1)			0.25	1/03/2020
	319,253	(1)			0.25	1/05/2021
	1,169,446	(1)			0.25	1/04/2022
	2,600,000	(2)	3,900,000		1.00	10/31/2022
			445,000	(4)	1.40	5/9/2024
Terrance J. Coughlin			2,857,143	(5)	1.40	4/1/2024

(1) In conjunction with the Merger, our Named Executives were given the opportunity to exchange their stock options in the Company (“Par Options”) for stock options to acquire common stock of Holdings (“Rollover Stock Options”). All Rollover Stock Options maintained the same 10-year term as the corresponding Par Option. All of the Rollover Stock Options were either vested prior to September 28, 2012 or their vesting was accelerated as of September 28, 2012 in accordance with the terms of the Par Option agreements and the equity plan under which the Par Options were granted.

(2) In conjunction with the Merger, our Named Executives (other than Mr. Coughlin, who was not employed by us at the time) were granted stock options on October 31, 2012. Each option award granted in connection with or since the Merger is divided into two equal tranches of stock options, called “Tranche 1 Options” and “Tranche 2 Options.” Tranche 1 Options are time-based options and Tranche 2 Options are performance-based options.

Tranche 1 Options granted in connection with the Merger vest in five equal annual installments beginning on the first anniversary of the vesting commencement date (September 28, 2012), provided that the executive remains in continuous employment with (or other service to) us from the date of grant. Tranche 2 Options granted in connection with the Merger vest based upon the executive’s remaining in continuous employment with (or providing other service to) us and the

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achievement of specified annual Adjusted EBITDA targets. If any installment of these Tranche 2 Options does not vest based on the achievement of the specified annual Adjusted EBITDA targets for a particular year, such installment is eligible to vest in respect of the next succeeding fiscal year if a two-year cumulative Adjusted EBITDA target is met, except with respect to the 2017 performance tranche, for which there is no cumulative Adjusted EBITDA target. In circumstances where the specified annual or cumulative Adjusted EBITDA targets are not met, Tranche 2 Options will also vest in amounts of either 50% or 100% of the number of Tranche 2 Options subject to the award in the event that the Sponsor receives a specified level of return on investment calculated as a multiple of the total equity invested in Holdings in respect of the shares of Holdings' common stock owned by it. In December 2013, the Committee, in its discretion as allowed by the terms of the 2012 EIP and based on the level of 2013 Adjusted EBITDA achievement relative to target (approximately 99.6%), authorized the vesting of the 2013 portion of Tranche 2 Options, including the first 20% installment of all Tranche 2 Options granted in connection with the Merger that are held by our Named Executives. All Tranche 2 Options eligible to vest based on our 2014 performance vested based on our level of 2014 Adjusted EBITDA achievement relative to target (as determined by the Committee in February 2015).

(3) The exercise price of the Rollover Stock Options, as described in note (1) above, was set at $0.25 per option in connection with the exchange of the Par Options for Rollover Stock Options at the Merger. The exercise price of stock options granted on October 31, 2012, April 1, 2014 and May 9, 2014 represents the fair market value of a share of Holdings' common stock on the applicable date of grant as determined by the Holdings Board.

(4) Each option award granted to our Named Executives in 2014 was evenly split between time- and performance-based stock options and was subject to the same vesting conditions as are described in footnote (2) above, except that the option awards are subject to time- and performance-based vesting over a four-year period beginning in our 2014 fiscal year. Tranche 2 Options granted to our Named Executives in 2014 will also vest where the specified annual or cumulative Adjusted EBITDA targets are not met, in amounts of either 50% or 100% of the number of Tranche 2 Options subject to the award, in the event that the Sponsor receives a specified level of return on investment calculated as a multiple of the total amount invested in Holdings' in respect of the shares of Holdings' common stock owned by it.

(5) Mr. Coughlin’s grant of stock options was made to him in connection with the commencement of his employment with us.

Adjustments in Connection with Dividend Recapitalization. On February 25, 2015, in connection with the payment of an extraordinary cash dividend to holders of Holdings' common stock, the Holdings Board approved cash payments to holders of certain stock options and a reduction in the exercise price of certain stock options. In connection with this dividend, all option award holders, including our Named Executives, received payments equal to $0.6303 per share underlying 100% of their Rollover Stock Options, 80% of the shares underlying their options with a vesting commencement date of September 28, 2012 and 50% of the shares underlying their options with vesting commencement dates between February 20, 2014 and August 5, 2014. In addition, with respect to outstanding and unexercised options with a vesting commencement date of September 28, 2012, the exercise prices were reduced (i) from $1.00 to $0.69 for option awards eligible to vest based either on the optionee’s continued service through September 28, 2016 or the Company’s annual Adjusted EBITDA for 2016, and (ii) from $1.00 to $0.68 for options eligible to vest based either on the optionee’s continued service through September 28, 2017 or the Company’s annual Adjusted EBITDA for 2017. With respect to outstanding and unexercised options with vesting commencement dates between February 20, 2014 and August 5, 2014, the exercise prices were reduced from $1.40 to $0.77 for options eligible to vest based either on the optionee’s continued service through a date later than August 14, 2016 or the Company’s annual Adjusted EBITDA for 2016 or 2017.

Option Exercises and Stock Vested for Fiscal Year 2014

During 2014, none of our Named Executives acquired shares of common stock either by exercise of stock options or the vesting of other stock awards.

Potential Payments upon Termination or Change of Control for Fiscal Year 2014

This section describes the compensation to which a Named Executive may be entitled upon his separation or termination of employment, assuming such events were to occur on December 31, 2014. The amount of such compensation is illustrated in the “Potential Payments upon Termination for Fiscal Year 2014” table below.

Change in Control Policy

We provide our Named Executives (and other eligible employees) up to 18 months’ salary continuation, paid COBRA coverage and outplacement services pursuant to our Change in Control Policy upon termination of their employment in connection with a “change in control”. However, the benefits payable to a Named Executive under the Change in Control Policy will be reduced by any severance benefits provided to him under any employment or severance agreement with us. A Named Executive would be entitled to payments under the Change in Control Policy if, within the 24 month period following a change in control, his employment is either

terminated by us without “cause” or he terminates employment with “good reason.”

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The Change in Control Policy defines the terms “cause”, “good reason” and “change in control” as follows:

The term “cause” has the meaning defined in the eligible employee’s employment or severance agreement, and if there is no employment or severance agreement, means (i) any act or omission that would reasonably be likely to have a material adverse effect on our business; (ii) conviction of (including any no contest plea) a felony or any other crime (other than ordinary traffic violations); (iii) material misconduct or willful and deliberate non-performance of his duties (other than as a result of disability); (iv) theft, embezzlement, dishonesty or fraud with respect to the Company; (v) commission of any act of fraud, dishonesty or moral turpitude which is actually or potentially injurious to the our business interests or reputation; (vi) material breach of any written policy applicable to employees of the Company and its affiliates, where such breach is actually or potentially injurious to our business interests or reputation; or (vii) unauthorized disclosure of any confidential or proprietary information of our company or its affiliates.

The term “good reason” has the meaning defined in the eligible employee’s employment agreement, and if there is no employment agreement, (i) a material reduction in the eligible employee’s base salary; (ii) the eligible employee’s job responsibilities are substantially reduced in scope; or (iii) a material change in the eligible employee’s principal place of employment to a location more than 35 miles from his or her place of employment as of the date immediately prior to a change in control.

A “change in control” of Holdings generally means (i) any individual, firm, corporation or other entity, or any group (as defined in the Exchange Act) becomes, directly or indirectly, the beneficial owner (as defined in the Exchange Act) of more than twenty percent (20%) of the then outstanding shares entitled to vote generally in the election of our directors; (ii) the consummation of (a) a merger or other business combination of Holdings with or into another corporation pursuant to which our stockholders do not own, immediately after the transaction, more than 50% of the voting power of the corporation that survives and is a publicly owned corporation and not a subsidiary of another corporation, or (b) a sale, exchange or other disposition of all or substantially all of our assets; or (iii) our stockholders approve any plan or proposal for our liquidation or dissolution.

Since the employment agreements with the Named Executives and the Company’s practice with respect to outplacement services (as described below in footnote 3 to the “Potential Payments upon Termination for Fiscal Year 2014” table), taken together, provide for greater payments than those payable under the Change in Control Policy, the Named Executives would not receive any payments under the Change in Control Policy.

Employment Agreements with Named Executives

In connection with the consummation of the Merger, Holdings and Par Pharmaceutical, Inc. entered into amended and restated employment agreements with Messrs. Campanelli, Tropiano and Haughey. In connection with his commencement of employment with us, we entered into an employment agreement with Mr. Coughlin. These employment agreements entitle the executives to receive compensation and benefits in the event of termination of employment under certain circumstances, whether before or after a change of control of our company. The various events of termination of employment and the payments and benefits (if any) to which a Named Executive may be entitled under such situations pursuant to his amended and restated employment agreement are described below and illustrated in the “Potential Payments upon Termination for Fiscal Year 2014” table below.

Upon death or disability

Upon termination of employment for death or disability, each of our Named Executives would be entitled to a payment calculated as two times the sum of (i) his annual base salary in effect as of the termination date plus (ii) an amount equal to his annual target cash bonus, in effect as of the termination date, less any life insurance or disability insurance received by the executive or his estate. Such amounts will be payable in a lump sum upon termination of employment for death, and in installments for two years in accordance with the Company’s regular payroll practices in the even to termination of employment for disability. Upon termination of employment for disability, each of our Named Executives would also be entitled to participate, at our expense, in our group health plans in accordance with COBRA for a period of up to 18 months.

Upon termination by us without “cause”; upon termination by the Named Executive for “good reason”; or our non-renewal of the employment agreement

Upon termination of employment of any of our Named Executives (i) by us without “cause”; (ii) by the executive for “good reason”; or (iii) by our non-renewal of the employment agreement, the affected executive would be entitled to a payment calculated as two times the sum of (a) his annual base salary in effect as of the termination date plus (b) an amount equal to his annual target cash bonus in effect as of the termination date. Each of our Named Executives would also be entitled to participate, at our expense, in our group health plans in accordance with COBRA for a period of up to 18 months.

Upon non-renewal of the employment agreement by the Named Executive; upon termination by the Named Executive without “good reason”; or upon termination by us for “cause”

If the employment of any of our Named Executives is terminated (i) by his non-renewal of the employment agreement, (ii) by

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his resignation without "good reason", or (iii) by us for "cause," the executive would not be entitled to any severance payments.

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The employment agreements with each of our Named Executives define the terms "cause" and "good reason" as follows:

The term "cause" generally means (i) conviction of, guilty or no contest plea to, or confession of guilt of, a felony, or other crime involving moral turpitude; (ii) an act or omission in connection with employment that constitutes fraud, criminal misconduct, breach of fiduciary duty, dishonesty, gross negligence, malfeasance, willful misconduct or other conduct that is materially harmful or detrimental to us; (iii) a material breach by the executive of his employment agreement; (iv) continuing failure to perform such duties as are assigned to the executive, other than a failure resulting from disability; (v) knowingly taking any action on our behalf without appropriate authority to take such action; (vi) knowingly taking any action in conflict of interest with us given the executive's position with us; or (vii) the commission of an act of personal dishonesty by the executive that involves personal profit in connection with the Company.

The term "good reason" generally means (i) our failure to make any payment that we are required to make to the executive when due or within two business days; (ii) the assignment to the executive, without his written consent, of duties inconsistent with positions, responsibilities and status with us, a change in the executive's reporting responsibilities, titles or offices or any act constituting a constructive termination or removal of the executive; (iii) a reduction in the executive's base salary; or (iv) a permanent reassignment (without the executive's consent) to a primary work location more than 35 miles from our present executive offices.

2012 EIP

If the employment of a Named Executive (or other executive) is terminated without "cause" by us or for "good reason" by the executive, in each case, within two years after a "change of control", all unvested time-based stock options (Tranche 1 Options) held by the executive would become vested and exercisable. However, all unvested performance-based stock options (Tranche 2 Options) held by the executive would be forfeited upon a termination for any reason.

For this purpose, the terms "cause" and "good reason" have the meanings ascribed to them, in the case of termination of any of our Named Executives, in the affected executive's employment agreement. The term "change of control" means (i) any change in the ownership of the capital stock of Holdings if, immediately after giving effect thereto, any person (or group of persons acting in concert) other than the Sponsor and its affiliates will have the direct or indirect power to elect a majority of the members of the Holdings Board; (ii) any change in the ownership of the capital stock of Holdings if, immediately after giving effect thereto, the Sponsor and its affiliates own less than 25% of the common shares of Holdings; or (iii) the sale of all or substantially all of the assets of Holdings and its subsidiaries.

Non-compete, Non-solicitation and Release of Claims

Each of our Named Executives has agreed for 18 months following termination of his employment with us not to solicit business or employees away from us and not to provide any services that may compete with our business, regardless of the reason for such termination. Each Named Executive is required to sign a separation agreement that includes a release of claims against us as a condition to receiving the severance amounts described above.

Estimated Value of Benefits to Be Received Upon Involuntary Separation Not Related to a Change of Control or Upon Qualifying Termination Following a Change of Control

The following table shows the estimated value of payments and other benefits to be received by our Named Executives under the terms of their respective employment agreements or other arrangements in effect on December 31, 2014, assuming the employment of such individual terminates under one of the following circumstances as of December 31, 2014. There are no income tax or excise tax gross-ups of any kind provided to our Named Executives.

Potential Payments upon Termination for Fiscal Year 2014

Compensation Program	For "Cause"	By Us Without Cause; by Executive for Good Reason; Non-Renewal of Agreement by Company	Death or Disability	By the Executive Without Good Reason; or Non-Renewal of Agreement by Executive	By Us Without Cause or for Good Reason by Executive if Within the Two-Year Period After Change in Control
Cash Severance					
Mr. Campanelli	--	$3,485,000	$3,485,000	--	$3,485,000
Mr. Tropiano	--	$1,606,688	$1,606,688	--	$1,606,688
Mr. Haughey	--	$2,331,876	$2,331,876	--	$2,331,876
Mr. Coughlin		$1,870,000	$1,870,000		$1,870,000
Equity Value (2)					
Mr. Campanelli	--	--	--	--	$14,720,000
Mr. Tropiano	--	--	--	--	$2,995,200
Mr. Haughey	--	--	--	--	$5,561,600
Mr. Coughlin	--	--	--	--	$3,657,144
Perquisites/Benefits (3)					
Mr. Campanelli	--	$49,050	$32,550	--	$49,050
Mr. Tropiano	--	$49,205	$32,705	--	$49,205
Mr. Haughey	--	$49,205	$32,705	--	$49,205
Mr. Coughlin	--	$49,205	$32,705	--	$49,205

(1) Upon termination, the Named Executive would be entitled to two times the sum of annual base salary plus an amount equal to his target bonus in effect as of the termination date, which would be paid over the two-year period following the Named Executive's termination. Any life insurance and disability insurance payments received by the Named Executive would be deducted from the amount payable upon termination.

(2) Assumes the triggering event took place on the last day of the fiscal year, December 31, 2014, and the price per share is the fair market value as of that date as determined by the Holdings Board ($2.56). Time-based stock options (Tranche 1 Options) would vest upon a termination of employment by us without cause or for good reason by executive if it occurred within the two-year period after a change of control. The amounts shown in the last column represent the number of Tranche 1 Options held by the Named Executive that would vest in connection with a qualifying termination of employment following a change in control, multiplied by the positive difference between the exercise price for those stock options and $2.56.

(3) Represents the value of each Named Executive's entitlement to participate, at our expense, in all of our medical and health plans and programs in accordance with COBRA for a period of 18 months (not applicable upon termination in the event of death), as well as, in the case of a qualifying termination following a change in control, the value of outplacement services ($16,500, as of December 31, 2014) for a period of 12 months provided pursuant to our Change in Control Policy. Pursuant to Company practice, outplacement services would also be provided in the event of a Named Executive's termination of employment by us without cause, termination of employment by the Named Executive for good reason or non-renewal of the Named Executive's employment agreement by us.

Director Compensation for Fiscal Year 2014

Dr. Mansukani, who was appointed to the Holdings Board by the Sponsor effective as of the closing of the Merger, and Mr. LePore, since the expiration of his employment term on January 31, 2013, are the only members of the Holdings Board who receive compensation for their service to the Holdings Board. The other members of the Holdings Board were employees of either (i) us or (ii) the Sponsor and received no compensation for services rendered to the Holdings Board during 2014. None of the members of the Company's board of directors received compensation in 2014 for their service as members of the Company's board of directors.

The following table sets forth the 2014 compensation of the directors serving on the Holdings Board (other than directors who are Named Executives):

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Director	Fees Earned or Paid in Cash	Stock Awards	Option Awards	All Other Compensation	Total
Patrick G. LePore (1)	$300,000 (2)	--	--	$2,252,547 (3)	$2,552,547
Sharad Mansukani (4)	$ 60,000 (5)	--	$415,000 (6)		$475,000
Todd B. Sisitsky (7)	--	--	--		--
Jeffrey K. Rhodes (7)	--	--	--		--

(1) At the end of 2014, Mr. LePore held 1,780,000 stock options, 712,000 of which were vested and 1,068,000 of which were unvested. Mr. LePore's stock options vest in the same manner as the stock options granted to our Named Executives in connection with the Merger. See note 2 under the "Outstanding Equity Awards at 2014 Fiscal Year-End" table above for a description of those vesting terms. Mr. LePore did not hold any other stock options or any stock awards at the end of 2014.

(2) Pursuant to the terms of his employment agreement, which governed the terms of his employment with us and includes certain terms relating to his service as the non-employee chairman of the Holdings Board, Mr. LePore is entitled to cash compensation at an annual rate of $300,000, which is paid to him on a quarterly basis.

(3) Pursuant to the terms his separation agreement with us, which governed the terms of his termination of employment with us, Mr. LePore received $2,245,000 in cash severance payments from us in 2014. Under his separation agreement, we are obligated to pay Mr. LePore severance payments totaling $4,490,000 in equal semi-monthly installments, commencing March 2013 through March 2015. In addition, for up to 18 months following January 31, 2013, we were obligated to make monthly payments to Mr. LePore, at his election, to cover the cost of premiums for COBRA continuation coverage. During 2014, we paid Mr. LePore $7,547 to cover the cost of his COBRA premiums. Our obligation to reimburse Mr. LePore for COBRA premiums ended in July 2014.

(4) At the end of 2014, Dr. Mansukani held (i) 25,000 restricted stock units, all of which were granted to him in 2013 and are scheduled to vest on September 28, 2015, subject to his continued service to us through that date, and (ii) 1,000,000 stock options, 450,000 of which were vested and 550,000 of which were unvested. The vesting of the 500,000 stock options granted to Dr. Mansukani in 2014 is described in note 6 below. Dr. Mansukani's 500,000 other stock options were granted to him on March 12, 2013. 20% of this stock option vests on each of the first, second, third, fourth and fifth anniversaries of September 28, 2012, subject to Dr. Mansukani's continued service to us through the applicable vesting date. Dr. Mansukani did not hold any other stock options or stock awards at the end of 2014.

(5) Represents the 2014 annual cash retainer payable to Dr. Mansukani.

(6) Dr. Mansukani was granted 500,000 stock options on June 13, 2014 with an exercise price of $1.40. 25% of these stock options were vested on the grant date, an additional 25% of these stock options vested on September 28, 2014, and 25% of these stock options are scheduled to vest on each of the third and fourth anniversaries of September 28, 2012, subject to Dr. Mansukani's continued service to us through the applicable vesting date. The amount listed reflects the grant date fair value of the stock options in accordance with FASB ASC 718-10 Compensation - Stock Compensation. For assumptions used in determining these values, see Note 17 to our audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K.

(7) Messrs. Sisitsky and Rhodes are affiliated with the Sponsor and neither of them received any compensation from us for their service on the Holdings Board in 2014. Neither of Messrs. Sisitsky or Rhodes held any stock options or stock awards as of the end of 2014.

On February 25, 2015, the payments and reductions in exercise prices described above under "Adjustments in Connection with Dividend Recapitalization" were also made with respect to stock options held by Dr. Mansukani and Mr. LePore. The restricted stock units held by Dr. Mansukani were not adjusted in connection with the payment of the cash dividend and no payments were made in respect of them.

All stock options and restricted stock units described above were granted under the 2012 EIP.

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Compensation Committee Interlocks and Insider Participation

During 2014, the Holdings Board established the Committee, consisting of Messrs. Campanelli, LePore and Sisitsky and Dr. Mansukani. None of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers who serve on the Boards or the Committee.

Compensation Committee Report

The Committee reviewed and approved the Compensation Discussion and Analysis set forth above with our management. Based on such review, the Committee recommended that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

COMPENSATION COMMITTEE:

Paul V. Campanelli, Chairman
Patrick G. LePore
Todd B. Sisitsky
Dr. Sharad Mansukani

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

Holdings owns 100% of the issued and outstanding shares of common stock of Sky Growth Intermediate Holdings I Corporation which, in turn, owns 100% of the issued and outstanding shares of common stock of Sky Growth Intermediate Holdings II Corporation. All of the issued and outstanding shares of common stock of Par Pharmaceutical Companies, Inc. are held by Sky Growth Intermediate Holdings II Corporation.

The following table sets forth certain information as of February 28, 2015 with respect to shares of Holdings common stock beneficially owned by (i) each of Holdings directors, (ii) each of Par Pharmaceutical Companies, Inc.'s named executive officers, (iii) all of Holdings directors and executive officers as a group and (iv) each person known to Par Pharmaceutical Companies, Inc. to be the beneficial owner of more than 5% of the outstanding Holdings common stock as of such date. The beneficial ownership percentages reflected in the table below are based on 784,229,115 shares of Holdings common stock outstanding as of February 28, 2015.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person's ownership percentage, but not for purposes of computing any other person's percentage.

Except as described in the agreements mentioned above or as otherwise indicated in a footnote, each of the beneficial owners listed has, to our knowledge, sole voting, dispositive and investment power with respect to the indicated shares of common stock beneficially owned by them. Unless otherwise indicated in a footnote, the address for each individual listed below is c/o Par Pharmaceutical Companies, Inc., One Ram Ridge Road, Chestnut Ridge, New York 10977.

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Name	Shares of Holdings Common Stock Beneficially Owned	Percentage of Holdings Common Stock Outstanding
5% shareholders		
TPG (1)	776,071,428	99.0 %
Directors and executive officers		
Paul V. Campanelli (2)	9,341,403	1.2 %
Michael A. Tropiano (3)	2,460,004	*
Thomas J. Haughey (4)	5,377,910	*
Terrance J. Coughlin(5)	1,714,286	*
Patrick G. LePore(6)	4,712,000	-
Todd B. Sisitsky(7)	—	-
Jeffrey K. Rhodes(8)	—	*
Sharad Mansukani(9)	640,000	
All executive officers and directors as a group (8 persons) (10)	24,245,603	3.0 %

* Less than 1%.

(1) Includes 609,737,616 shares of common stock held by TPG Sky, L.P., a Delaware limited partnership ("Sky"), 158,833,812 shares held by TPG Sky Co-Invest, L.P., a Delaware limited partnership ("Sky Co-Invest"), and 7,500,000 shares held by TPG Biotechnology Partners IV, L.P., a Delaware limited partnership ("Biotech IV" and together with Sky and Sky Co-Invest, the "TPG Funds"). The general partner of Sky is TPG Advisors V, Inc., a Delaware corporation ("Advisors V"). The general partner of Sky Co-Invest is TPG Advisors VI, Inc., a Delaware corporation ("Advisors VI"). The general partner of Biotech IV is TPG Biotechnology GenPar IV, L.P., a Delaware limited partnership, whose general partner is TPG Biotech GenPar IV Advisors, LLC, a Delaware limited liability company, the sole member of TPG Biotech GenPar IV Advisors, LLC is TPG Holdings I, L.P., a Delaware limited partnership, whose general partner is TPG Holdings I-A, LLC, a Delaware limited liability company, whose sole member is TPG Group Holdings (SBS), L.P., a Delaware limited partnership, whose general partner is TPG Group Holdings (SBS) Advisors, Inc., a Delaware corporation ("Group Advisors"). David Bonderman and James G. Coulter are officers and sole stockholders of each of Advisors V, Advisors VI and Group Advisors and may therefore be deemed to be the beneficial owners of the shares held by the TPG Funds. The business address of each of the entities listed in this note is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102

(2) Shares shown as beneficially owned by Mr. Campanelli includes 9,341,403 shares underlying stock options that are currently exercisable or vest within 60 days.

(3) Shares shown as beneficially owned by Mr. Tropiano includes 2,460,004 shares underlying stock options that are currently exercisable or vest within 60 days.

(4) Shares shown as beneficially owned by Mr. Haughey includes 5,377,910 shares underlying stock options that are currently exercisable or vest within 60 days.

(5) Shares shown as beneficially owned by Mr. Coughlin includes 714,286 shares underlying stock options that are currently exercisable or vest within 60 days

(6) Shares shown as beneficially owned by Mr. LePore includes 2,000,000 shares of common stock, 712,000 shares underlying stock options that are currently exercisable or vest within 60 days and 2,000,000 shares held by Park Street Investors, L.P., a Delaware limited partnership. The General Partnership of Park Street Investors, L.P. is Park Street Investment Corporation ("PSIC"), a Delaware corporation, of which Mr. LePore and his spouse are officers and directors, and together they own a majority of the outstanding stock of PSIC.

(7) Todd B. Sisitsky, who is one of our directors, is a TPG Partner. Mr. Sisitsky has no voting or investment power over the shares held by the TPG Funds. The address of Mr. Sisitsky is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102

(8) Jeffrey K. Rhodes, who is one of our directors, is a TPG Principal. Mr. Rhodes has no voting or investment power over the shares held by the TPG Funds. The address of Mr. Rhodes is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX 76102.

(9) Includes 450,000 shares underlying stock options that are currently exercisable or vest within 60 days. Sharad S. Mansukani, who is one of our directors, is a TPG Senior Advisor. Dr. Mansukani has no voting or investment power over the shares held by the TPG Funds. The address of Dr. Mansukani is c/o TPG Global, LLC, 301 Commerce Street, Suite 3300, Fort Worth, TX

76102.

(10) Shares shown as beneficially owned includes 19,055,603 shares underlying stock options that are currently exercisable or vest within 60 days.

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

Agreements with TPG and Management

In connection with the Merger, we entered into various agreements with TPG and members of our management. These include a management stockholders' agreement, a management services agreement and a management rights agreement. These and related arrangements are described below.

Management Stockholders' Agreement

We are party to a management stockholders' agreement with TPG and certain members of management who were employed by us at the time of the Merger and other members of management that have joined the agreement since the Merger (collectively, "Management"). This agreement requires Management to vote on certain matters as directed by the Sponsor, restricts Management's ability to transfer shares, provides for certain Company and Sponsor call rights with respect to shares held by Management, and provides for drag along rights, tag along rights and lock-up restrictions. In connection with any offering, other than with respect to the restrictions on share transfer and lock-up restrictions, the material provisions of this agreement will terminate in accordance with their terms.

Management Services Agreement

Pursuant to our management services agreement with TPG, we retained an affiliate of TPG (the "Management Company") to provide us with certain management, consulting and financial services to us when and as requested by us. Under that agreement, we agreed to pay the Management Company an aggregate annual monitoring fee equal 1% of Adjusted EBITDA (as defined in the indenture that governs our Notes), up to a maximum of $4.0 million per calendar year. The monitoring fee is payable in quarterly installments in arrears at the end of each fiscal quarter. The management services agreement further provides that the Management Company will be entitled to receive fees in connection with certain subsequent financing, acquisition, disposition and change of control transactions equal to customary fees charged by internationally recognized investment banks for serving as financial advisor in similar transactions. The management services agreement also provides for reimbursement of out-of-pocket expenses incurred by the Management Company. The management services agreement includes customary exculpation and indemnification provisions in favor of the Management Company and its affiliates.

Management Rights Agreement

We are party to a management rights agreement with TPG pursuant to which we granted to TPG Partners VI, L.P. the majority owner of TPG Sky, L.P. the right to appoint at least one member of our board of directors, together with certain consultation, advisement, information and inspection rights with respect to the Company. These rights will continue following any offering, so long as TPG Partners VI, L.P. owns any interest in TPG Sky, L.P. and TPG Sky, L.P. owns any interest in the Company.

Transactions with other sponsor portfolio companies

TPG is a private equity firm that has investments in companies that do business with us in the ordinary course of business. We believe these transactions are conducted on an arms-length basis. For 2014, we purchased services of approximately $4.0 million from companies in which TPG has investments

Indemnification of Directors and Officers; Directors' and Officers' Insurance

The current directors and officers of the Company are entitled under the merger agreement relating to the Acquisition to continued indemnification and insurance coverage.

ITEM 14. Principal Accountant Fees and Services

Audit Fees and Services

The following table summarizes certain fees billed by Ernst & Young, LLP for 2014 and 2013:

Fee Category:	2014	2013

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Audit fees	$ 1,879,000	$ 1,190,000
Audit-related fees	—	—
Tax fees	—	—
All other fees	—	—
Total fees	$ 1,879,000	$ 1,190,000

Set forth below is a description of the nature of the services that Ernst & Young provided to us in exchange for such fees.

Audit Fees

Audit fees represent fees Ernst & Young billed us for the audit of our annual financial statements and the review of our quarterly financial statements and for services normally provided in connection with statutory audits of foreign subsidiaries and regulatory filings.

Audit-Related Fees

During fiscal 2014 and 2013, there were no fees billed to us for professional services rendered by Ernst & Young for any audit-related fees.

Tax Fees

During fiscal 2014 and fiscal 2013, there were no fees billed to us for professional services rendered by Ernst & Young for tax compliance, tax advice and tax planning.

All Other Fees

During fiscal 2014 and fiscal 2013, there were no fees billed to us for professional services rendered by Ernst & Young for other products or services.

Policy for Pre-Approval of Independent Registered Public Accounting Firm

Pursuant to our policy on Pre-Approval of Audit and Non-Audit Services, we discourage the retention of our independent registered public accounting firm for non-audit services. We will not retain our independent registered public accounting firm for non-audit work unless:

- In the opinion of senior management, the independent registered public accounting firm possesses unique knowledge or technical expertise that is superior to that of other potential providers;
- The approval of the Chair of the Audit Committee is obtained prior to the retention; and
- The retention will not affect the status of the independent registered public accounting firm as “independent accountants” under applicable rules of the SEC, and the PCAOB.

During fiscal 2014 and fiscal 2013, all of the services provided by Ernst & Young for the services described above were pre-approved using the above procedures, and none were provided pursuant to any waiver of the pre-approval requirement.

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PART IV

ITEM 15. Exhibits

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ITEM 15. (a) (2) FINANCIAL STATEMENT SCHEDULES

All schedules are omitted because they are not applicable, or not required because the required information is included in the consolidated financial statements or notes thereto.

ITEM 15. (a) (3) EXHIBITS

Exhibit No.		Exhibit
2.1		Agreement and Plan of Merger dated as of August 23, 2011 between Par Pharmaceutical, Inc. and Admiral Acquisition Corp., on the one hand, and Anchen Incorporated and Chih-Ming Chen, Ph.D. as securityholders representative on the other hand-previously filed as an exhibit to our Current Report on Form 8-K dated November 18, 2011 and incorporated herein by reference.
2.2		Agreement and Amendment to Agreement and Plan of Merger entered into as of November 17, 2011 between Par Pharmaceutical, Inc. and Admiral Acquisition Corp., on the one hand, and Anchen Incorporated and Chih-Ming Chen, Ph.D. as securityholders representative on the other hand. Incorporated herein by reference to Exhibit 2.1 to the Form 8-K dated August 24, 2011.
2.3		Agreement and Plan of Merger by and between Par Pharmaceutical Companies, Inc., on the one hand, and Sky Growth Holdings Corporation and Sky Growth Acquisition Corporation, on the other hand-previously filed as an exhibit to our Current Report on Form 8-K dated July 16, 2012 and incorporated herein by reference.
2.4		Agreement and Plan of Merger dated as of January 17, 2014 by and among JHP Group Holdings, Inc., Par Pharmaceutical Companies, Inc., Juniper Mergeco, Inc. and WP JHP Representative, LLC, solely in its capacity as the Representative - previously filed as an exhibit to our Current Report on Form 8-K dated January 17, 2014 and incorporated herein by reference.
		Amended and Restated Certificate of Incorporation of Par Pharmaceutical Companies, Inc.-previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated

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3.1		herein by reference.
3.2		Amended and Restated Bylaws of Par Pharmaceutical Companies, Inc.-previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.

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Exhibit No.		Exhibit
4.1		Indenture, dated as of September 28, 2012, between Sky Growth Acquisition Corporation, which on September 28, 2012 was merged with and into Par Pharmaceutical Companies, Inc., and Wells Fargo Bank, National Association, as Trustee - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
4.2		Supplemental Indenture, dated as of September 28, 2012, among Par Pharmaceutical Companies, Inc., the Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference
4.4		Registration Rights Agreement, dated as of September 28, 2012, by and between Sky Growth Acquisition Corporation, which on September 28, 2012 was merged with and into Par Pharmaceutical Companies, Inc., and Goldman, Sachs & Co., as representative of the several initial purchasers set forth on Schedule A thereto - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
4.5		Registration Rights Agreement Joinder, dated as of September 28, 2012, by and between Par Pharmaceutical Companies, Inc., the Guarantors party thereto and Goldman, Sachs & Co., as representative of the several initial purchasers set forth on Schedule A thereto - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
4.6		Second Supplemental Indenture, dated as of February 20, 2014, among the Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee.**
10.1		Lease Agreement, dated as of January 1, 1993, between Par Pharmaceutical, Inc. and Ramapo Corporate Park Associates-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year 1996 and incorporated herein by reference.
10.2		Lease Extension and Modification Agreement, dated as of August 30, 1997, between Par Pharmaceutical, Inc. and Ramapo Corporate Park Associates-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year 1997 and incorporated herein by reference.
10.3		Lease Agreement, dated as of May 24, 2002, between Par Pharmaceutical, Inc. and 300 Tice Realty Associates L.L.C.-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended 2003 and incorporated herein by reference.
10.4		Second Amendment to Lease Agreement, dated as of December 19, 2002, between Par Pharmaceutical, Inc. and 300 Tice Realty Associates L.L.C.-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended 2003 and incorporated herein by reference.
10.5		Third Amendment to Lease Agreement, dated as of December 20, 2002, between Par Pharmaceutical, Inc. and 300 Tice Realty Associates L.L.C.-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year ended 2003 and incorporated herein by reference.
10.6		Seventh Amendment to Lease Agreement, dated as of February 24, 2010, between Par Pharmaceutical, Inc. and 300 Tice Realty Associates, Inc.-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year 2009 and incorporated herein by reference
10.7		License and Supply Agreement, dated as of April 26, 2001, between Elan Transdermal Technologies, Inc. and Par Pharmaceutical, Inc.-previously filed as an exhibit to Amendment No. 1 to our Quarterly Report on Form 10-Q for the quarter ended September 29, 2001 and incorporated herein by reference.**
10.8		Patent and Know How License Agreement, dated June 14, 2002, between Nortec Development Associates, Inc. and Par Pharmaceutical, Inc.-previously filed as an exhibit to our Quarterly Report on Form 10-Q/A Amendment No. 1 for the quarter ended June 30, 2002 and incorporated herein by reference.**
10.9		License Agreement, dated as of August 12, 2003, by and between Mead Johnson & Company, Bristol-Myers Squibb Company and Par Pharmaceutical, Inc.-previously filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 28, 2003 and incorporated herein by reference.**

10.10		Product Development and Patent License Agreement, dated as of October 22, 2003, by and between Nortec Development Associates, Inc. and Par Pharmaceutical, Inc.-previously filed as an exhibit to our Annual Report on Form 10-K for the fiscal year 2003 and incorporated herein by reference.**

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Exhibit No.		Exhibit
10.11		Credit Agreement, dated as of September 28, 2012, among Sky Growth Acquisition Corporation, Par Pharmaceutical Companies, Inc., Par Pharmaceutical, Inc., Sky Growth Intermediate Holdings II Corporation, Bank of America, N.A., as administrative agent, and the other lenders party thereto- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.12		Security Agreement, dated as of September 28, 2012, among Sky Growth Acquisition Corporation, Par Pharmaceutical Companies, Inc., Sky Growth Intermediate Holdings II Corporation, Par Pharmaceutical, Inc., the Subsidiary Guarantors party thereto, and Bank of America, N.A., as administrative agent- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.13		Guaranty, dated as of September 28, 2012, among Sky Growth Intermediate Holdings II Corporation, the Other Guarantors party thereto, and Bank of America, N.A., as administrative agent- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.14		Amendment No. 1, dated as of February 6, 2013, by and among Par Pharmaceutical Companies, Inc., Par Pharmaceutical, Inc., Sky Growth Intermediate Holdings II Corporation, the Lead Arrangers and Bank of America, N.A., as administrative agent - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.15		Amendment No. 2, dated as of February 20, 2013, among Par Pharmaceutical Companies, Inc., the Revolving Credit Lenders party thereto and Bank of America, N.A., as administrative agent- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.16		Amendment No. 3, dated as of February 28, 2013, among Par Pharmaceutical Companies, Inc., Par Pharmaceutical, Inc., Sky Growth Intermediate Holdings II Corporation, the Subsidiary Guarantors party thereto and Bank of America, N.A., as administrative agent- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.
10.17		Amendment No. 4 to the Credit Agreement, dated as of February 20, 2014, among Par Pharmaceutical Companies, Inc., Par Pharmaceutical, Inc., Sky Growth Intermediate Holdings II Corporation, the Subsidiary Guarantors party thereto and Bank of America, N.A., as administrative agent, and Bank of America, N.A., Goldman Sachs Bank USA and Deutsche Bank Securities Inc., as lead arrangers - previously filed as an exhibit to our Current Report on Form 8-K dated February 20, 2014 and incorporated herein by reference.
10.18		Incremental Term B-2 Joinder Agreement, dated as of February 20, 2014, among Par Pharmaceutical Companies, Inc., Par Pharmaceutical, Inc., Sky Growth Intermediate Holdings II Corporation, the Subsidiary Guarantors party thereto and Bank of America, N.A., as administrative agent, and Bank of America, N.A., and Goldman Sachs Bank USA, as lead arrangers - previously filed as an exhibit to our Current Report on Form 8-K dated February 20, 2014 and incorporated herein by reference.
10.19		Amended and Restated Employment Agreement, dated as of September 28, 2012, by and between Par Pharmaceutical, Inc., Sky Growth Holdings Corporation and Paul Campanelli- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference.***
10.20		Amended and Restated Employment Agreement, dated as of September 28, 2012, by and between Par Pharmaceutical, Inc., Sky Growth Holdings Corporation and Thomas Haughey- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.21		Amended and Restated Employment Agreement, dated as of September 28, 2012, by and between Par Pharmaceutical, Inc., Sky Growth Holdings Corporation and Michael Tropiano- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
		Management Services Agreement, dated as of September 28, 2012, by and among Sky Growth

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10.22		Acquisition Corporation, Sky Growth Intermediate Holdings I Corporation, Sky Growth Intermediate Holdings II Corporation, Sky Growth Holdings Corporation and TPG VI Management, LLC- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***

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Exhibit No.		Exhibit
10.23		Sky Growth Holdings Corporation 2012 Equity Incentive Plan- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.24		Form of Long-Term Cash Incentive Award Agreement- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.25		Form of Non-Statutory Stock Option Agreement- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.26		Form of Non-Statutory Rollover Option Agreement- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.27		Form of Restricted Stock Unit Agreement- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.28		Amended and Restated Employment Agreement, dated as of September 28, 2012, by and between Par Pharmaceutical, Inc., Sky Growth Holdings Corporation and Patrick LePore- previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.29		Separation Agreement and Release, dated January 31, 2013, among Patrick LePore, Par Pharmaceutical Companies Inc. and Par Pharmaceutical, Inc.- - previously filed as an exhibit to our Registration Statement on Form S-4 dated August 27, 2013 and incorporated herein by reference. ***
10.30		Employment Agreement, dated as of February 12, 2014, by and between Par Pharmaceutical, Inc. (“Par”), Sky Growth Holdings Corporation (“Holdings,” together with Par, “Employer”), on the one hand, and Terrance Coughlin, on the other.** ***
10.31		Form of Non-Statutory Stock Option Agreement **
21		Subsidiaries of Par Pharmaceutical Companies, Inc.**
31.1		Certification of Principal Executive Officer (attached herewith).^^
31.2		Certification of Principal Financial Officer (attached herewith).^^
32.1		Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).*
32.2		Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).*
101 INS		XBRL Instance Document*
101.SCH		XBRL Taxonomy Extension Scheme Document*
101.CAL		XBRL Taxonomy Calculation Linkbase Document*
101.DEF		XBRL Taxonomy Definition Linkbase Document*
101 LA		XBRL Taxonomy Label Linkbase Document*
101.PRE		XBRL Taxonomy Linkbase Document*

* Furnished herewith

** Filed herewith

*** Certain portions have been omitted and have been filed with the SEC pursuant to a request for confidential treatment thereof.

**** Each of these exhibits constitutes a management contract, compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15 (b).

^^ The certifications filed as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed to be filed with the SEC and are not to be incorporated by reference into any filing of ours under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in this filing

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SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 12, 2015

PAR PHARMACEUTICAL COMPANIES, INC.
(Company)
/s/ Paul V. Campanelli
Paul V. Campanelli
Chief Executive Officer

/s/ Michael A. Tropiano
Michael A. Tropiano
Executive Vice President and Chief Financial Officer

Signature	Title	Date
/s/ Paul V. Campanelli Paul V. Campanelli	Chief Executive Officer; Director, Par Pharmaceutical Companies, Inc. (Principal Executive Officer)	March 12, 2015
/s/ Thomas J. Haughey Thomas J. Haughey	General Counsel and Chief Administrative Officer; Director, Par Pharmaceutical Companies, Inc.	March 12, 2015
/s/ Michael A. Tropiano Michael A. Tropiano	Executive Vice President and Chief Financial Officer; Director, Par Pharmaceutical Companies, Inc. (Principal Accounting and Financial Officer)	March 12, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Company in the capacities and on the dates indicated.

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PAR PHARMACEUTICAL COMPANIES, INC.
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FILED WITH THE ANNUAL REPORT ON FORM 10-K

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Par Pharmaceutical Companies, Inc.

We have audited the accompanying consolidated balance sheets of Par Pharmaceutical Companies, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Par Pharmaceutical Companies, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 12, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Par Pharmaceutical Companies, Inc.

We have audited the accompanying consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows of Par Pharmaceutical Companies, Inc. and subsidiaries (the "Company") for the period September 29, 2012 through December 31, 2012 (Successor). We have also audited the accompanying consolidated statements of operations, comprehensive (loss) income, stockholders' equity, and cash flows of the Company for the period January 1, 2012 through September 28, 2012 (Predecessor). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the period September 29, 2012 through December 31, 2012 (Successor) and the results of operations and cash flows of the Company for the period January 1, 2012 through September 28, 2012 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the consolidated financial statements, Par Pharmaceutical Companies, Inc. was acquired at the close of business on September 28, 2012 through a merger transaction with Sky Growth Acquisition Corporation, a wholly-owned subsidiary of Par Pharmaceutical Holdings, Inc. The acquisition was accomplished through a reverse subsidiary merger of Sky Growth Acquisition Corporation with and into the Company, with the Company being the surviving entity. The transaction was accounted for as a business combination and the basis of assets and liabilities were adjusted to their estimated fair values.

/s/ DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania
March 20, 2013
(August 14, 2013 as to Note 16)
(March 12, 2015 as to the effects of the restatements discussed in Note 1 and Note 17)

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PAR PHARMACEUTICAL COMPANIES, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Par Value per Share Data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 244,440	$ 130,080
Available for sale marketable debt securities	—	3,541
Accounts receivable, net	158,732	143,279
Inventories	154,687	117,307
Prepaid expenses and other current assets	28,255	15,438
Deferred income tax assets	66,936	55,932
Total current assets	653,050	465,577
Property, plant and equipment, net	217,314	127,276
Intangible assets, net	1,040,753	1,092,648
Goodwill	1,012,108	855,726
Other assets	83,909	96,342
Total assets	$ 3,007,134	$ 2,637,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 14,503	$ 21,462
Accounts payable	79,987	31,181
Payables due to distribution agreement partners	53,213	79,117
Accrued salaries and employee benefits	32,246	20,700
Accrued government pricing liabilities	42,647	35,829
Accrued legal settlements	—	41,367
Accrued interest payable	7,529	7,629
Accrued expenses and other current liabilities	47,679	21,686
Total current liabilities	277,804	258,971
Long-term liabilities	17,004	20,322
Non-current deferred tax liabilities	247,191	294,162
Long-term debt, less current portion	1,904,069	1,516,057
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, $0.001 par value per share, 100 shares authorized and issued	—	—
Additional paid-in capital	808,647	687,272
Accumulated deficit	(243,933)	(138,416)
Accumulated other comprehensive loss	(3,648)	(799)
Total stockholders' equity	561,066	548,057
Total liabilities and stockholders' equity	$ 3,007,134	$ 2,637,569

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

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PAR PHARMACEUTICAL COMPANIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013	For the period September 29, 2012 to December 31, 2012	For the period January 1, 2012 to September 28, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Revenues:				
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
Operating expenses:				
Research and development	119,095	100,763	19,383	66,606
Selling, general and administrative	181,136	155,164	45,525	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	75,208	282,910
Loss on sale of product rights	(3,042)	—	—	—
Operating (loss) income	(66,612)	(65,443)	(29,763)	59,440
Gain on marketable securities and other investments, net	—	1,122	—	—
Gain on bargain purchase	—	—	5,500	—
Interest income	18	87	50	424
Interest expense	(108,427)	(95,484)	(25,985)	(9,159)
Loss on debt extinguishment	(3,989)	(7,335)	—	—
Other income	500	—	—	—
(Loss) income before (benefit) provision for income taxes	(178,510)	(167,053)	(50,198)	50,705
(Benefit) provision for income taxes	(72,993)	(61,182)	(17,653)	29,530
Net (loss) income	$ (105,517)	$ (105,871)	$ (32,545)	$ 21,175

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

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PAR PHARMACEUTICAL COMPANIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(In Thousands)

	For the Year Ended December 31, 2014 (Successor)	For the Year Ended December 31, 2013 (Successor)	For the period September 29, 2012 to December 31, 2012 (Successor)	For the period January 1, 2012 to September 28, 2012 (Predecessor)
Net (loss) income	$ (105,517)	$ (105,871)	$ (32,545)	$ 21,175
Other comprehensive (loss) income:				
Unrealized (loss) gain on marketable securities, net of tax	(3)	(27)	(10)	36
Unrealized loss on cash flow hedges, net of tax	(5,765)	(1,411)	—	—
Less: reclassification adjustment for net losses included in net income (loss), net of tax	2,880	649	—	—
Other	39	—	—	—
Other comprehensive (loss) income	(2,849)	(789)	(10)	36
Comprehensive (loss) income	$ (108,366)	$ (106,660)	$ (32,555)	$ 21,211

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

PAR PHARMACEUTICAL COMPANIES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings / (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Total Stockholders' Equity
	Shares	Amount					
Balance, December 31, 2011 (Predecessor)	39,678	$ 397	$ 389,166	$ 302,984	$ 13	$ (82,979)	$ 609,581
Net income	—	—	—	21,175	—	—	21,175
Unrealized loss on available for sale securities, $48 net of tax of $12	—	—	—	—	36	—	36
Exercise of stock options	394	4	11,312	—	—	—	11,316
Tax benefit related to share-based compensation	—	—	7,946	—	—	—	7,946
Employee stock purchase program	—	—	266	—	—	—	266
Purchase of treasury stock	—	—	—	—	—	(2,163)	(2,163)
Compensatory arrangements	—	—	7,282	—	—	—	7,282
Restricted stock grants	99	1	(1)	—	—	—	—
Forfeitures of restricted stock	(10)	—	—	—	—	—	—
Balance, September 28, 2012 (Predecessor)	40,161	402	415,971	324,159	49	(85,142)	655,439
Balance, September 29, 2012 (Successor)	—	—	—	—	—	—	—
Net loss	—	—	—	(32,545)	—	—	(32,545)
Unrealized loss on available for sale securities, $17 net of tax of $7	—	—	—	—	(10)		(10)
Capital contribution from Holdings	—	—	675,410	—	—	—	675,410
Compensatory arrangements	—	—	2,240	—	—	—	2,240
Balance, December 31, 2012 (Successor)	—	—	677,650	(32,545)	(10)	—	645,095
Net loss	—	—	—	(105,871)	—	—	(105,871)
Unrealized loss on available for sale securities, $43 net of tax of $16	—	—	—	—	(27)	—	(27)
Unrealized loss on cash flow hedges, $2,203 net of tax of $792	—	—	—	—	(1,411)	—	(1,411)
Reclassification adjustment for realized losses included in net loss, $1,014 net of tax of $365	—	—	—	—	649	—	649
Compensatory arrangements	—	—	9,154	—	—	—	9,154
Cash settlement of Holdings stock option exercises	—	—	(327)	—	—	—	(327)
Capital contribution from Holdings	—	—	695	—	—	—	695
Cash contribution from Holdings	—	—	100	—	—	—	100
Balance, December 31, 2013 (Successor)	—	—	687,272	(138,416)	(799)	—	548,057
Net loss	—	—	—	(105,517)	—	—	(105,517)
Unrealized loss on available for sale securities, $5 net of tax of $2	—	—	—	—	(3)	—	(3)
Unrealized loss on cash flow hedges, $9,011 net of tax of $3,246	—	—	—	—	(5,765)	—	(5,765)
Reclassification adjustment for realized losses included in net loss, $4,500 net of tax of $1,620	—	—	—	—	2,880	—	2,880
Compensatory arrangements	—	—	8,678	—	—	—	8,678
Capital contribution from Holdings	—	—	113,121	—	—	—	113,121
Cash settlement of Holdings stock option exercises			(424)				(424)
Other	—	—	—	—	39	—	39

Balance, December 31, 2014 (Successor)	—	$ —	$ 808,647	$ (243,933)	$ (3,648)	$ —	$ 561,066

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

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PAR PHARMACEUTICAL COMPANIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	For the Year Ended December 31, 2014 (Successor)	For the Year Ended December 31, 2013 (Successor)	For the Period September 29, 2012 to December 31, 2012 (Successor)	For the Period January 1, 2012 to September 28, 2012 (Predecessor)
Cash flows from operating activities:				
Net (loss) income	$ (105,517)	$ (105,871)	$ (32,545)	$ 21,175
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:				
Deferred income taxes	(128,742)	(82,542)	(21,590)	12,103
Resolution of tax contingencies	—	—	—	(5,256)
Non-cash interest expense	10,363	10,734	2,633	1,876
Depreciation and amortization	213,564	207,646	50,348	44,426
Cost of goods on acquired inventory step up	9,031	6,557	21,543	4,048
Intangible asset impairment	146,934	100,093	—	5,700
Allowances against accounts receivable	148,221	44,367	33,232	19,206
Share-based compensation expense	8,678	9,154	2,240	7,282
Gain on bargain purchase	—	—	(5,500)	—
Loss on debt extinguishment	3,989	7,335	—	—
Loss on sale of product rights	3,042	—	—	—
Other, net	612	438	367	242
Changes in assets and liabilities:				
Increase in accounts receivable	(158,262)	(64,554)	(42,421)	(7,168)
(Increase) decrease in inventories	(12,712)	(11,690)	(15,013)	11,790
(Increase) decrease in prepaid expenses and other assets	(11,345)	16,846	(22,770)	(21,315)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	36,503	(44,891)	(23,351)	58,050
(Decrease) increase in payables due to distribution agreement partners	(25,910)	12,597	10,537	(13,376)
Decrease in income taxes receivable/payable	6,431	6,130	13,710	14,977
Net cash provided by (used in) operating activities	144,880	112,349	(28,580)	153,760
Cash flows from investing activities:				
Capital expenditures	(45,460)	(17,465)	(10,306)	(11,454)
Sky Growth Merger	—	—	(1,908,725)	—
Business acquisitions, net of any cash acquired	(478,226)	(1,733)	(110,000)	(34,868)
Purchases of intangibles	(153)	(1,000)	—	(15,000)
Purchases of available for sale marketable debt securities	—	—	—	(6,566)
Proceeds from available for sale of marketable debt securities	3,514	8,000	2,500	17,500
Other, net	750	—	—	3,786
Net cash used in investing activities	(519,575)	(12,198)	(2,026,531)	(46,602)
Cash flows from financing activities:				
Proceeds from debt	525,541	198,889	1,545,000	—
Proceeds from equity contributions, net	112,554	2,311	675,466	—
Payments of debt	(146,032)	(206,881)	(339,512)	(8,750)
Payments to extinguish debt	—	(1,412)	—	—
Debt issuance costs	(3,150)	—	(67,928)	—
Proceeds from share-based compensation plans	—	—	—	11,582
Excess tax benefits on share-based compensation				

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	142	228	—	8,536
Purchase of treasury stock	—	—	—	(2,163)
Net cash provided by (used in) financing activities	489,055	(6,865)	1,813,026	9,205

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	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013	For the Period September 29, 2012 to December 31, 2012	For the Period January 1, 2012 to September 28, 2012
	(Successor)	(Successor)	(Successor)	(Predecessor)
Net increase (decrease) in cash and cash equivalents	114,360	93,286	(242,085)	116,363
Cash and cash equivalents at beginning of period	130,080	36,794	278,879	162,516
Cash and cash equivalents at end of period	$ 244,440	$ 130,080	$ 36,794	$ 278,879
Supplemental disclosure of cash flow information:				
Cash paid (received) during the period for:				
Income taxes, net	$ 39,215	$ 14,902	$ (11,667)	$ 6,165
Interest paid	$ 97,305	$ 86,187	$ 13,969	$ 6,615
Non-cash transactions:				
Capital expenditures incurred but not yet paid	$ 1,242	$ 2,254	$ 460	$ 708
Equity contribution from management shareholders	$ —	$ —	$ 4,131	$ —

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

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PAR PHARMACEUTICAL COMPANIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Par Pharmaceutical Companies, Inc. operates primarily through its wholly owned subsidiary, Par Pharmaceutical, Inc. (collectively referred to herein as "the Company," "we," "our," or "us"), in two business segments. Our generic products division, Par Pharmaceutical ("Par"), develops (including through third party development arrangements and product acquisitions), manufactures and distributes generic and sterile pharmaceuticals in the United States. Our branded products division, Par Specialty Pharmaceuticals ("Par Specialty"), formerly known as Strativa Pharmaceuticals, acquires (generally through third party development arrangements), manufactures and distributes branded pharmaceuticals in the United States. The products we market are principally in the solid oral dosage form (tablet, caplet and two-piece hard-shell capsule), although we also distribute several oral suspension products, and nasal spray products.

We were acquired at the close of business on September 28, 2012 through a merger transaction with Sky Growth Acquisition Corporation, a wholly-owned subsidiary of Sky Growth Holdings Corporation ("Holdings"). Holdings changed its name to Par Pharmaceutical Holdings, Inc. in March 2015. Holdings was formed by investment funds affiliated with TPG Capital, L.P. ("TPG" and, together with certain affiliated entities, collectively, the "Sponsor"). Holdings is owned by affiliates of the Sponsor and members of management. The acquisition was accomplished through a reverse subsidiary merger of Sky Growth Acquisition Corporation with and into the Company, with the Company being the surviving entity (the "Merger"). Subsequent to the Merger, we became an indirect, wholly owned subsidiary of Holdings (see Note 2, "Sky Growth Merger"). Prior to September 29, 2012, the Company operated as a public company with its common stock traded on the New York Stock Exchange.

Although the Company continued as the same legal entity after the Merger, the accompanying consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows are presented for two periods in 2012: Predecessor and Successor, which relate to the period preceding the Merger (January 1, 2012 to September 28, 2012) and the period succeeding the Merger (September 29, 2012 to December 31, 2012). The Merger and the allocation of the purchase price were recorded as of September 29, 2012. Although the accounting policies followed by the Company are consistent for the Predecessor and Successor periods, with the exception of the change in the annual evaluation date for goodwill from December 31st to October 1st, financial information for such periods have been prepared under two different historical cost bases of accounting and are therefore not comparable. The results of the periods presented are not necessarily indicative of the results that may be achieved in future periods.

Note 1 – Summary of Significant Accounting Policies:

Correction of an Immaterial Error in Previously Issued Financial Statements - Consolidated Balance Sheet:

Subsequent to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, the Company concluded that the Successor balance sheets in 2013 and 2012 contained an immaterial error, recorded at the Merger date, related to the overstatement of certain deferred tax assets and a corresponding understatement of goodwill of approximately $6.1 million. In the accompanying December 31, 2013 balance sheet, the immaterial error resulted in the correction of Goodwill by approximately $6.1 million, the correction of Non-current deferred tax liabilities by approximately $5.4 million, and the correction of Additional paid-in-capital by approximately $0.7 million. This immaterial error has been corrected on the accompanying balance sheets presented and in Note 2 - Sky Growth Merger, Note 13 - Goodwill and Note 18- Income Taxes in this Annual Report on Form 10-K.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company with certain items pushed down from Holdings, principally share-based compensation. Holdings and its wholly owned subsidiaries include Par Pharmaceutical Companies, Inc. and Par Pharmaceutical, Inc. where the operations of the Company are conducted and who are the obligators under the Senior Credit Facilities and the 7.375% Senior Notes (refer to Note 14 - "Debt"). All intercompany transactions are eliminated in consolidation.

Basis of Financial Statement Presentation:

Our accounting and reporting policies conform to the accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board ("FASB") codified all the accounting standards and principles in the Accounting Standards Codification ("ASC") as the single source of U.S. GAAP recognized by the FASB to be applied by nongovernmental entities in preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the Securities and Exchange Commission (the "SEC") under federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All content within the ASC carries the same level of authority.

As a result of the Merger, a new basis of accounting was established as of September 29, 2012. The consolidated financial statements and notes differentiate the results of operations and cash flows for the years ended December 31, 2014 and 2013 and the period from September 29, 2012 to December 31, 2012 denoting the new basis of accounting as "Successor" in such statements, with a black line separating that information from the results of operations and cash flows for the period from January 1, 2012 to September 28, 2012, which is identified as "Predecessor" in such statements and which reflects the basis of accounting prior to the Merger. For

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additional information on the effects of the Merger, including a discussion of the Company's accounting for the Merger, refer to Note 2 - "Sky Growth Merger".

Certain reclassifications have been made to the statements of operations to reflect the presentation of provision for income taxes related to discontinued operations for the period from September 29, 2012 to December 31, 2012 ($29 thousand) and the period from January 1, 2012 to September 28, 2012 ($83 thousand) as a component of (Benefit) provision for income taxes to conform to the presentation for the years ended December 31, 2014 and 2013. Corresponding line items on the consolidated statements of cash flows for the periods from September 29, 2012 to December 31, 2012 and January 1, 2012 to September 28, 2012 were also reclassified.

Use of Estimates:

The consolidated financial statements include certain amounts that are based on management's best estimates and judgments. Estimates are used in determining such items as provisions for sales returns, rebates and incentives, chargebacks, and other sales allowances, depreciable/amortizable lives, asset impairments, excess inventory, valuation allowance on deferred taxes, purchase price allocations and amounts recorded for contingencies and accruals. Because of the uncertainties inherent in such estimates, actual results may differ from these estimates. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for reasonableness.

Use of Forecasted Financial Information in Accounting Estimates:

The use of forecasted financial information is inherent in many of our accounting estimates, including but not limited to, determining the estimated fair value of goodwill and intangible assets, matching intangible amortization to underlying benefits (e.g. sales and cash inflows), establishing and evaluating inventory reserves, and evaluating the need for valuation allowances for deferred tax assets. Such forecasted financial information is comprised of numerous assumptions regarding our future revenues, cash flows, and operational results. Management believes that its financial forecasts are reasonable and appropriate based upon current facts and circumstances. Because of the inherent nature of forecasts, however, actual results may differ from these forecasts. Management regularly reviews the information related to these forecasts and adjusts the carrying amounts of the applicable assets prospectively, if and when actual results differ from previous estimates.

Cash and Cash Equivalents:

We consider all highly liquid money market instruments with an original maturity of three months or less when purchased to be cash equivalents. These amounts are stated at cost, which approximates fair value. At December 31, 2014, cash equivalents were held in a number of money market funds and consisted of immediately available fund balances. We maintain our cash deposits and cash equivalents with well-known and stable financial institutions. At December 31, 2014, our cash and cash equivalents were invested primarily in AAA-rated money market funds, which hold high-grade corporate securities or invest in government and/or government agency securities. We have not experienced any losses on our deposits of cash and cash equivalents to date.

Our primary source of liquidity is cash received from customers. In the years ended December 31, 2014 and December 31, 2013 (Successor), we collected $1,462.0 million and $1,150.0 million with respect to net product sales. In the period from September 29, 2012 to December 31, 2012 (Successor), we collected $258.0 million with respect to net product sales. In the period from January 1, 2012 to September 28, 2012 (Predecessor), we collected $854.0 million with respect to net product sales. Our primary use of liquidity includes funding of general operating expenses, normal course payables due to distribution agreement partners, capital expenditures, business development and product acquisition activities, and corporate acquisitions.

The ability to monetize our current product portfolio, our product pipeline, and future product acquisitions and generate sufficient operating cash flows that along with existing cash, cash equivalents and available for sale securities will allow us to meet our financial obligations over the foreseeable future. The timing of our future financial obligations and the introduction of products in the pipeline as well as future product acquisitions may require additional debt and/or equity financing; there are no assurances that we will be able to obtain any such additional financing when needed or on acceptable or favorable terms.

Concentration of Credit Risk:

Financial instruments that potentially subject us to credit risk consist of trade receivables. We market our products primarily to wholesalers, drug store chains, supermarket chains, mass merchandisers, distributors, mail order accounts and drug distributors. We believe the risk associated with this concentration is somewhat limited due to the number of customers and their geographic dispersion and our performance of certain credit evaluation procedures (see Note 9 – "Accounts Receivable - Major Customers - Gross Accounts Receivable").

Investments in Debt Securities:

We determine the appropriate classification of all debt securities as held-to-maturity, available-for-sale or trading at the time of purchase, and re-evaluate such classification as of each balance sheet date in accordance with FASB ASC 320. We assess whether temporary or other-than-temporary unrealized losses on our marketable securities have occurred due to declines in fair value or other market conditions based on the extent and duration of the decline, as well as other factors. Because we have determined that all of our debt securities are available for sale, unrealized gains and losses are reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. Any other-than-temporary unrealized losses would be recorded in the consolidated statement of operations.

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Inventories:

Inventories are typically stated at the lower of cost (first-in, first-out basis) or market value. The nature of the costs capitalized for inventories are generally related to amounts required to acquire materials and amounts incurred to produce salable goods. We establish reserves for our inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market, management considers such factors as the amount of inventory on hand, estimated time required to sell such inventory, remaining shelf life, remaining contractual terms of any supply and distribution agreements including authorized generic agreements, and current expected market conditions, including level of competition. Such evaluations utilize forecasted financial information. We record provisions for inventory to cost of goods sold.

Property, Plant and Equipment:

As detailed in Note 2 - "Sky Growth Merger" and Note 3 - "Par Sterile Acquisition", property, plant and equipment was increased to its fair value in the allocation of purchase price as of September 28, 2012 and February 20, 2014, respectively. The revised carrying values of the property, plant and equipment are depreciated over their remaining useful lives. The costs of repairs and maintenance are expensed when incurred, while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized.

Depreciation and Amortization:

Property, plant and equipment are reported at acquisition cost, less accumulated depreciation and amortization, and are generally depreciated or amortized over their estimated useful lives. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease. The following is the estimated useful life for each applicable asset group:

Buildings	10 to 40 years
Machinery and equipment	3 to 15 years
Office equipment, furniture and fixtures	3 to 7 years
Computer software and hardware	3 to 7 years

Impairment of Long-lived Assets:

We evaluate long-lived assets, including intangible assets with definite lives, for impairment periodically or whenever events or other changes in circumstances indicate that the carrying value of an asset may no longer be recoverable. If such circumstances are determined to exist, the estimated fair value is compared to the carrying value to determine whether impairment exists at its lowest level of identifiable cash flows. If impairment is identified, the assets are adjusted to fair value and a loss is recorded. Our judgments related to the expected useful lives of long-lived assets and our ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as ongoing maintenance and improvements of the assets, changes in economic and market conditions, our ability to successfully launch products, and changes in operating performance. In addition, we regularly evaluate our other assets and may accelerate depreciation over the revised useful life if the asset has limited future value.

Costs of Computer Software:

We capitalize certain costs associated with computer software developed or obtained for internal use in accordance with the provisions of FASB ASC 350-40. We capitalize those costs from the acquisition of external materials and services associated with developing or obtaining internal use computer software. We capitalize certain payroll costs for employees that are directly associated with internal use computer software projects once specific criteria of ASC 350-40 are met. Those costs that are associated with preliminary stage activities, training, maintenance, and all other post-implementation stage activities are expensed as they are incurred. All costs capitalized in connection with internal use computer software projects are amortized on a straight-line basis over a useful life of three to seven years, beginning when the software is ready for its intended use.

Research and Development Agreements:

Research and development costs are expensed as incurred. These expenses include the costs of our internal product development efforts, acquired in-process research and development, as well as costs incurred in connection with our third party collaboration efforts. Milestone payments made under contract research and development arrangements or product licensing arrangements prior to regulatory approval of the associated product are expensed when the milestone is achieved. Once the product receives regulatory approval we record any subsequent milestone payments as intangible assets. We make the determination to capitalize or expense amounts related to the development of new products and technologies through agreements with third parties based on our ability to recover our cost in a reasonable period of time from the estimated future cash flows anticipated to be generated pursuant to each agreement. Market (including competition), regulatory and legal factors, among other things, may affect the realizability of the projected cash flows that an agreement was initially expected to generate. We regularly monitor these factors and subject all capitalized costs to periodic impairment testing.

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Costs for Patent Litigation and Legal Proceedings:

Costs for patent litigation or other legal proceedings are expensed as incurred and included in selling, general and administrative expenses.

Goodwill and Intangible Assets:

We determine the estimated fair values of goodwill and intangible assets with definite and/or indefinite lives based on valuations performed at the time of their acquisition in accordance with FASB ASC 350. Such valuations utilize forecasted financial information. In addition, certain amounts paid to third parties related to the development of new products and technologies, as described above, are capitalized and included in intangible assets on the accompanying consolidated balance sheets.

Goodwill and indefinite lived intangible assets are evaluated for impairment at least annually. We may first consider qualitative factors as set forth in the guidance, when appropriate to determine if it is more likely than not (defined as 50% or more) that the fair value of the reporting unit is less than its carrying amount. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, no additional steps are taken. If we chose not to consider qualitative factors or it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the Company then uses a two-step process that compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The first step is to identify a potential impairment, and the second step measures the amount of the impairment loss, if any. Goodwill is impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. As of October 1, 2014, the Company performed its annual goodwill and indefinite lived intangible asset impairment assessments noting no impairment of goodwill and impairment of certain of our intangible assets. Refer to Note 12 - "Intangible Assets, net". No changes in business or other factors are known as of the December 31, 2014 balance sheet date that would necessitate an evaluation for impairment.

Definite-lived intangibles are amortized over the period in which the related cash flows are expected to be generated or on a straight-line basis over the products' estimated useful life if the estimated cash flows method approximates straight-line basis.

We review the carrying value of our long-term assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

As discussed above with respect to determining an asset's fair value and useful life, because this process involves management making certain estimates and because these estimates form the basis of the determination of whether or not an impairment charge should be recorded, these estimates are considered to be critical accounting estimates. We will continue to assess the carrying value of our goodwill and intangible assets in accordance with applicable accounting guidance.

Income Taxes:

We account for income taxes in accordance with FASB ASC 740. Deferred taxes are provided using the asset and liability method, whereby deferred income taxes result from temporary differences between the reported amounts in the financial statements and the tax basis of assets and liabilities, as measured by presently enacted tax rates. We establish valuation allowances against deferred tax assets when it is more likely than not that the realization of those deferred tax assets will not occur. In establishing valuation allowances, management makes estimates such as projecting future taxable income. Such estimates utilize forecasted financial information.

ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for financial statement recognition, measurement and disclosure of tax positions that a company has taken or expects to be taken in a tax return. Additionally, ASC 740-10 provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and transition. See Note 18, "Income Taxes".

Revenue Recognition and Accounts Receivable Reserves and Allowances:

We recognize revenues for product sales when title and risk of loss transfer to our customers, when reliable estimates of rebates, chargebacks, returns and other adjustments can be made, and collectability is reasonably assured. Included in our recognition of revenues are estimated provisions for sales allowances, the most significant of which include rebates, chargebacks, product returns, and other sales allowances, recorded as reductions to gross revenues, with corresponding adjustments to the accounts receivable reserves and allowances (see Note 9 – "Accounts Receivable"). In addition, we record estimates for rebates paid under federal and state government Medicaid drug reimbursement programs as reductions to gross revenues, with corresponding adjustments to accrued liabilities. We have the experience and access to relevant information that we believe are necessary to reasonably estimate the amounts of such deductions from gross revenues. Some of the assumptions we use for certain of our estimates are based on information received from third parties, such as customers' inventories at a particular point in time and market data, or other market factors beyond our control. The estimates that are most critical to our establishment of these reserves, and therefore would have the largest impact if these estimates were not accurate, are our estimates of non-contract sales volumes, average contract pricing, customer

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inventories, processing time lags, and return volumes. We regularly review the information related to these estimates and adjust our reserves accordingly, if and when actual experience differs from previous estimates.

Distribution Costs:

We record distribution costs related to shipping product to our customers, primarily through the use of common carriers or external distribution services, in selling, general and administrative expenses. Distribution costs for the years ended December 31, 2014 and 2013 (Successor) were approximately $3.4 million and $3.3 million, respectively. Distribution costs for the period from September 29, 2012 to December 31, 2012 (Successor) were approximately $1.0 million. Distribution costs for the period from January 1, 2012 to September 28, 2012 (Predecessor) were approximately $2.3 million.

Fair Value of Financial Instruments:

The carrying amounts of our cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values based upon the relatively short-term nature of these financial instruments.

Concentration of Suppliers of Distributed Products and Internally Manufactured Products:

We have entered into a number of license and distribution agreements pursuant to which we distribute generic pharmaceutical products and brand products developed and/or supplied to us by certain third parties. We have also entered into contract manufacturing agreements for third-parties to manufacture some of our own generic products for us. For the year ended December 31, 2014 (Successor), a significant percentage of our total net product sales were generated from such contract-manufactured and/or licensed products. We cannot provide assurance that the 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 in the future. Any alteration to or termination of our current material license and distribution agreements, our failure to enter into new and similar agreements, or the interruption of the supply of our products under such agreements or under our contract manufacturing agreements, could have a material adverse effect on our business, condition (financial and other), prospects or results of operations.

We produce substantially all of our internally manufactured products at our manufacturing facilities in New York, Michigan, and California as of December 31, 2014. A significant disruption at those 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.

Segments:

FASB ASC 280-10 codifies the standards for reporting of financial information about operating segments in annual financial statements. Management considers our business to be in two reportable business segments, generic and brand pharmaceuticals. Refer to Note 20 – “Segment Information”. Our four largest customers in terms of our consolidated total revenues, accounted for approximately 70% of our total revenues, as follows; McKesson Drug (24.7%), Cardinal Health Inc. (18.3%), CVS Health Corporation (14.5%) and AmerisourceBergen Corporation (13.4%) for the year ended December 31, 2014.

Contingencies and Legal Fees:

We are subject to various patent litigations, product liability litigations, government investigations and other legal proceedings in the ordinary course of business. Legal fees and other expenses related to litigation are expensed as incurred and included in selling, general and administrative expenses. Contingent accruals are recorded when we determine that a loss is both probable and reasonably estimable. Due to the fact that legal proceedings and other contingencies are inherently unpredictable, our assessments involve significant judgment regarding future events.

Debt Issuance Costs:

We capitalize direct costs incurred with obtaining debt financing, which are included in other assets on the consolidated balance sheet. Debt issuance costs are amortized to interest expense over the term of the underlying debt using the effective interest method. We recognized amortized debt issuance costs of $10.7 million for the year ended December 31, 2014, $10.7 million for the year ended December 31, 2013 (Successor), $2.8 million for the period September 29, 2012 to December 31, 2012 (Successor), and $1.9 million for the period January 1, 2012 to September 28, 2012 (Predecessor).

Derivative Instruments and Hedging Activities

As required by FASB ASC 815, Derivatives and Hedging ("ASC 815"), we record all derivatives on our consolidated balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or

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liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of our risks, even though hedge accounting does not apply or we elect not to apply hedge accounting under ASC 815.

Recent Accounting Pronouncements:

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of ASU 2014-09 is to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle: 1) identify the contract with a customer, 2) identify the separate performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the separate performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. ASU 2014-09 can be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the change recognized at the date of the initial application in retained earnings or accumulated deficit. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements and related disclosures and we have not yet selected a transition method.

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

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

Note 2 – Sky Growth Merger:

The Transactions

We were acquired at the close of business on September 28, 2012 through the Merger. Holdings and its wholly-owned subsidiaries were formed by affiliates of TPG solely for the purposes of completing the Merger and the related transactions. At the time of the Merger, each share of our common stock issued and outstanding immediately prior to the close of the Merger was converted into the right to receive cash. Aggregate consideration tendered at September 28, 2012 was for 100% of the equity of the Company. Subsequent to the Merger, we became an indirect, wholly owned subsidiary of Holdings.

The Merger was accounted for as a purchase business combination in accordance with FASB ASC 805, "Business Combinations," ("ASC 805") whereby the purchase price paid to effect the Merger was allocated to recognize the acquired assets and liabilities assumed at fair value. The acquisition method of accounting uses the fair value concept defined in ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820").

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IPR2015-01117, IPR2015-01127