SUN PHARMACEUTICAL INDUSTRIES INC. AND SUBSIDIARIES

(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED MARCH 31, 2015 AND 2014

Rehmann

Business wisdom delivered.

SUN PHARMACEUTICAL INDUSTRIES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

May 27, 2015

Board of Directors and Shareholders
Sun Pharmaceutical Industries, Inc. and Subsidiaries
Cranbury, New Jersey.

We have audited the accompanying consolidated financial statements of **Sun Pharmaceutical Industries, Inc. and Subsidiaries** (the "Company"), which comprise the consolidated balance sheets as of March 31, 2015 and 2014, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Sun Pharmaceutical Industries, Inc. and Subsidiaries** as of March 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SUN PHARMACEUTICAL INDUSTRIES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS)

	March 31,	
	2015	**2014**
ASSETS		
Current assets		
Cash and cash equivalents	$ 32,060	$ 30,055
Accounts receivable, net	143,163	173,195
Inventories	239,933	335,735
Prepaid expenses and deposits	26,008	22,700
Deferred income taxes	5,673	6,247
Total current assets	**446,837**	**567,932**
Property, plant and equipment		
Land	4,901	3,556
Buildings and improvements	83,259	65,975
Equipment	125,881	107,520
Vehicles	7	7
Furniture and fixtures	5,920	3,272
Construction in process	6,626	1,281
Total	226,594	181,611
Less accumulated depreciation	80,471	68,028
Net property, plant and equipment	**146,123**	**113,583**
Investment in affiliate and unconsolidated entities	51,326	44,909
Intangible assets, net	218,870	218,670
Goodwill	70,613	55,234
Deferred income taxes	7,736	16,075
Total assets	**$ 941,505**	**$ 1,016,403**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable, trade	$ 14,393	$ 11,349
Accounts payable, Sun Pharma and affiliates	157,411	313,438
Accrued expenses	40,784	35,152
Income taxes payable	9,691	16,319
Contingent liability on acquisition, current portion	7,698	-
Short-term loans	300,000	4,500
Long-term debt, current portion	693	-
Total current liabilities	**530,670**	**380,758**
Advances from affiliate	174,376	457,807
Contingent liability on acquisition, net of current portion	19,739	-
Long-term debt, net of current portion	18,213	-
Total liabilities	**742,998**	**838,565**
Stockholder's equity		
Common stock	213,659	213,659
Additional paid-in capital	3,873	3,873
Accumulated deficit	(19,025)	(39,694)
Total stockholder's equity	**198,507**	**177,838**
Total liabilities and stockholder's equity	**$ 941,505**	**$ 1,016,403**

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

SUN PHARMACEUTICAL INDUSTRIES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS)

	Year Ended March 31,	
	2015	**2014**
Net sales	$ 848,677	$ 1,031,290
Cost of goods sold	612,746	718,267
Gross profit	**235,931**	**313,023**
Selling, general and administrative expenses	151,043	157,707
Research and development costs	42,751	37,026
Loss from patent infringement suit	-	45,649
Operating income	**42,137**	**72,641**
Other income (expense)		
Interest income	256	105
Interest expense	(11,350)	(11,934)
Gain on acquisition adjustment	5,000	-
(Loss) gain on sale of equipment	(761)	637
Other income	186	699
Other expense, net	**(6,669)**	**(10,493)**
Equity in losses from unconsolidated entities	**(1,914)**	**(1,008)**
Income before income taxes	**33,554**	**61,140**
Income taxes	12,885	19,544
Net income	**$ 20,669**	**$ 41,596**

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

SUN PHARMACEUTICAL INDUSTRIES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY
(AMOUNTS IN THOUSANDS EXCEPT SHARE DATA)

	Common Stock		Additional Paid In Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
Balances at April 1, 2013	42,184,294	$ 213,659	$ 3,873	$ (81,290)	$ 136,242
Net income	-	-	-	41,596	41,596
Balances at March 31, 2014	42,184,294	213,659	3,873	(39,694)	177,838
Net income	-	-	-	20,669	20,669
Balances at March 31, 2015	**42,184,294**	**$ 213,659**	**$ 3,873**	**$ (19,025)**	**$ 198,507**

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

SUN PHARMACEUTICAL INDUSTRIES, INC. AND SUBSIDIARIES
(a wholly-owned subsidiary of Sun Pharmaceutical Industries Limited)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	Year Ended March 31,	
	2015	**2014**
Cash flows from operating activities		
Net income	$ 20,669	$ 41,596
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	58,843	53,690
Equity in losses from unconsolidated entities	1,914	1,008
Loss (gain) on sale of equipment	761	(637)
Deferred income taxes (benefit)	8,913	8,629
Other non-cash charges	257	-
Changes in operating assets and liabilities which provided (used) cash, net of effects of business combinations in 2015:		
Accounts receivable	34,042	(14,324)
Inventories	99,425	(102,532)
Prepaid expenses and deposits	(2,847)	(6,392)
Accounts payable	(153,932)	24,248
Earn-out liability		(30,300)
Accrued income taxes	(6,526)	9,793
Accrued expenses	3,157	7,784
Net cash provided by (used in) operating activities	**64,676**	**(7,437)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(10,868)	(8,837)
Proceeds from sale of equipment	752	638
Investment in unconsolidated entities	(8,331)	(26,064)
Redemption of marketable securities	-	3,999
Acquisitions of businesses, net of cash acquired	(55,844)	-
Net cash used in investing activities	**(74,291)**	**(30,264)**
Cash flows from financing activities		
Repayments of line of credit borrowings	(4,500)	-
Repayment of advances from affiliate	(283,431)	11,840
Repayment of long-term debt	(449)	-
Proceeds from short-term debt	300,000	-
Net cash provided by financing activities	**11,620**	**11,840**
Net increase (decrease) in cash and cash equivalents	**2,005**	**(25,861)**
Cash and cash equivalents, beginning of year	30,055	55,916
Cash and cash equivalents, end of year	**$ 32,060**	**$ 30,055**

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

Effective April 1, 2014 Caraco Pharmaceutical Laboratories, Ltd., ("Caraco") has been renamed as Sun Pharmaceutical Industries Inc. (the "Company"). The Company as a consolidated entity is comprised of the following:

Sun Pharmaceutical Industries Inc. ("Sun") having its headquarters in Cranbury, New Jersey, develops, licenses, manufactures, markets and distributes generic, prescription and over-the-counter pharmaceuticals to the nation's largest wholesalers, distributors, warehousing and non-warehousing chain drugstores and managed care providers, throughout the United States and Puerto Rico. The process of developing a line of proprietary drugs requires approvals by the United States Food and Drug Administration ("FDA") of Abbreviated New Drug Applications ("ANDAs"). Sun distributes various products exclusively for Sun Pharmaceutical Industries Limited, a specialty pharmaceutical company organized under the laws of India ("Sun Pharma Limited") and also Sun-owned products (those products for which Sun owns the ANDAs) manufactured by its own as well as by Sun Pharma and other third parties. The products are intended to treat a variety of disorders including, but not limited to, hypertension, arthritis, epilepsy, diabetes, depression and pain management.

Chattem Chemicals, Inc. ("Chattem"), a wholly-owned subsidiary, is based in Chattanooga, Tennessee. Chattem is primarily engaged in the business of manufacturing Active Pharmaceutical Ingredients ("APIs"), surfactants and aluminum performance additives.

URL Pharma Inc. ("URL"), a wholly-owned subsidiary, is based out of Philadelphia, Pennsylvania, and is primarily engaged in the business of manufacturing generic pharmaceutical formulations. URL as a group includes five wholly-owned subsidiaries, AR Scientific, Inc., Mutual Pharmaceutical Company, Inc., United Research Laboratories, Inc., Dungan Mutual Associates, LLC, and URL PharmPro, LLC.

DUSA Pharmaceuticals Inc. ("DUSA"), a wholly-owned subsidiary, is based out of Wilmington, Massachusetts, and is primarily engaged in the business of manufacturing and marketing branded dermatology formulations and medical devices used for treatment of dermatological conditions. DUSA as a group includes two wholly-owned subsidiaries, DUSA Pharmaceuticals New York, Inc. and Sirius Laboratories, Inc.

Pharmalucence Inc. ("Pharmalucence") was acquired on July 15, 2014, when the Company acquired all the outstanding shares of Pharmalucence (See Note 12, "Pharmalucence Acquisition"). Pharmalucence based out of Billerica, Massachusetts, manufactures its own line of generic injectable radiopharmaceuticals and sell to radiopharmacies and distributors. It also provides contract and private label formulation development and manufacturing services of parenteral products in either liquid or lyophilized form. Pharmalucence has one wholly-owned subsidiary, PI Real Estate Ventures, LLC.

Caraco Pharmaceutical Private Limited, a wholly-owned subsidiary of the Company since its inception, is based in Mumbai, India and has insignificant current operating activity.

Taro Development Corporation ("TDC"), is based in New York and has a wholly-owned subsidiary, Morley & Company, also based in New York. Neither of these entities have any current operating activities.

Caraco Pharmaceutical Inc., a wholly-owned subsidiary of the Company, based in Detroit, Michigan has no financial transactions or assets.

The Company's manufacturing facilities are located in Detroit, Michigan; Cranbury, New Jersey; Bryan, Ohio; Philadelphia, Pennsylvania; Aurora, Illinois; Chattanooga, Tennessee and Wilmington, Billerica, and Bedford, Massachusetts. The Company also has warehouses and executive offices in these locations and a distribution warehouse in Wixom, Michigan.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Sun Pharmaceutical Industries, Inc. and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

FDA Matters

Caraco (now Sun Pharmaceutical Industries, Inc. or Sun) voluntarily entered into a Consent Decree of Condemnation, Forfeiture and Permanent Injunction ("Consent Decree") with the FDA on September 29, 2009 relating to its manufacturing operations in Michigan. Subsequently, Caraco engaged a consulting firm which is comprised of current good manufacturing practice ("cGMP") experts and working with them submitted a work plan to the FDA for remedial actions leading to resumption of its manufacturing operations. The FDA approved the Company's work plan and notified Sun that its

proposal, including activities to be conducted by the cGMP consultants, was acceptable. On May 9, 2011, Caraco received approval for resumption of its manufacturing activities and began manufacturing on a limited basis.

During Fiscal 2015, the Company decided to currently stop the manufacturing activities at this plant as it has now several other facilities and to achieve operational efficiencies.

The Company has augmented, and intends to continue to augment, the loss of sales of its own manufactured products at the Detroit facility by the sale of Sun-owned products manufactured at third party sites and through sales of distributed products, which are not impacted by the aforementioned actions of the FDA.

In addition to certain Sun-owned products manufactured by Sun Pharma and its affiliates, Sun has transferred certain other Sun-owned products to alternate manufacturing sites of the Company and also to Sun Pharma that would allow the Company to realize revenues from those products. The Company has filed with the FDA supplements to ANDAs, for its approval, for these transferred products. Some of these products have been approved, however, there is no assurance that such approvals will be granted for the remaining transferred products.

Sun Pharmaceutical Industries Limited ("Sun Pharma")

Sun Pharma, along with certain of its wholly-owned subsidiaries, owns all the shares of the Company.

Sun Pharma operates research and development centers in Mumbai and Vadodara in India, where the development work for products is performed.

Sun Pharma and its affiliates supply the Company with certain raw materials and formulations, assist in acquiring machinery and equipment to enhance production capacities, and have provided qualified technical professionals who work as Sun employees.

The Company has also obtained technical and scientific services, including bio-equivalency studies, from the Clinical Research Organization operated by Sun Pharma. The products on which the Company decides to work with Sun Pharma are determined on a case by case basis as mutually agreed upon by both companies.

During the fiscal years ended March 31, 2015 ("Fiscal 2015") and March 31, 2014 ("Fiscal 2014"), the Company made net sales of $468.7 million and $605.2 million, respectively, of the marketed products under various distribution agreements entered into between the Company and Sun Pharma.

Sun Pharma has provided substantial support to Sun as disclosed above and Sun continues to have significant economic dependence on Sun Pharma.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates include, but are not limited to, provisions for estimated customer returns, discounts, rebates and other price adjustments, including customer chargebacks (see "Revenue Recognition," below), valuation of inventories, property and equipment and deferred income tax assets, and the carrying value of goodwill and other intangible assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and all highly liquid investments purchased with an original maturity of three months or less. The Company invests its excess cash primarily in deposits with major banks and in other high quality short-term liquid money market investments. During the normal course of business, the Company may maintain cash on deposit in excess of federally insured limits with financial institutions. The Company maintains a policy of making investments only with institutions with at least an investment grade credit rating.

Investment in Affiliate and Unconsolidated Entities

The Company, through its subsidiary TDC, holds 2,333,802 shares of Taro Pharmaceutical Industries, Ltd. ("Taro"). Sun Pharma, along with several of its subsidiaries, holds the majority of the common shares of Taro. The American Depository Shares of Taro are traded on the New York Stock Exchange. Management does not intend to sell the securities of this affiliate in the near future since they were acquired as strategic investments by Sun Pharma and its subsidiaries. These securities are, therefore, not available for sale and are carried at their cost.

In addition, the Company makes investments in both corporate and non-corporate entities for the purpose of obtaining an interest in a new drug or new indications of an existing drug. These investments although long term are generally focused on the development of these individual drugs and are not intended to be ongoing relationships. Investments in these corporate entities where the Company's ownership interest is between 20% and 50% and the Company does not have a significant influence are accounted for using the equity method which values the investment at cost plus undistributed earnings, less distributions. Investments in which the ownership interest is less than 20% and the Company does not have a significant influence are accounted for using the cost method. Investments in non-corporate entities where the Company's ownership interest is between 5% and 50% are accounted for using the equity method which values the investment at cost plus undistributed earnings, less distributions. Investments in which the ownership interest is less than 5% and the Company does not have a significant influence are accounted for using the cost method.

Advances from Affiliates

The Company has received funds, on various dates, from Alkaloida Chemical Company ZRT-Hungary, an affiliate, which is also a wholly-owned subsidiary of Sun Pharma Global, Inc. ("Sun Global"). These advances are considered unsecured operating loans. The outstanding balance of these loans was $174,376 and $457,807 on March 31, 2015 and 2014, respectively. Interest on these advances accrues at the London Interbank Offered Rate ("LIBOR") at the beginning of the year plus 200 basis points. The effective interest rate on such loans for Fiscal 2015 was 2.56%. On an annual basis, any unpaid accrued interest is rolled into the principal balance. There are no formal repayment terms for either principal or interest. While these loans can be called on demand at the affiliate's discretion, it is not anticipated that this will occur within the next year.

Revenue Recognition

Revenue from product sales, net of estimated provisions, is recognized when there is persuasive evidence that an arrangement exists, title and risk of ownership have been transferred to the buyer, the selling price is fixed or determinable, and collectability is reasonably probable. The Company's customers consist primarily of large pharmaceutical wholesalers who sell directly into the retail channel, chain drug stores, distributors, and managed care customers. For the products being sold from DUSA the primary customers are physicians and hospitals. Pharmalucence's primary customers are radiopharmaceutical pharmacies. Provisions for sales discounts, and estimates for sales chargebacks, customer rebates, and product returns are established as a reduction of product sales revenue at the time revenues are recognized, based on historical experience and current market trends adjusted to reflect known changes in the factors that impact

these allowances. These revenue reductions are reflected as a direct reduction to accounts receivable through a sales allowance account.

The Company makes sales of products under various marketing and distribution agreements. The Company recognizes revenue from such sales in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 605-45-45-1, "Reporting Revenue Gross as a Principal versus Net as an Agent." The Company has evaluated the various indicators described under this guidance and has determined that such revenues should be considered on a gross reporting basis. The factors include the following, which led the Company in making such determination: (1) the title of the goods have been transferred to the Company and the Company assumes all general inventory risks; (2) the Company is the primary obligor in the arrangement. (3) The Company is responsible for the sales process, pricing, marketing and delivery of the products; and (4) the Company is responsible for the collection of receivables and will have to account for bad debt losses if any occur.

The Company recognizes revenues on Kerastick® and BLU-U® product sales in the U.S. and Canada when persuasive evidence of an arrangement exists, the price is fixed and determinable, delivery has occurred, and collection is reasonably assured. The Company offers programs that allow physicians and hospitals access to our BLU-U® device for a trial period. The Company does not recognize revenue on these units until the physician or hospital elects to purchase the equipment and all other revenue recognition criteria are met. Terms with customers do not provide for the right of return for sales of Kerastick® and BLU-U®, unless the product does not comply with the technical specifications.

Allowances for Sales Adjustments

Chargebacks

Chargebacks represent the Company's most significant provision against gross accounts receivable and related reduction to gross sales revenue. Chargebacks are retroactive credits given to wholesale customers that represent the difference between the lower price they sell (contractual price) to retail, chain stores, and managed care organizations and what the Company charges the wholesaler. The Company estimates chargebacks at the time of sale to their wholesale customers. The Company is currently unable to specifically determine whether the amounts provided in specific prior periods for chargeback allowances have been over or understated. Wholesaler customers who submit chargebacks to the Company do not reference a specific invoice that the chargeback is related to when the chargeback is submitted to the Company. Thus, the Company cannot determine the specific period to which the wholesaler's chargeback relates.

The Company considers the following factors in the determination of the estimates of sales chargebacks:

1. The historical data of chargebacks as a percentage of sales, as well as actual chargeback reports received from primary wholesaler customers.
2. Volume of all products sold to wholesaler customers and the average chargeback rates for the current quarter as compared to the previous quarter and compared to the last six month period.
3. The sales trends and future estimated prices of products, wholesale acquisition cost (WAC), the contract prices with the retailers, chain stores, managed care organizations (end-users), and wholesaler customer's contract prices.
4. The Company utilizes data on remaining inventories on hand at primary wholesaler customers at the end of each reporting period in the calculation of estimates.

Such estimated amounts, in addition to certain other allowances, are deducted from the Company's gross sales to determine net revenues. The amount of actual chargebacks claimed could be either higher or lower than the amounts accrued. Changes in estimates, if any, would be recorded in the income statement in the period the change is determined. If the Company materially over or under estimates the amount that will ultimately be charged back to it by its wholesale customers, there could be a material impact on these consolidated financial statements. Approximately 82% of the total allowance for trade receivables at March 31, 2015 and 2014 has been established to provide for estimated sales chargebacks, and customer rebates (see Note 4).

Shelf Stock Adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling prices of products. These credits are customary in the industry and are intended to reduce the customers' inventory cost to better reflect current market prices. The decision to grant a shelf stock adjustment to a customer following a price decrease is made at the Company's discretion.

Factors considered when recording an allowance for shelf stock adjustments include estimated launch dates of competing products based on market intelligence, estimated decline in market price of products based on historical experience and input from customers, and levels of inventory held by customers at the date of the pricing adjustments.

Product Returns and Other Allowances

In the pharmaceutical industry, customers are normally granted the right to return product for credit, or replacement with fresh product, if the product has not been used prior to its expiration date. The Company's return policy typically allows product returns for products within a 12-month window from six months prior to the expiration date and up to six months after the expiration date. The Company estimates the level of sales that will ultimately be returned, pursuant to its return policy, and records a related allowance at the time of sale. These amounts are deducted from its gross sales to determine net revenues. These estimates take into consideration historical returns of the products and the Company's future expectations. The Company periodically reviews the allowances established for returns and adjusts them based on actual experience, as necessary. The primary factors considered in estimating its potential product returns include shelf life of expiration date of each product and historical levels of expired product returns. If the Company becomes aware of any returns due to product quality related issues, this information is used to estimate an additional allowance. The Company provides for allowance related to returns resulting from product recalls, in the period that such recalls occur. The amount of actual product return could be either higher or lower than the amounts provided. Changes in these estimates, if any, would be recorded in the income statement in the period the change is determined. If the Company over or under estimates the quantity of product that will ultimately be returned, there may be a material impact to its financial statements.

Sales discounts (trade and prompt payment discounts) are provided for at the end of every reporting period based on the gross sales made to the customers during the period and based on their terms of trade. The Company reviews its contracts with its customers in addition to historical data and percentages to estimate the reserve for estimated discounts.

Customer rebates are estimated at the end of every reporting period, based on direct or indirect purchases. If the purchases are direct (purchases made by end use customers directly from the Company), the rebates are recognized when products are purchased and a periodic credit is given. For indirect purchases (purchases by end use customers through wholesale customers), the rebates are recognized based on the terms with such customer. Medicaid rebates are estimated based on the historical data the Company receives from the public sector benefit providers, which is based on the final dispensing of the products by a pharmacy to a benefit plan participant.

Doubtful Accounts

Doubtful accounts are estimated based on the data available from external sources, including information obtained related to the financial condition of customers. Delinquent accounts are reviewed by management on a quarterly basis, to identify and

record allowances, as considered necessary, for accounts receivable not expected to be recoverable.

Accounts Receivable

The Company sells its products using customary trade terms; the resulting accounts receivable are unsecured. Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Company has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Inventories

Inventories, which consist of raw materials, goods in transit and finished goods, as well as work-in-process, are stated at the lower of cost, determined using the specific identification method, or market. The Company analyzes its inventory levels quarterly and writes down any inventory that has become obsolete and inventory that has a cost basis in excess of its expected net realizable value. Expired inventory is disposed of and the related costs are written off. Materials acquired for research and development on products yet to be launched are written off in the year of acquisition. Inventory includes material purchased related to products for which the Company has filed ANDAs with the FDA, and the commercial launch of such products will commence once the approvals are received. The determination of whether or not inventory costs will be realizable requires estimates by management. A critical estimate in this determination is the estimate of the future expected inventory requirements, whereby the Company compares its internal sales forecasts to inventory on hand. Actual results may differ from those estimates and inventory write-offs may be required. The Company must also make estimates about the amount of manufacturing overhead to allocate to its finished goods and work in process inventories. Although the manufacturing process is generally similar for its products, the Company must make judgments as to the portion of costs to allocate to purchased product, work in process and finished goods, and such allocations can vary based upon the composition of these components and the fact that each product produced does not necessarily require the same amount of time or effort for the same production step. Accordingly, the assumptions made can impact the value of reported inventories and cost of sales. For inventories related to distributed products, the company absorbs losses of obsolesce or expiries, however if mutually agreed upon and in specific circumstances (like inventory built up on launch of new products), the company recovers the cost from suppliers. The company incurs costs related to non-supply of products it has committed

to sell to its customers as per the contracts it has entered with these customers. As mutually agreed, the company recover certain of these costs from our suppliers.

BLU-U® commercial light sources placed in physicians' offices for an initial evaluation period are included in inventory in the accompanying consolidated balance sheets and amortized over a three year period or until sold to the physician's office evidenced by the fact that all revenue recognition criteria have been met.

Property, Plant and Equipment and Depreciation

Property, plant and equipment is carried at cost less accumulated depreciation. Land is carried at cost. Construction in process is carried at cost until such time the associated asset(s) is placed into service. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Major improvements and renewals are capitalized, while ordinary maintenance and repairs are expensed. Management annually reviews these assets for impairment and believes the carrying value of these assets will be recovered through cash flows from operations. Depreciation expense was $14,943 and $12,612 in Fiscal 2015 and Fiscal 2014, respectively. During Fiscal 2015, the Company sold one of its packaging facility located at Farmington, Michigan, and recorded a loss of $838 from the sale of this facility and related installed equipment.

Income Taxes

Deferred income tax assets and liabilities are determined based on the difference between the financial statement and federal income tax basis of assets and liabilities as measured by the estimated tax rates that will be in effect when these differences reverse. Deferred income taxes result principally from the Company's intangible assets and net operating loss carryforwards ("NOLs"). In concluding that it is not more-likely-than-not that the Company's deferred tax assets will be realized, the Company evaluated both positive and negative evidence regarding the future utilization of these assets. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities.

Research and Development Costs

Research and development costs settled in cash are charged to expense as incurred. The Company has not incurred any non-cash Research and development costs during the fiscal years ended March 31, 2015 and 2014, respectively.

Goodwill

Goodwill represents the cost in excess of the fair value of net assets acquired in business combinations. Goodwill is tested annually for impairment or more frequently if events or circumstances indicate that the asset might be impaired. Management concluded, based on their assessment, that there was no impairment at March 31, 2015 or 2014.

Intangible Assets

Intangible assets with finite lives are amortized over periods ranging from three to fifteen years to their estimated residual values and are evaluated for impairment at least annually. Intangibles are included in the "Intangible assets, net" caption on the accompanying consolidated balance sheets and relate primarily to the DUSA and URL acquisitions during Fiscal 2013 and the Pharmalucence acquisition in Fiscal 2015.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

(AMOUNTS IN THOUSANDS)

For a further discussion of Fair Value Measurement, refer to Note 2 to the financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred through the period subsequent to March 31, 2015, the most recent consolidated balance sheet presented herein, through May 27, 2015, the date these consolidated financial statements were available to be issued. Based on this evaluation, the Company found no subsequent events after March 31, 2015 for which disclosure is required.

2. FAIR VALUE MEASUREMENTS

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Marketable securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as inventory, non-marketable equity securities, goodwill and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, as well as a description of the methods and significant assumptions used to estimate fair value disclosures for financial instruments not recorded at fair value in their entirety on a recurring basis. For financial assets and liabilities recorded at fair value, the description includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets and liabilities measured at fair value on a recurring basis at:

	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
March 31, 2015				
None	$ -	$ -	$ -	$ -
March 31, 2014				
None	$ -	$ -	$ -	$ -

(AMOUNTS IN THOUSANDS)

	Liabilities at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
March 31, 2015				
Contingent consideration	$ -	$ -	$27,437	$27,437
March 31, 2014				
None	$ -	$ -	$ -	$ -

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Company's Level 3 liabilities measured at fair value on a recurring basis:

	Year Ended March 31,	
	2015	2014
Beginning balance of recurring Level 3 liabilities	**$** -	$30,300
Fair value of liability recognized in acquisition of Pharmalucence and interest accrued	27,437	-
Payment of liability	-	(30,300)
Ending balance of recurring Level 3 liabilities	**$ 27,437**	**$** -

3. SUPPLEMENTAL CASH FLOWS INFORMATION

The Company paid approximately $10,220 and $93 for interest during Fiscal 2015 and Fiscal 2014, respectively. The Company paid approximately $3,735 and $59 towards federal income tax payments during Fiscal 2015 and Fiscal 2014, respectively.

(AMOUNTS IN THOUSANDS)

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable and related allowances are summarized as follows:

	March 31,	
	2015	2014
Accounts receivable - gross	$257,169	$431,385
Allowances:		
Chargebacks and rebates	94,014	212,348
Sales returns and discounts	19,951	45,770
Doubtful accounts	41	72
Total allowances	$114,006	$258,190
Accounts receivable, net	**$143,163**	**$173,195**

A summary of the activity in accounts receivable allowances is as follows:

	Total Allowances
Balance at April 1, 2013	$156,033
Additions charged to net sales	1,017,810
Deductions allowed to customers	(915,653)
Balance at March 31, 2014	$258,190
Additions charged to net sales	1,026,906
Deductions allowed to customers	(1,171,090)
Balance at March 31, 2015	**$114,006**

(AMOUNTS IN THOUSANDS)

5. INVENTORIES (INCLUDING INVENTORIES FROM RELATED PARTY)

Inventories consist of the following:

	March 31,	
	2015	2014
Raw materials	$37,432	$29,670
Work in Process	8,894	8,846
Goods in transit (Distributed products)	34,449	62,640
Finished goods (Company-owned products)	36,924	33,904
Finished goods (Distributed products)	122,234	200,675
Total inventories	**$239,933**	**$335,735**

The principal components used in the Company's business are active and inactive pharmaceutical ingredients and certain packaging materials. Some of these components are purchased from single sources; however, the majority of the components have an alternate source of supply available. Because the FDA approval process requires manufacturers to specify their proposed supplier of components in their applications, FDA approval of a new supplier would be required if components were no longer available from the specified suppliers. Also, a major component of the Company's inventory includes purchase of finished goods for distribution under various marketing agreements.

During the years ended March 31, 2015 and March 31, 2014, the Company made net purchases of inventory components, consisting of raw materials and finished goods, of approximately $346.3 million and $672.6 million, respectively, from Sun Pharma. These amounts are net of credits issued by Sun Pharma for the cost of expired and non-saleable products or for free replacement of fresh product to Sun primarily as a result of pending expiration or stale-dating of product held by Sun and Sun's customers, without cost to Sun, which was acting in its normal distributor role for sales of such products.

(AMOUNTS IN THOUSANDS)

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	March 31,	
	2015	2014
Patents & trademarks	$219,076	$219,076
Products (ANDAs)	113,400	70,800
Other	1,800	300
Total	334,276	290,176
Less: accumulated amortization	115,406	71,506
Intangible assets, net	**$218,870**	**$218,670**

Patents and trademarks are amortized over periods ranging from 5 to 15 years, Products (ANDAs) are amortized over 3 to 10 years, which correspond with the expected periods of future economic benefit. Amortization expense was $43,900 and $41,078 for Fiscal 2015 and 2014, respectively.

Estimated annual amortization expense for each of the five years succeeding March 31, 2015 and thereafter, are summarized as follows:

Year Ending March 31	Amount
2016	$42,918
2017	32,195
2018	32,195
2019	32,195
2020	31,578
Thereafter	47,789
Total	$218,870

7. INVESTMENT IN AFFILIATE AND IN UNCONSOLIDATED ENTITIES

At March 31, 2015 and 2014, the Company's investment in Taro, an affiliate, which is recorded at cost was $19,853. Unrecognized holding gains as of March 31, 2015 were $309,283, based on the closing price of Taro shares as quoted on the New York Stock exchange.

(AMOUNTS IN THOUSANDS)

At March 31, 2015, equity investments accounted for under the equity method, and the percentage interest owned, consisted of S & I Ophthalmic, LLC (50%), Frazier Healthcare VII, L.P. (6.83%) and Versant Venture Capital V, L.P. (7.75%).

The activity in the investments in these unconsolidated entities using the equity method is as follows:

	March 31,	
	2015	2014
Investments in unconsolidated entities	$12,517	$5,810
Equity in undistributed losses	(1,914)	(1,008)
Total	**$10,603**	**$4,802**

Combined, condensed unaudited financial information for the Company's unconsolidated entities using the equity method are as follows:

	As at March 31,	
	2015	2014
Current assets	$13,524	$10,865
Investments, at estimated fair value	4,171	$3,274
Total assets	**$14,906**	**$14,139**
Total liabilities (all current)	$866	$603
Total equity	14,040	$13536
Total liabilities and equity	**$14,906**	**$14139**

Combined, condensed unaudited financial information for the Company's unconsolidated entities using the equity method is as follows:

	For the Years Ended March 31,	
	2015	2014
Income	$24	$1
Research and development	(1,564)	(278)
Management fees	(5,742)	(4,164)
Professional fees	(357)	(42)
Fund organization and syndication costs	(16)	(369)
Other expenses	(44)	(24)
Net loss	**$(7,699)**	**$(4,876)**

At March 31, 2015, cost method investments with an ownership of less than 20%, and the percentage interest owned, consisted of 5AM Ventures IV, L.P. (3.3%) and MedInstill LLC (19.99%). The total cost method investments were $20,870 and $20,254 as on March 31, 2015 and March 31, 2014, respectively.

As of March 31, 2015, the Company has committed to contribute an additional $46,310 to these unconsolidated entities.

8. SHORT-TERM DEBT

During Fiscal 2015, the Company entered into an uncommitted line of credit agreement with Citibank, N.A. ("Citibank"). The term of the line is one year ending on November 16, 2015 or upon demand by Citibank. The maximum available borrowings under the agreement are $100,000, which is the outstanding balance at March 31, 2015. The applicable interest rate is the London Interbank Offered Rate ("LIBOR") plus 1.0%.

In conjunction with this credit agreement, the Company entered into a one year interest rate swap agreement ("SWAP") with Citibank. The SWAP effectively fixed the interest rate on the $100,000 available borrowings, under the credit agreement at 1.52%. The value of Swap as at March 31, 2015 is not material and is short term in nature.

During Fiscal 2015, the Company entered into a committed credit facility with HSBC Bank USA, National Association ("HSBC"). The term of the facility is one year ending on November 16, 2015 or upon demand by HSBC. The maximum available borrowings under the facility are $200,000, which is the outstanding balance at March 31, 2015. The applicable interest rate is LIBOR plus 0.75% (effectively, 1.08% at March 31, 2015).

During fiscal 2009, the Company entered into a term loan of $18 million with RBS Citizens, N.A. d/b/a Charter One Bank ("Charter One Bank"), which was subsequently converted into a demand line of credit. This demand line of credit was secured by liens over Sun's accounts receivable and inventory balances. During Fiscal 2015, the Company repaid the outstanding balance and terminated this demand line of credit. At March 31, 2014, the outstanding balance under this line of credit was $4,500.

The Company believes the fair value of these instruments approximates carrying value due to the short-term maturity of the instruments.

(AMOUNTS IN THOUSANDS)

9. LONG-TERM DEBT

As part of acquisition of Pharmalucence, the Company assumed Pharmalucence's bond agreement with the Massachusetts Development Finance Agency. The original amount of the loan was $20,000 with a balance of $19,355 at the time of the acquisition. The balance at March 31. 2015 is $18,906. The loan is collateralized by substantially all of the assets of Pharmalucence. Monthly principal and interest payments are payable in varying amounts through June 2033, the bond maturity date. Interest is computed at a rate of 69% of the sum of one month LIBOR plus 2.75% (2.02% at March 31, 2015).

Scheduled principal payments under the loan are:

Year Ended March 31,	
2016	$693
2017	724
2018	755
2019	789
2020	823
Thereafter	15,122
	$18,906

The Company believes the fair value of this debt approximates the carrying value due to the floating interest rate.

10. INCOME TAXES

The provision for income taxes consists of the following:

	Year Ended March 31,	
	2015	2014
Currently payable	$3,972	$10,915
Deferred tax expense	8,913	8,629
Total	**$12,885**	**$19,544**

(AMOUNTS IN THOUSANDS)

The provision for income taxes is different from that which would be obtained by applying the statutory federal income tax rate to net income before income taxes. The items causing the difference are as follows:

	Year Ended March 31,	
	2015	2014
Federal tax at 35% statutory rate	$11,744	$21,399
State income taxes, net of federal benefit	647	3,544
Permanent differences	169	(2,749)
Other	325	(2,650)
Income tax expense	**$12,885**	**$19,544**

Deferred income taxes consist of the following:

	March 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carry forwards	$8,116	$25,167
Deferred credits	8,992	5,820
Interest deductible on payments to affiliate	-	13,811
Research & development costs	1,128	1,844
Accrued liabilities and other items	6,259	6,996
Total deferred tax assets	$24,495	$53,638
Deferred tax liabilities		
Depreciation	$1,833	$2,467
Intangibles, net	8,973	28,355
Other	280	494
Total deferred tax liabilities	$11,086	$31,316
Net deferred tax assets	**$13,409**	**$22,322**

Valuation allowances against deferred income tax assets are provided when based upon the weight of available evidence, it is more-likely-than-not that some or all of the deferred tax assets will not be realized. There were no such valuation allowances as of March 31, 2015 or March 31, 2014. Based upon the level of projected future taxable incomes over the periods in which deferred assets are deductible, the Company expects that it is more likely than not that it will realize the benefit of these temporary differences. As of March 31, 2015, the Company had federal net operating loss carryforwards in the amount of $54.2 million. Some of the Company's NOLs are subject to annual limitations under income tax rules. As a result of such restrictions, certain of such NOLs, amounting to approximately $30.4 million, will expire and are not likely to be available for future use. Accordingly, the deferred tax asset related to the NOLs has

been reduced to reflect the NOLs which the Company will not be in a position to utilize as they will expire between 2021 and 2033.

The Company analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years (2011 to 2015) in these jurisdictions. The Company has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its operating expenses. The Company had determined that no adjustments for unrecognized tax benefits are necessary as a result of this analysis.

The Internal Revenue Services has commenced an audit of the Company's Fiscal 2014 tax return. No adjustments have been communicated as of the date of issuance of these consolidated financial statements.

11. STOCKHOLDER'S EQUITY

Common Stock

During Fiscal 2014, Sun Pharma Global Inc., British Virgin Islands (a wholly owned subsidiary of Sun Pharma) transferred 33,796,638 common shares of the Company to its wholly owned subsidiary Nogad Holding, Mauritius, which was subsequently renamed as Sun Pharma Holdings, Mauritius.

12. PHARMALUCENCE ACQUISITION

The Company acquired all the outstanding shares of Pharmalucence, Inc. on July 15, 2014 from its existing shareholders for $57,347 in cash, plus contingent consideration based on Pharmalucence meeting certain milestones with a fair value of $27,180. In addition, the Company assumed Pharmalucence long-term bank debt at the time of the acquisition of $19,355.

Pharmalucence is a FDA approved manufacturer of human injectable pharmaceuticals. Pharmalucence provides contract and private label formulation development and manufacturing services of parenteral products in either liquid or lyophilized form. Pharmalucence also manufactures its own line of generic injectable radiopharmaceuticals sold to radiopharmacies and distributors. Pharmalucence has two facilities, one in Billerica, Massachusetts and the other in Bedford, Massachusetts.

(AMOUNTS IN THOUSANDS)

The Company acquired Pharmalucence to facilitate its parent company's entry and expansion into human injectable pharmaceuticals market in the United States.

The following summarizes the allocation of the purchase price at fair value:

	Amount
Cash and cash equivalents	$1,503
Accounts receivable	4,010
Inventory	3,623
Other Current Assets	580
	9,716
Accounts payable and accrued	(3,442)
Net current assets	6,274
Property and equipment	38,128
Intangibles	44,100
Total net assets	88,502
Debt assumed	(19,355)
	69,147
Goodwill	15,380
Total Purchase Price	$84,527

The contingent consideration (which is recorded on consolidated financial statements as Earn-out liability) is payable to the prior shareholders based on five milestones, the FDA approval for the manufacturing site transfer from the Bedford Massachusetts facility to the Bellerica Massachusetts facility and the FDA approval of four future products. Payments are made as each milestone is met. The Company engaged a third party valuation firm which had provided the fair value of the assets and liabilities as of the acquisition date, including the estimated contingent consideration. There is no market data available to use in valuing the contingent consideration, therefore, the Company and the valuation firm developed their own assumptions related to the probability and expected timing of the payments in determining the fair value of this liability. As such, the contingent consideration is classified within Level 3 under the fair value hierarchy.

The results of Pharmalucence have been included in the consolidated financial statements since the date of acquisition.

(AMOUNTS IN THOUSANDS)

13. LEASES (INCLUDING RELATED PARTY)

The Company leases its facilities in Wixom, Michigan, Cranbury New Jersey, Bryan, Ohio and Wilmington, Massachusetts. The leases are with third parties and are non-cancelable. The Cranbury lease expires in Fiscal 2016, the Bryan and Wilmington leases expire in Fiscal 2017 and the Wixom lease expires in Fiscal 2018. The total lease expense under these leases was $2,940 and $2,465 in Fiscal 2015 and Fiscal 2014, respectively.

In addition, in January 2014, the Company entered into a ten-year non-cancelable lease for office space in Cranbury, New Jersey, from an affiliated company, Taro (see footnote 1 – Investment in Unconsolidated Entities). The lease expense for this lease was $317 and $79 in Fiscal 2015 and Fiscal 2014, respectively.

The following is a schedule of annual future minimum lease payments required under operating leases with remaining non-cancelable lease terms in excess of one year as of March 31, 2015:

Leased From	Affiliated Company	Third Party
Year Ended March 31,		
2016	$ 324	$2,927
2017	330	2,795
2018	336	2,429
2019	344	0
2020	344	-
Thereafter	1,384	-
	$3,062	$8,151

14. RETIREMENT PLAN

Each entity within the Company maintains a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. Under these plans, eligible employees are permitted to contribute up to the maximum allowable amount determined by the Internal Revenue Code. The Company may make discretionary matching and profit sharing contributions under the provisions of these plans. The Company made contributions in the amount of $1,445 and $1,201 to the plan for the fiscal years ended March 31, 2015 and 2014, respectively.

15. CONCENTRATIONS AND COMMITMENTS

Major Customers

Shipments to three wholesalers, Amerisource-Bergen Company, Cardinal Health and McKesson Company, accounted for approximately 43% of net revenues for the year ended March 31, 2015. The approximate percentage of consolidated net revenues for Fiscal 2015 attributable to each of these wholesalers was 13%, 10% and 19%, respectively. Shipments to Amerisource-Bergen Company, McKesson Company and Cardinal Health accounted for approximately 46% of net revenues for the year ended March 31, 2014, or individually 17%, 11% and 18%, respectively. Balances due from these customers represented approximately 73% and 77% of gross accounts receivable at March 31, 2015 and 2014, respectively. As is typical in the US retail sector, many of the Company's customers are serviced through their designated wholesalers. Of the net sales made to wholesalers, the majority of these include sales for various customers of the Company that have underlying direct contracts with the Company that are facilitated through such wholesale customers. No other single customer accounted for more than 10% of net sales for Fiscal 2015 or Fiscal 2014. The loss of any of these customers could have a materially adverse effect on short-term operating results.

Major Products

Shipments of two products accounted for 30% and 32% of net revenue for the fiscal years ended March 31, 2015 and March 31, 2014, respectively.

Labor Contract

A union represents certain of Sun's permanent, full-time and hourly employees at the Company's Michigan facilities. In January 2013, Sun successfully negotiated a new three-year collective bargaining agreement with the union. This agreement sets forth minimum wage increases and growth opportunities which the union employees will be eligible for in each of the next three years, thereby giving Sun and the union employees, Sun believes, a measure of certainty and stability. The collective bargaining agreement with the union is set to expire in September 2015. However, as mentioned earlier, the Company has stopped manufacturing from its Detroit manufacturing facility in Fiscal 2015 and all employees have been laid off. There are few employees working in Companies warehousing facility located at Wixom, Michigan, which are covered under this contract and the Company is working towards renewal of the contract.

Contractual Commitment

At March 31, 2015, DUSA has an agreement with a clinical research organization to perform certain clinical research services for which the committed amount for future payments is approximately $4,922.

16. LOSS FROM PATENT INFRINGEMENT SUIT

Sun Pharma and Wyeth were involved in a Paragraph IV product lawsuit in the United States District Court for the District of New Jersey, regarding the validity of the patents in Wyeth's Protonix® (pantoprazole) product. Sun and Sun Pharma conducted an "at-risk" launch of Sun's generic version of this product prior to the expiration of the patent. On April 23, 2010, a Jury returned a verdict that the patent at issue in that case is not invalid. In June 2013, damages were awarded against Sun Pharma for the patent infringement. Under the terms of the Distribution and Sale Agreement with Sun Pharma, Sun's obligation to Sun Pharma for its portion of the award is capped at its fixed margin percentage which resulted in a charge to Sun of $45,649. This was recorded in Fiscal 2014 and is reflected in Company's consolidated statement of Income.

17. REIMBURSEMENT OF MISSED MILESTONES

As part of the URL acquisition agreement, the seller agreed to reimburse the Company $5,000 if the Company was unable to obtain FDA approval for a specific ANDA within eighteen months from the acquisition date. This milestone was not met and accordingly the seller reimbursed the Company the $5,000.

18. OTHER MATTERS

Employment Contracts

The Company has employment agreements with two of its executive officers that provide for fixed annual salaries and at least a six-month continuance including insurance benefits upon termination without cause.

Employees

The Company had a total of 1,026 and 1,124 full-time equivalent and contract employees at March 31, 2015 and 2014, respectively, engaged in research and development, manufacturing, quality assurance, quality control, administration, sales and marketing, materials management, facility management and packaging. Most of our scientific and engineering employees have had prior experience with pharmaceutical or medical products companies, including Sun Pharma. See "Sun Pharmaceutical Industries Limited."

Litigation

While it is not possible to determine with any degree of certainty the ultimate outcome of the following legal proceedings, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position. An adverse outcome in any of these proceedings could have a material adverse effect on the Company's financial position and results of operations.

1. On December 9, 2010, and subsequent thereto, several purported class action lawsuits were filed in the Wayne Court Circuit Court against the Company, Sun Pharma, Sun Global and the members of the Board of Directors of the Company, arising out of the proposal by Sun Pharma and Sun Global to take the Company private. The lawsuits were subsequently consolidated into one action. On April 8, 2011, the plaintiffs filed a consolidated class action complaint, alleging, among other things, that the defendants breached their fiduciary duties to the Company's stockholders and that the Independent Committee of the Company's Board of Directors could not ensure that minority stockholders were being treated fairly in the merger. The Consolidated Class Action Complaint seeks declaratory relief that the defendants have breached their fiduciary duty, that the merger is not procedurally and financially fair to the Company's minority stockholders, and that the Independent Committee is incapable of considering, evaluating and/or negotiating the merger on behalf of the Company's minority stockholders. The consolidated class action complaint also seeks damages and costs of the action, including reasonable attorneys' and experts' fees and such other and further relief as the court may deem just and proper. On September 16, 2011, the Court granted the Defendant's Motion to Dismiss. The plaintiffs filed a motion with the Court asking it to reconsider its ruling denying them the opportunity to amend their complaint. That motion to reconsider was denied. The plaintiffs have appealed to the Michigan Court of Appeals. The Michigan Court of Appeals reversed, and remanded the case back to Wayne County Circuit Court.

2. On September 17, 2013, the State of Louisiana filed suit against numerous pharmaceutical companies (including the Company and United Research Laboratories, Inc. (since merged into Mutual Pharmaceutical Company, Inc. ("Mutual") in the 19th Judicial District, Parish of East Baton Rouge. The suit alleges violations of Louisiana's Unfair Trade Practices and Consumer Protection Law, Louisiana's Medical Assistance Programs Integrity Law, fraud, negligent misrepresentation, redhibition, and unjust enrichment. The State of Louisiana alleges that the numerous pharmaceutical company defendants have engaged in a scheme to trick the State into paying for drugs that have not received approval from the U.S. Food and Drug Administration, thereby causing Louisiana's Medicaid agency to pay for drugs that would have otherwise not been covered by Medicaid. The numerous defendants have moved to have the cause heard in federal court, and that initial procedural issue is still outstanding. The liability for Mutual is anticipated to be covered by the indemnity obligations of Takeda Pharmaceuticals U.S.A., Inc., ("Takeda"), pursuant to the terms of that certain Stock Purchase Agreement between Takeda and the Company dated December 14, 2012 (the "SPA").

3. The Company, through the URL line of business, is one of approximately 30 – 40 brand and generic drug manufacturers and distributors involved in a Reglan®/metoclopramide litigation pending in the Court of Common Pleas, Philadelphia, Pennsylvania, the Superior Court, Atlantic City, New Jersey, the Superior Court, San Francisco, California and approximately six additional federal and/or state courts in the United States. Plaintiffs' claims focus on failure to warn of alleged known risks associated with the use of the drug. To date, of the approximately 5,000 plaintiffs who have asserted claims against the brand and generic Reglan/metoclopramide manufacturers, only approximately 100 plaintiffs have positively identified the Company as one of the manufacturers or distributors of the drug allegedly ingested. A United States Supreme Court decision has issued a ruling that plaintiffs' claims against generic drug manufacturers for failure to warn are preempted by federal law. On February 12, 2012, a federal court in Minnesota dismissed plaintiff's claims against the Company based on federal preemption. On June 6, 2012, a federal court in Arkansas dismissed plaintiff's claims against the Company based on federal preemption. Plaintiffs have appealed both decisions. Similar motions to dismiss have been filed in the majority of the other jurisdictions. The Court of Common Pleas, Philadelphia, Pennsylvania denied the motion to dismiss and the Company, along with all other generic defendants have appealed that ruling. The Superior Court in Atlantic City, New Jersey has dismissed all claims with a pre-2004 ingestion period and has allowed discovery to proceed with respect to any case involving post-2004 ingestion. The Company and other generic manufacturers are appealing the

court's decision to allow post 2004 ingestion cases to proceed. The Superior Court, San Francisco, California denied generic defendants motion to dismiss but has stayed the proceedings against the generic defendants but it is expected the stay will be lifted and the cases will proceed in the next few months. Motions to dismiss are pending in other jurisdictions. The U.S. Supreme Court decision may have favorable impact for the Company in the remaining cases relating to plaintiffs' failure to warn claims against it. These matters are covered both by product liability insurance, as well as a limited indemnity available for a group of cases from Takeda pursuant to the SPA.

4. On May 12, 2008, a Complaint was filed in the Third Judicial District of Salt Lake County, State of Utah against URL and a number of other pharmaceutical manufacturers. The Complaint asserts claims for fraud arising out of the marketing of the defendants' prescription drug products at the expense of Utah's Medicaid program. The Utah Complaint is one of a number of such actions that has been brought against the pharmaceutical industry arising out of alleged overpayments by State Medicaid programs through their reliance on published "Average Wholesale Price" data. Following the State's Motion to File Third Amended Complaint and Jury Demand, Memorandum in Support of Motion to File Third Amended Complaint and Jury Demand, and Third Amended Complaint filed on September 17, 2012, the Defendants joined in a consolidated motion to dismiss the Third Amended Complaint, which was filed on January 7, 2013. The Court denied that motion and the Third Amended complaint was allowed to proceed. On September 15, 2014 the Fourth Amended Complaint and Jury Demand was filed. The Amendment sought to add certain defendants, including URL. Fact discovery deadline has been extended to November 6, 2015. Depositions have not yet commenced. URL has a limited indemnity available to it under the SPA.

5. In May 2014, Sun received a Civil Investigative Demand (CID) from the Office of the Attorney General of Texas (OAG). The CID states it is investigating the possibility of false reporting of information by Sun and others, regarding prices for drugs dispensed as part of the Texas Medicaid Program. Further it alleges such activities may violate the Texas Medicaid Fraud Prevention Act (TMFPA), Tex. Hum. Res. Code sec. 36.002(1), (2), (4) and/or (9). The CID required that Mutual produce certain data by June 2014; which was done. Thereafter, the State of Texas requested additional clarification which was provided. The State of Texas sent a Settlement Demand to Mutual, via letter dated April 1, 2015, and provided 30 days to reply. Mutual replied asking for an extension and was granted same until June 15, 2015, at which time the State requires some feedback. Mutual will continue to identify defenses to mitigate its damages.

6. On March 20, 2007, Tyco Healthcare Group LP and Mallinckrodt Inc. ("Tyco") filed a Complaint in the United States District Court for the District of New Jersey against URL for patent infringement under the Hatch-Waxman Act related to 7.5 mg temazepam capsules and tablets (generic version of Restoril®). On May 4, 2010, the court granted the Company's motion for summary judgment of invalidity of the only remaining patent-in-suit, which also expired on May 18, 2010. On Tyco's motion, the court certified the invalidity ruling for appeal to the Federal Circuit and stayed all district court proceedings relating to the Company's antitrust and other non-patent counterclaims pending this appeal. On June 22, 2011, the Federal Circuit affirmed the district court's invalidity ruling, and remanded the case back to the district court for further proceedings. On July 18, 2011, the district court lifted the stay of all discovery and other proceedings relating to the Company's antitrust and other non-patent counterclaims. On September 21, 2012, Tyco moved for summary judgment on the Company's remaining counterclaims. On January 18, 2013, the court granted Tyco's motion as to the Company's antitrust and other non-patent counterclaims, but denied it as to the Company's counterclaim for inequitable conduct. On April 30, 2013, the Company and Tyco entered into a consent order of final judgment dismissing the Company's inequitable conduct counterclaim, allowing the Company to appeal the court's dismissal of the Company's antitrust and other non-patent counterclaims. The Company filed a notice of appeal on May 1, 2013, and the Federal Circuit docketed the appeal on May 6, 2013. The antitrust counterclaims are still in the appeals process.

7. Currently there exists multidistrict litigation alleging the drug "Alendronate" caused personal injury to plaintiffs. The Company and/or Sun Global is named in cases in jurisdictions in New York (1 case filed), California (61 cases filed) and New Jersey (34 cases filed). These cases allege that Sun and/or Sun Global failed to update its label in a timely manner and also to communicate label safety changes. The Company has been vigorously defending itself and argues federal Preemption; specifically that only the FDA has authority to require the Reference Listed Drug "RDL" manufacturer to update its label; which is the trigger for generic ANDAs manufacturers to update their product label. While the Company believes it has strong arguments in its favor, it is aware of some state courts which seem unwilling to accept the pre-emption argument, by carving out arguments such as timing of the label revisions.

8. There is one product liability case in the State of New York alleging the product "Phenytoin" caused personal injury. It is likely this case will be dismissed, as Sun's Motion to Dismiss is pending and plaintiff seems to have abandoned its case.

9. There is one product liability case in the State of Illinois alleging the product "Syndopa" caused personal injury. Sun has not yet been served in this case, which was filed in September 2014. Additionally, Sun is identified as a "Respondent in Discovery" which is a state designation for a party from whom the plaintiff seeks discovery only. However, this status may be converted to a "named defendant" at a later time.

In addition to all of the above legal matters, the Company is also currently involved, and from time to time becomes involved, in certain other legal proceedings relating to the conduct of its business, including those pertaining to patents, product liability, contract and employment matters. The Company carries product liability insurance in an amount it believes is sufficient for its needs for those cases involving products that it manufactured. The Company is also a defendant in numerous product liability cases where it is alleged that the plaintiff(s) were harmed by a product distributed by it, but manufactured by SPIL. In those instances, the Company is contractually indemnified. While the outcome of any of such proceedings cannot be accurately predicted, the Company does not believe that the ultimate resolution of any of these other existing proceedings will have a material adverse effect on its financial condition or liquidity.

Product Liability and Insurance

The Company currently maintains a product liability insurance policy with coverage limits of $10 million per incident and in the aggregate. The Company's product liability policy provides coverage on a claims made basis and are subject to annual renewal. In addition, the Company maintains policies for property, workers compensation and officer and directors liability and other general liability claims. There can be no assurance that the coverage limits of these policies will be adequate to cover the Company's liabilities, should they occur, or that such insurance may not be available in the future on acceptable terms or at all.

Regulatory Matters

Sun Detroit Facility

The Company stopped the manufacturing activities at its Detroit manufacturing facility during Fiscal 2015. Because of the process of moving production to other sites and current capacities within the Sun family of companies, the Company believed at this point it did not make economic sense to continue to operate this facility.

Under the terms of the Consent Decree, before resuming the manufacture of any product in Sun's facilities, a number of significant steps and processes were required to be completed, and certifications and approvals from both outside experts and the FDA are to be obtained. On May 9, 2012, Sun received written notification that its cGMP consultants, had submitted its written certification to the FDA pursuant to Paragraph 21F of the Consent Decree that with respect to the two products that Sun commenced manufacturing following clearance by the FDA, "Sun's facilities, methods, processes and controls used to manufacture, process, package, label, hold and distribute products are in compliance with cGMP and the Consent Decree…"

On August 27, 2012, Sun was notified by the FDA that it appears to be in compliance with the Consent Decree and it may resume operations. The FDA conducted a follow-up audits in January 2013, May 2013, and January 2014. The most recent FDA Inspection was concluded with no FDA 483 observations being issued.

Following the closure of the Detroit facility, the company began discussions with the FDA concerning vacating the Consent Decree. The FDA is currently evaluating the situation and the company is awaiting their response. Since the facility has been approved by the FDA to resume manufacturing, the company believes they will be successful in removing the Consent Decree, but there is no guarantee that they will be successful.

Sun – Bryan Facility

The FDA has been periodically conducting inspection of the facility and the facility has been found to be in substantial compliance by the FDA. The facility has received ANDA approvals in the past year and has applications under review with the FDA.

Sun Cranbury Facility

The Sun Cranbury Facility was last inspected by the FDA in 2013 and found to be compliant with cGMP standards. The Cranbury site has several ANDA applications under review with the FDA.

URL

URL has two primary manufacturing facilities, one in Philadelphia, Pennsylvania, and another in Aurora, Illinois. All URL facilities have been inspected by the FDA and are found to be compliant with cGMP standards. Currently URL has two ANDA applications under review with the FDA.

DUSA

DUSA is registered as both an FDA drug manufacturing facility and an FDA device manufacturing facility. Both licenses are for the physical facility located in Wilmington, Massachusetts.

DUSA's last FDA inspection was a combination drug and device inspection which occurred in June 2012. There were no 483 observations from that inspection and there are no 483 observations issued or pending from any previous inspection. DUSA also underwent an FDA Post Marketing Adverse Drug Experience (pharmacovigilance) inspection in April 2012 which resulted in no 483 observations.

Pharmalucence

Pharmalucence has two drug establishments currently registered with FDA, one located in Bedford, Massachusetts, and the other located in Billerica, Massachusetts. The FDA conducts inspections of both sites, most recently in 2014 and 2015, respectively. Both sites have been found to be compliant with cGMP standards. The Bedford site is currently FDA approved for all cGMP drug manufacturing operations. The Billerica site is currently approved by the FDA for cGMP drug labeling, packaging, warehouse, visual inspection, and testing operations. Pharmalucence drug manufacturing operations in the Billerica establishment is pending a NDA supplement amendment and FDA approval.

Chattem

Chattem has its primary manufacturing facility in Chattanooga, Tennessee. This facility has been inspected by the FDA and found to be compliant with cGMP standards.

(AMOUNTS IN THOUSANDS)

19. SEGMENT INFORMATION

The Company operates in two reportable segments consisting of (1) Company-owned products and (2) those products distributed under various agreements with Sun Pharma and its affiliates. The sales and gross profit earned on these categories of products are as follows:

	Year Ended March 31,			
	2015		2014	
Category	Sales	Gross Profit	Sales	Gross Profit
Company-owned Products	$342,398	$194,490	$426,074	$264,862
Distributed Products	506,249	41,441	605,216	48,161
Total	$848,677	$235,931	$1,031,290	$313,023

The Company is primarily in the business of manufacturing, developing, selling and distributing various therapeutic classes of solid oral dosage and injectables of generic pharmaceuticals. There are no separate management teams or individuals assigned to a product or products or therapeutic classes of products, no separate allocation of funds or resources to distinct product or products or therapeutic classes or products, and the performance of any individual product or products or therapeutic classes of products is not separately assessed. The Company's revenues are solely based on the receipt of customers' orders.

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