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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-32360

AKORN, INC.
(Exact Name of Registrant as Specified in its Charter)

LOUISIANA (State or Other Jurisdiction of Incorporation or Organization)	**72-0717400** (I.R.S. Employer Identification No.)
1925 W. Field Court, Suite 300 **Lake Forest, Illinois** (Address of Principal Executive Offices)	**60045** (Zip Code)

(847) 279-6100
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☒

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At May 11, 2016, there were 119,427,471 shares of common stock, no par value, outstanding.

EXPLANATORY NOTE

Overview

On May 10, 2016 Akorn, Inc. filed a comprehensive Form 10-K with the Securities and Exchange Commission which included quarterly financial information for the quarter and year to date periods ended March 31, 2014 and 2015. Although not required Akorn, Inc., is filing this Quarterly Report on Form 10-Q for the three month period ended March 31, 2015 solely for purposes of bringing Akorn's Registration Statement on Form S-8 current.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

AKORN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	March 31, 2015 (Unaudited)	December 31, 2014 (As restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 123,532	$ 70,679
Trade accounts receivable, net	190,710	187,545
Inventories, net	149,403	135,197
Deferred taxes, current	39,564	38,411
Available for sale security, current	5,558	7,268
Prepaid expenses and other current assets	35,118	37,061
TOTAL CURRENT ASSETS	543,885	476,161
PROPERTY, PLANT AND EQUIPMENT, NET	175,991	144,196
OTHER LONG-TERM ASSETS		
Goodwill	285,674	285,283
Product licensing rights, net	689,490	704,791
Other intangibles, net	254,590	255,612
Deferred financing costs, net	22,687	23,704
Deferred taxes, non-current	2,643	2,084
Long-term investments	129	211
Other non-current assets	1,248	1,863
TOTAL OTHER LONG-TERM ASSETS	1,256,462	1,273,548
TOTAL ASSETS	$ 1,976,338	$ 1,893,905
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	$ 57,971	$ 47,317
Purchase consideration payable, current	12,367	10,970
Accrued royalties	13,948	13,204
Accrued compensation	8,375	13,467
Current maturities of long-term debt	10,450	10,450
Accrued administrative fees	36,312	40,870
Accrued expenses and other liabilities	14,428	14,576
TOTAL CURRENT LIABILITIES	153,851	150,854
LONG-TERM LIABILITIES		
Long-term debt	1,110,458	1,114,481
Deferred tax liability, non-current	263,466	269,428
Lease incentive obligations and other long-term liabilities	6,388	2,836
TOTAL LONG-TERM LIABILITIES	1,380,312	1,386,745
TOTAL LIABILITIES	1,534,163	1,537,599
SHAREHOLDERS' EQUITY		
Common stock, no par value — 150,000,000 shares authorized; 114,332,873 and 111,734,901 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	388,475	342,252
Retained earnings	66,788	29,250
Accumulated other comprehensive loss	(13,088)	(15,195)
TOTAL SHAREHOLDERS' EQUITY	442,175	356,307
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,976,338	$ 1,893,905

See notes to condensed consolidated financial statements

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2015	2014 (as Restated)
Revenues	$ 227,378	$ 90,622
Cost of sales (exclusive of amortization of intangibles included below)	97,215	40,966
GROSS PROFIT	130,163	49,656
Selling, general and administrative expenses	29,986	16,586
Acquisition-related costs	1,257	454
Research and development expenses	9,276	4,419
Amortization of intangibles	16,377	4,757
TOTAL OPERATING EXPENSES	56,896	26,216
OPERATING INCOME	73,267	23,440
Amortization of deferred financing costs	(996)	(4,251)
Interest expense, net	(13,480)	(2,161)
Bargain purchase gain	849	—
Other non-operating income (expense), net	(1,312)	567
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	58,328	17,595
Income tax provision (benefit)	20,790	8,101
NET INCOME (LOSS)	$ 37,538	$ 9,494
NET INCOME (LOSS) PER SHARE:		
NET INCOME (LOSS), BASIC	$ 0.33	$ 0.10
NET INCOME (LOSS), DILUTED	$ 0.31	$ 0.08
SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE:		
BASIC	113,352	96,633
DILUTED	125,377	116,884
COMPREHENSIVE INCOME (LOSS):		
Consolidated net income (loss)	$ 37,538	$ 9,494
Unrealized holding gain on available-for-sale securities, net of tax of ($59)	101	—
Foreign currency translation (loss) income, net of tax of ($1,034) and ($878) for the quarters ended March 31, 2015 and 2014, respectively.	2,008	1,705
COMPREHENSIVE INCOME (LOSS)	$ 39,647	$ 11,199

See notes to condensed consolidated financial statements

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(In Thousands)
(Unaudited)

	Shares	Amount	Retained Earnings	Other Comprehensive (Loss)	Total
BALANCES AT DECEMBER 31, 2014 (as Restated)	111,735	$ 342,252	$ 29,250	$ (15,195)	$ 356,307
Consolidated net income	—	—	37,538	—	37,538
Exercise of stock options	2,225	9,414	—	—	9,414
Employee stock purchase plan issuances	66	1,544	—	—	1,544
Compensation and share issuances related to restricted stock awards	—	722	—	—	722
Stock-based compensation expense	—	2,252	—	—	2,252
Foreign currency translation adjustment	—	—	—	2,008	2,008
Excess tax benefit — stock compensation	—	29,944	—	—	29,944
Unrealized holding loss on available-for-sale securities	—	—	—	101	101
Convertible note conversions	307	2,347	—	—	2,347
BALANCES AT MARCH 31, 2015	114,333	$ 388,475	$ 66,788	$ (13,088)	$ 442,175

See notes to condensed consolidated financial statements

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014 (As restated)
OPERATING ACTIVITIES:		
Consolidated net income	$ 37,538	$ 9,494
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	21,109	6,675
Amortization of deferred financing fees	997	226
Amortization of favorable (unfavorable) contracts	18	18
Amortization of inventory step-up	4,682	—
Non-cash stock compensation expense	2,974	1,282
Non-cash interest expense	1,186	1,249
Non-cash gain on bargain purchase	(849)	—
Deferred income taxes, net	(9,186)	(1,722)
Excess tax benefit from stock compensation	(29,944)	(33)
Loss on extinguishment of debt	98	—
Gain on sale of available for sale security	146	—
Changes in operating assets and liabilities:		
Trade accounts receivable, net	384	(450)
Inventories, net	(14,559)	(5,987)
Prepaid expenses and other current assets	2,896	1,026
Trade accounts payable	7,916	6,100
Accrued expenses and other liabilities	19,860	5,498
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,266	23,376
INVESTING ACTIVITIES:		
Payments for acquisitions and equity investments, net of cash acquired	(24,637)	(7,500)
Proceeds from disposal of assets	2,358	—
Purchases of property, plant and equipment	(7,088)	(5,198)
NET CASH USED IN INVESTING ACTIVITIES	(29,367)	(12,698)
FINANCING ACTIVITIES:		
Proceeds under stock option and stock purchase plans	10,958	1,022
Payments of contingent acquisition liabilities	(1,500)	—
Debt financing costs	—	(408)
Excess tax benefits from stock compensation	29,944	33
Debt payments	(2,613)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	36,789	647
Effect of changes in exchange rates on cash and cash equivalents	165	103
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,853	11,428
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	70,679	34,178
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 123,532	$ 45,606
SUPPLEMENTAL DISCLOSURES		
Amount paid for interest	$ 11,836	$ 129
Amount paid for income taxes, net of refunds received	$ 238	$ 1,806

See notes to condensed consolidated financial statements

AKORN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 — BUSINESS AND BASIS OF PRESENTATION

Business: Akorn, Inc., together with its wholly-owned subsidiaries (collectively "Akorn", the "Company", "we", "our" or "us") is a specialty generic pharmaceutical company that develops, manufactures and markets generic and branded prescription pharmaceuticals and branded as well as private-label over-the-counter consumer health products and animal health pharmaceuticals. We are an industry leader in the development, manufacturing and marketing of specialized generic pharmaceutical products in alternative dosage forms. We specialize in difficult-to-manufacture sterile and non-sterile dosage forms including, but not limited to, ophthalmics, injectables, oral liquids, otics, topicals, inhalants and nasal sprays.

Akorn is a Louisiana corporation founded in 1971 in Abita Springs, Louisiana. In 1997, we relocated our corporate headquarters to the Chicago, Illinois area and currently maintain our principal corporate offices in Lake Forest, Illinois. We operate pharmaceutical manufacturing facilities in Decatur, Illinois; Somerset, New Jersey; Amityville, New York; Hettlingen, Switzerland; and Paonta Sahib, Himachal Pradesh, India. We also operate a central distribution warehouse in Gurnee, Illinois and additional distribution facilities in Amityville, New York and Decatur, Illinois. Our research and development ("R&D") centers are located in Vernon Hills, Illinois; Copiague, New York; and Warminster, Pennsylvania. We also have other corporate offices in Ann Arbor, Michigan and Gurgaon, Haryana, India.

For further detail concerning our reportable segments please see Note 10 "*Segment Information.*"

Our common shares are traded on The NASDAQ Global Select Market under the ticker symbol AKRX.

***Basis of Presentation*:** The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and accordingly do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments of a normal and recurring nature considered necessary for a fair presentation have been included in these financial statements. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results for the full year. For further information, refer to the condensed consolidated financial statements and footnotes for the year ended December 31, 2015, included in the Company's Annual Report on Form 10-K filed on May 10, 2016.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation: The accompanying condensed consolidated financial statements include the accounts of Akorn, Inc. and its wholly owned domestic and foreign subsidiaries. All inter-company transactions and balances have been eliminated in consolidation, and the financial statements of Akorn India Private Limited ("AIPL") and Akorn AG (formerly "Excelvision AG" or "Hettlingen") have been translated from Indian Rupees to U.S. Dollars and Swiss Francs to U.S. Dollars, respectively based on the currency translation rates in effect during the period or as of the date of consolidation, as applicable. The Company has no involvement with variable interest entities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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 date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Significant estimates and assumptions for the Company relate to the allowances for chargebacks, rebates, product returns, coupons, promotions and doubtful accounts, as well as the reserve for slow-moving and obsolete inventories, the carrying value and lives of intangible assets, the useful lives of fixed assets, the carrying value of deferred income tax assets and liabilities, the assumptions underlying share-based compensation, accrued but unreported employee benefit costs and assumptions underlying the accounting for business combinations.

Revenue Recognition: Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Revenue from product sales are recognized when title and risk of loss have passed to the customer.

Provision for estimated chargebacks, rebates, discounts, managed care rebates, product returns and doubtful accounts is made at the time of sale and is analyzed and adjusted, if necessary, at each balance sheet date.

Freight: The Company records amounts billed to customers for shipping and handling as revenue, and records shipping and handling expense related to product sales as cost of sales.

Cash and Cash Equivalents: The Company considers all unrestricted, highly liquid investments with maturity of three months or less when acquired, to be cash and cash equivalents.

Accounts Receivable: Trade accounts receivables are stated at their net realizable value. The nature of the Company's business involves, in the ordinary course, significant judgments and estimates relating to chargebacks, coupon redemption, product returns, rebates, discounts given to customers and allowances for doubtful accounts. Depending on the products, the customers, the specific terms of national supply contracts and the particular arrangements with the Company's wholesaler customers, certain rebates, chargebacks and other credits are recorded as deductions to the Company's trade accounts receivable.

Unless otherwise noted, the provisions and allowances for the following customer deductions are reflected in the accompanying condensed consolidated financial statements as reductions of revenues and trade accounts receivable, respectively.

Chargebacks, Rebates, Discounts and Other Adjustments: The Company enters into contractual agreements with certain third parties such as retailers, hospitals, group-purchasing organizations ("GPOs") and managed care organizations to sell certain products at predetermined prices. Similarly, we maintain an allowance for rebates and discounts related to billbacks, wholesaler service fee for service contracts, GPO administrative fees, government programs, prompt payment and other adjustments with certain customers. Most of the parties have elected to have these contracts administered through wholesalers that buy the product from the Company and subsequently sell it to these third parties. When a wholesaler sells products to one of these third parties that are subject to a contractual price agreement, the difference between the price paid to the Company by the wholesaler and the price under the specific contract is charged back to the Company by the wholesaler. The Company tracks sales and submitted chargebacks by product number and contract for each wholesaler. Utilizing this information, the Company estimates a chargeback percentage for each product and records an allowance as a reduction to gross sales when the Company records its sale of the products. The Company reduces the chargeback allowance when a chargeback request from a wholesaler is processed. Actual chargebacks processed by the Company can vary materially from period to period based upon actual sales volume through the wholesalers. However, the Company's provision for chargebacks is fully reserved for at the time when sales revenues are recognized.

Management obtains certain wholesaler inventory reports to aid in analyzing the reasonableness of the chargeback allowance and which are additionally monitored to ensure that wholesaler inventory levels by product do not significantly exceed underlying customer demand. The Company assesses the reasonableness of its chargeback allowance by applying the product chargeback percentage based on a combination of historical activity and future price and mix expectations to the quantities of inventory on hand at the wholesaler per wholesaler inventory reports. In accordance with its accounting policy, the Company estimates the percentage amount of wholesaler inventory that will ultimately be sold to third parties that are subject to contractual price agreements based on a trend of such sales through wholesalers. The Company uses this percentage estimate until historical trends

indicate that a revision should be made. On an ongoing basis, the Company evaluates its actual chargeback rate experience, and new trends are factored into its estimates each quarter as market conditions change.

Similarly, the Company maintains an allowance for rebates related to contract and other programs with certain customers. Rebate percentages vary by product and by volume purchased by each eligible customer. The Company tracks sales by product number for each eligible customer and then applies the applicable rebate percentage, using both historical trends and actual experience to estimate its rebate allowance. The Company reduces gross sales and increases the rebate allowance by the estimated rebate amount when the Company sells its products to its rebate-eligible customers. The Company reduces the rebate allowance when it processes a customer request for a rebate. At each balance sheet date, the Company analyzes the allowance for rebates against actual rebates processed and makes necessary adjustments as appropriate. Actual rebates processed can vary materially from period to period.

Other adjustments consist primarily of price adjustments, also known as "shelf-stock adjustments" and "price protections," which are both credits issued to reflect increases or decreases in the invoice or contract prices of the Company's products. In the case of a price decrease a credit is given for product remaining in customer's inventories at the time of the price reduction. Contractual price protection results in a similar credit when the invoice or contract prices of the Company's products increase, effectively allowing customers to purchase products at previous prices for a specified period of time. Amounts recorded for estimated shelf-stock adjustments and price protections are based upon specified terms with direct customers, estimated changes in market prices, and estimates of inventory held by customers. The Company regularly monitors these and other factors and evaluates the reserve as additional information becomes available. Other adjustments also include prompt payment discounts.

Sales Returns: Certain of the Company's products are sold with the customer having the right to return the product within specified periods and guidelines for a variety of reasons, including but not limited to, pending expiration dates. Provisions are made at the time of sale based upon tracked historical experience. Historical factors such as one-time events as well as pending new developments that would impact the expected level of returns are taken into account to determine the appropriate reserve estimate at each balance sheet date. As part of the evaluation of the balance required, the Company considers actual returns to date that are in process, the expected impact of any product recalls and the wholesaler's inventory information to assess the magnitude of unconsumed product that may result in sales returns to the Company in the future. The sales returns level can be impacted by factors such as overall market demand and market competition and availability for substitute products which can increase or decrease the pull through for sales of the Company's products and ultimately impact the level of sales returns. Actual returns experience and trends are factored into the Company's estimates each quarter as market conditions change. Actual returns processed can vary materially from period to period.

Allowance for Coupons, Promotions and Co-Pay discount cards: The Company issues coupons from time to time that are redeemable against certain of our Consumer Health products. Upon release of coupons into the market, the Company records an estimate of the dollar value of coupons expected to be redeemed. This estimate is based on historical experience and is adjusted as needed based on actual redemptions. In addition to couponing, from time to time the Company authorizes various retailers to run in-store promotional sales of its products. Upon receiving confirmation that a promotion was run, the Company accrues an estimate of the dollar amount expected to be owed back to the retailer. This estimate is trued up to actual upon receipt of the invoice from the retailer. Additionally, the Company provides consumer co-pay discount cards, administered through outside agents to provide discounted products when redeemed. Upon release of the cards into the market, the Company records an estimate of the dollar value of co-pay discounts expected to be utilized. This estimate is based on historical experience and is adjusted as needed based on actual usage.

Doubtful Accounts: Provisions for doubtful accounts, which reflect trade receivable balances owed to the Company that are believed to be uncollectible, are recorded as a component of selling, general and administrative ("SG&A") expenses. In estimating the allowance for doubtful accounts, the Company considers its historical experience with collections and write-offs, the credit quality of its customers and any recent or anticipated changes thereto, and the outstanding balances and past due amounts from its customers. Note that in the ordinary course of business, and consistent with our peers, we may from time to time offer extended payment terms to our customers as an incentive for new product launches and in other circumstances in accordance with industry

practices. These extended payment terms do not represent a significant risk to the collectability of accounts receivable as of the period-end and are evaluated in accordance with *Accounting Standards Codification (ASC) 605 - Revenue Recognition* as applicable. Accounts are considered past due when they remain uncollected beyond the due date specified in the applicable contract or on the applicable invoice, whichever is deemed to take precedence.

Advertising and Promotional Allowances to Customers: The Company routinely sells its consumer health products to major retail drug chains. From time to time, the Company may arrange for these retailers to run in-store promotional sales of the Company's products. The Company reserves an estimate of the dollar amount owed back to the retailer, recording this amount as a reduction to revenue at the later of the date on which the revenue is recognized or the date the sales incentive is offered. When the actual invoice for the sales promotion is received from the retailer, the Company adjusts its estimate accordingly. Advertising and promotional expenses paid to customers are expensed as incurred in accordance with *ASC 605-50 - Customer Payments and Incentives*.

Inventories: Inventories are stated at the lower of cost (average cost method) or market. The Company maintains an allowance for slow-moving and obsolete inventory as well as inventory where the cost is in excess of its net realizable value. For finished goods inventory, the Company estimates the amount of inventory that may not be sold prior to its expiration or is slow moving based upon review of recent sales activity and wholesaler inventory information. The Company also analyzes its raw material and component inventory for slow moving items.

The Company capitalizes inventory costs associated with its products prior to regulatory approval when, based on management judgment, future commercialization is considered probable and future economic benefit is expected to be realized. The Company assesses the regulatory approval process and where the product stands in relation to that approval process including any known constraints or impediments to approval. The Company also considers the shelf life of the product in relation to the product timeline for approval.

Intangible Assets: Intangible assets consist primarily of goodwill and in-process research and development, which are carried at initial value and subject to evaluation for impairment, and product licensing costs, trademarks and other such costs, which are capitalized and amortized on a straight-line basis over their useful lives, normally ranging from one year to thirty years. The Company regularly assesses its intangible assets for impairment based on several factors, including estimated fair value and anticipated cash flows. If the Company incurs additional costs to renew or extend the life of an intangible asset, such costs are added to the remaining unamortized cost of the asset, if any, and the sum is amortized over the extended remaining life of the asset.

Goodwill is tested for impairment annually or more frequently if changes in circumstances or the occurrence of events suggest that impairment may exist. The Company uses widely accepted valuation techniques to determine the fair value of its reporting units used in its annual goodwill impairment analysis. The Company's valuation is primarily based on qualitative and quantitative assessments regarding the fair value of goodwill relative to its carrying value. The Company models the fair value of the reporting unit based on projected earnings and cash flows of the reporting unit.

Property, Plant and Equipment: Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method in amounts considered sufficient to amortize the cost of the assets to operations over their estimated useful lives or capital lease terms. The amortization of assets under capital leases is included within depreciation expense.

Net Income Per Common Share: Basic net income per common share is based upon weighted average common shares outstanding. Diluted net income per common share is based upon the weighted average number of common shares outstanding, including the dilutive effect, if any, of stock options and convertible securities using the treasury stock and if converted methods. Anti-dilutive shares are excluded from the computation of diluted net income per share.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities,

and net operating loss and other tax credit carry-forwards. These items are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance to reduce the recognized deferred tax assets to the amount that is more likely than not to be realized.

Fair Value of Financial Instruments: The Company applies *ASC 820*, which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. *ASC 820* defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value hierarchy established in *ASC 820* generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

The valuation hierarchy is composed of three levels. The classification within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The levels within the valuation hierarchy are described below:

- *Level 1*—Assets and liabilities with unadjusted, quoted prices listed on active market exchanges. Inputs to the fair value measurement are observable inputs, such as quoted prices in active markets for identical assets or liabilities. The carrying value of the Company's cash and cash equivalents and the portion of the value of the Nicox S.A. ("Nicox") shares which are available to trade on the exchange are considered Level 1 assets as of the periods ended March 31, 2015 and December 31, 2014.

- *Level 2*—Inputs to the fair value measurement are determined using prices for recently traded assets and liabilities with similar underlying terms, as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

- *Level 3*— Inputs to the fair value measurement are unobservable inputs, such as estimates, assumptions, and valuation techniques when little or no market data exists for the assets or liabilities. The portion of the fair valuation of the available for sale investment held in shares of Nicox subject to a lock-up provision is considered a Level 3 asset as of the periods ended March 31, 2015 and December 31, 2014, respectively. The additional consideration payable to Santen Pharmaceutical Co. Ltd. ("Santen") in relation to the Company's acquisition of the U.S. New Drug Application ("NDA") rights to Betimol® on January 2, 2014 and the additional consideration payable as a result of the ECR divestiture on June 20, 2014 and other insignificant contingent amounts are considered Level 3 liabilities as of periods ended March 31, 2015 and December 31, 2014, respectively.

The following table summarizes the basis used to measure the fair values of the Company's financial instruments (amounts in thousands):

		Fair Value Measurements at Reporting Date, Using:		
Description	**March 31, 2015**	**Quoted Prices in Active Markets for Identical Items (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 123,532	$ 123,532	$ —	$ —
Available-for-sale securities	6,047	3,259	—	2,788
Total assets	$ 129,579	$ 126,791	$ —	$ 2,788
Purchase consideration payable	$ 12,443	$ —	$ —	$ 12,443
Total liabilities	$ 12,443	$ —	$ —	$ 12,443

Description	December 31, 2014	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 70,679	$ 70,679	$ —	$ —
Available-for-sale securities	8,391	—	—	8,391
Total assets	$ 79,070	$ 70,679	$ —	$ 8,391
Purchase consideration payable	$ 11,101	$ —	$ —	$ 11,101
Total liabilities	$ 11,101	$ —	$ —	$ 11,101

Discontinued Operations: During the year ended December 31, 2014 and subsequent to the Hi-Tech Pharmacal Co. Inc. ("Hi-Tech") acquisition the Company divested the ECR subsidiary. As a result of the sale the Company will have no continuing involvement or cash flows from the operations of this business. In accordance with FASB *ASC 205 - Presentation of Financial Statements*, and to allow for meaningful comparison of our continuing operations, the operating results of this business are reported as "discontinued operations." All other operations are considered "continuing operations." Unless noted otherwise, discussion in these notes to the financial statements pertain to our continuing operations.

Business Combinations: Business combinations are accounted for in accordance with *ASC 805 - Business Combinations*, using the acquisition method of accounting. The acquisition method of accounting requires an acquirer to recognize the assets acquired and the liabilities assumed at the acquisition date measured at their fair values as of that date. Fair value determinations are based on discounted cash flow analyses or other valuation techniques. In determining the fair value of the assets acquired and liabilities assumed in a material acquisition, the Company may utilize appraisals from third party valuation firms to determine fair values of some or all of the assets acquired and liabilities assumed, or may complete some or all of the valuations internally. In either case, the Company takes full responsibility for the determination of the fair value of the assets acquired and liabilities assumed. The value of goodwill reflects the excess of the fair value of the consideration conveyed to the seller over the fair value of the net assets received. Under the acquisition method of accounting, the Company will identify the acquirer and the closing date and apply applicable recognition principles and conditions.

Acquisition-related costs are costs the Company incurs to effect a business combination. The Company accounts for acquisition-related costs as expenses in the periods in which the costs are incurred.

Stock-Based Compensation: Stock-based compensation cost is estimated at grant date based on the fair value of the award, and the cost is recognized as expense ratably over the vesting period. The Company uses the Black-Scholes model for estimating the grant date fair value of stock options. Determining the assumptions to be used in the model is highly subjective and requires judgment. The Company uses an expected volatility that is based on the historical volatility of its common stock. The expected life assumption is based on historical employee exercise patterns and employee post-vesting termination behavior. The risk-free interest rate for the expected term of the option is based on the average market rate on U.S. Treasury securities of similar term in effect during the quarter in which the options were granted. The dividend yield reflects the Company's historical experience as well as future expectations over the expected term of the option. The Company estimates forfeitures at the time of grant and revises the estimate in subsequent periods, as necessary, if actual forfeitures differ from initial estimates.

NOTE 3 — STOCK BASED COMPENSATION

At the Company's 2014 Annual Meeting of Shareholders, which took place May 2, 2014, the Company's shareholders approved the adoption of the Akorn, Inc. 2014 Stock Option Plan (the "2014 Plan"). The 2014 Plan reserves 7.5 million shares for issuance upon the grant of stock options, restricted stock units, or various other instruments to directors, employers and consultants. The 2014 Plan replaced the 2003 Stock Option Plan (the "2003 Plan"), which expired on November 6, 2013, although previously granted awards remain outstanding under the 2003 Plan.

The Company uses the single-award method for allocating compensation cost related to stock options to each period. The following table sets forth the components of the Company's stock-based compensation expense for the three month periods ended March 31, 2015 and 2014 (in thousands):

	Three months ended March 31,	
	2015	2014
Stock options and employee stock purchase plan	$ 2,252	$ 1,221
Restricted stock units	722	61
Total stock-based compensation expense	$ 2,974	1,282

The weighted-average assumptions used in estimating the grant date fair value of the stock options granted under the 2014 Plan and the 2003 Plan during the three month periods ended March 31, 2015, and 2014, respectively along with the weighted-average grant date fair values, are set forth in the table below.

	Three months ended March 31,	
	2015	2014
Expected volatility	42%	—
Expected life (in years)	4.75	—
Risk-free interest rate	1.56%	—
Dividend yield	—	—
Fair value per stock option	$ 18.21	—
Forfeiture rate	8%	—

The table below sets forth a summary of activity within the 2014 and 2003 Plans for the three months ended March 31, 2015:

	Number of Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands) (1)
Outstanding at December 31, 2014	6,386	$ 11.44	2.48	$ 158,097
Granted	297	48.05		
Exercised	(2,222)	4.17		
Forfeited	(63)	35.03		
Outstanding at March 31, 2015	4,398	$ 17.28	3.35	$ 132,985
Exercisable at March 31, 2015	2,173	$ 7.01	1.08	$ 87,991

(1) May include value from potentially anti-dilutive options whose exercise price exceeds the closing stock price.

The aggregate intrinsic value for stock options outstanding and exercisable is defined as the difference between the market value of the Company's common stock as of the date indicated and the exercise price of the stock options. During the three month period ended March 31, 2015, approximately 2.2 million stock options were exercised resulting in cash payments due to the Company of approximately $9.2 million. These stock option exercises generated tax-deductible expenses totaling approximately $84.9 million. During the three month period ended March 31, 2014, 56,000 stock options were exercised resulting in cash payments to the Company of approximately $0.2 million. These option exercises generated tax-deductible expenses of approximately $1.1 million.

From time to time the Company grants restricted stock units to certain employees and members of its Board of Directors ("Directors"). Restricted stock units are valued at the closing market price of the Company's common stock on the day of grant and the total value of the award is recognized as expense ratably over the vesting period of the grants.

On May 2, 2014, the Company granted a total of 71,582 restricted stock units to senior management which vest at 25% per

year on the anniversary date of the grant ending May 2, 2018. Also on May 2, 2014, the Company modified approximately 2.3 million options to extend the option term for grants to certain individuals in senior management. On September 5, 2014, the Company granted a total of 257,416 restricted stock units to senior management and 8,034 shares to a Director to make the individuals who received extended option terms on May 2, 2014 whole given increased tax liabilities. The shares each vest at 25% per year on the anniversary date of the grant ending September 5, 2018. No restricted stock units were issued during the quarter ended March 31, 2015.

The following is a summary of non-vested restricted stock activity:

	Number of Units (in thousands)	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2014	337	$ 35.31
Granted	—	—
Forfeited	—	—
Vested	—	—
Non-vested at March 31, 2015	337	$ 35.31

NOTE 4 — ACCOUNTS RECEIVABLE ALLOWANCES

The nature of the Company's business inherently involves, in the ordinary course, significant amounts and substantial volumes of transactions and estimates relating to allowances for product returns, chargebacks, rebates, doubtful accounts and discounts given to customers. This is a natural circumstance of the pharmaceutical industry and is not specific to the Company. Depending on the product, the end-user customer, the specific terms of national supply contracts and the particular arrangements with the Company's wholesaler customers, certain rebates, chargebacks and other credits are deducted from the Company's accounts receivable. The process of claiming these deductions depends on wholesalers reporting to the Company the amount of deductions that were earned under the terms of the respective agreement with the end-user customer (which in turn depends on the specific end-user customer, each having its own pricing arrangement, which entitles it to a particular deduction). This process can lead to partial payments against outstanding invoices as the wholesalers take the claimed deductions at the time of payment.

With the exception of the provision for doubtful accounts, which is reflected as part of selling, general and administrative expense, the provisions for the following customer reserves are reflected as a reduction of revenues in the accompanying condensed consolidated statements of comprehensive income. The ending reserve balances are included in trade accounts receivable, net in the Company's condensed consolidated balance sheets.

Net trade accounts receivable consists of the following (in thousands):

	MARCH 31, 2015	DECEMBER 31, 2014 (as Restated)
Gross accounts receivable	$ 414,757	$ 446,925
Less reserves for:		
Chargebacks and rebates	(162,249)	(198,112)
Product returns	(47,578)	(44,646)
Discounts and allowances	(13,503)	(15,554)
Advertising and promotions	(440)	(758)
Doubtful accounts	(277)	(309)
Trade accounts receivable, net	$ 190,710	$ 187,545

For the three month periods ended March 31, 2015 and 2014, the Company recorded the following adjustments to gross sales (in thousands):

	Three Months Ended March 31,	
	2015	2014 (as Restated)
Gross sales	$ 568,016	$ 149,300
Less adjustments for:		
Chargebacks and rebates	(293,181)	(51,873)
Product returns	(5,574)	(886)
Discounts and allowances	(14,044)	(2,435)
Administrative fees	(26,123)	(2,152)
Advertising, promotions and others	(1,716)	(1,332)
Revenues, net	$ 227,378	$ 90,622

NOTE 5 — INVENTORIES, NET

The components of inventories are as follows (in thousands):

	MARCH 31, 2015	DECEMBER 31, 2014 (as Restated)
Finished goods	$ 76,194	$ 69,499
Work in process	10,032	4,075
Raw materials and supplies	63,177	61,623
Inventories, net	$ 149,403	$ 135,197

The Company maintains reserves and records provisions for slow-moving and obsolete inventory as well as inventory with a cost in excess of its net realizable value. Inventory at March 31, 2015 and December 31, 2014 were reported net of these reserves of $24.1 million and $21.4 million, respectively.

NOTE 6 — PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following (in thousands):

	MARCH 31, 2015	DECEMBER 31, 2014 (as Restated)
Land and land improvements	$ 17,721	$ 9,323
Buildings and leasehold improvements	79,216	63,846
Furniture and equipment	123,748	112,552
Sub-total	220,685	185,721
Accumulated depreciation	(72,756)	(67,937)
Property, plant and equipment placed in service, net	147,929	117,784
Construction in progress	28,062	26,412
Property, plant and equipment, net	$ 175,991	$ 144,196

A portion of the Company's property, plant and equipment is located outside the United States. At March 31, 2015, property, plant and equipment, net, with a net carrying value of $55.6 million, was located outside the United States at the Company's manufacturing facility and regional corporate office in India and the Company's manufacturing facility and regional corporate offices in Switzerland. While at December 31, 2014, property, plant and equipment, net, with a net carrying value of $25.6 million, respectively, was located outside the United States at the Company's manufacturing facility and regional corporate office in India.

The Company recorded depreciation expense of approximately $5.0 million and $1.9 million during the three month periods

ended March 31, 2015 and 2014, respectively.

NOTE 7 — GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill:

The following table provides a summary of the activity in goodwill by segment for the three months ended March 31, 2015 (in thousands):

	Consumer Health	Prescription Pharmaceuticals	Total
Balances at December 31, 2014 (as Restated)	$ 16,717	$ 268,566	$ 285,283
Currency translation adjustments	—	391	391
Acquisitions	—	—	—
Dispositions	—	—	—
Balances at March 31, 2015	$ 16,717	$ 268,957	$ 285,674

Product Licensing Rights, IPR&D, and Other Intangible Assets:

The following table sets forth information about the net book value of the Company's other intangible assets as of March 31, 2015 and December 31, 2014, and the weighted average remaining amortization period as of March 31, 2015 and December 31, 2014 (dollar amounts in thousands):

	Gross Amount	Accumulated Amortization	Impairment	Net Balance	Wgtd Avg Remaining Amortization Period
MARCH 31, 2015					
Product licensing rights	$ 778,734	$ (89,244)	$ —	$ 689,490	13.9
IPR&D	227,259	—	—	227,259	N/A - Indefinite lived
Trademarks	16,000	(2,036)	—	13,964	22.6
Customer relationships	6,464	(3,569)	—	2,895	12.5
Other Intangibles	11,234	(1,309)	—	9,925	8.7
Non-compete agreement	2,449	(1,902)	—	547	0.8
	$ 1,042,140	$ (98,060)	$ —	$ 944,080	
DECEMBER 31, 2014 (as Restated)					
Product licensing rights	$ 778,734	$ (73,943)	$ —	$ 704,791	12.1
IPR&D	227,259	—	—	227,259	N/A - Indefinite lived
Trademarks	16,000	(1,721)	—	14,279	18.6
Customer relationships	6,502	(3,467)	—	3,035	11.0
Other Intangibles	11,235	(879)	—	10,356	7.5
Non-compete agreement	2,333	(1,650)	—	683	1.4
	$ 1,042,063	$ (81,660)	$ —	$ 960,403	

The Company recorded amortization expense of approximately $16.4 million and $4.8 million during the three month periods ended March 31, 2015 and 2014, respectively.

NOTE 8 — FINANCING ARRANGEMENTS

Incremental Term Loan

Concurrent with the closing of its acquisition of VersaPharm Incorporated ("VersaPharm"), Akorn, Inc. and its wholly owned domestic subsidiaries (the "Akorn Loan Parties") entered into a $445.0 million Incremental Facility Joinder Agreement (the

"Incremental Term Loan Facility") pursuant to a Loan Agreement (the "Incremental Term Loan Agreement") dated August 12, 2014 between the Akorn Loan Parties as borrowers, certain other lenders, with JPMorgan Chase Bank, N.A. ("JPMorgan"), acting as administrative agent. The proceeds received pursuant to the Incremental Term Loan Agreement were used to finance the acquisition of VersaPharm, a Georgia corporation ("VersaPharm Acquisition").

The Incremental Term Loan Facility is secured by all of the assets of the Akorn Loan Parties, including springing control of the Company's primary deposit account pursuant to a deposit account control agreement.

The Incremental Term Loan Facility requires quarterly principal repayment equal to 0.25% of the initial loan amount of $445.0 million beginning with the first full quarter following the closing date of the Incremental Term Loan Agreement, with a final payment of the remaining principal balance due at maturity seven years from the date of closing of the Existing Term Loan Agreement. The Company may prepay all or a portion of the remaining outstanding principal amount under the Incremental Term Loan Agreement at any time, or from time to time, subject to prior notice requirement to the lenders and payment of applicable fees. Prepayment of principal will be required should the Company incur any indebtedness not permitted under the Incremental Term Loan Agreement, or effect the sale, transfer or disposition of any property or asset, other than in the ordinary course of business. To the extent the Incremental Term Loan Facility is refinanced within the first six (6) months of closing, a 1.00% prepayment fee will be due. As of March 31, 2015 outstanding debt under the Incremental Term Loan Facility was $442.8 million and the Company was in full compliance with all applicable covenants which included customary limitations on indebtedness, distributions, liens, acquisitions, investments, and other activities.

Interest accrues based, at the Company's election, on an adjusted prime/federal funds rate ("ABR Loan") or an adjusted LIBOR ("Eurodollar Loan") rate, plus a margin of 2.50% for ABR Loans, and 3.50% for Eurodollar Loans. Each such margin will decrease by 0.25% in the event the Company's senior debt to EBITDA ratio for any quarter falls to 2.25:1.00 or below. During an event of default, as defined in the Existing Term Loan Agreement, any interest rate will be increased by 2.00% per annum. Per the Existing Term Loan Agreement, the interest rate on LIBOR loans cannot fall below 4.50%.

For the three month period ended March 31, 2015, the Company recorded interest expense of $5.0 million in relation to the Incremental Term Loan Agreement.

As of and for the three month period ended March 31, 2015, and in connection with the $445.0 million Incremental Term Loan Agreement entered into in 2014, the Company amortized $0.3 million of deferred financing fees which resulted in unamortized deferred financing fees of $8.2 million remaining. The Company will amortize the remaining deferred financing fees using the effective interest method over the term of the Incremental Term Loan Agreement.

Subsequent to March 31, 2015 the Company completed several loan modifications as further discussed in the Form 10-K filed on May 10, 2016.

Existing Term Loan

Concurrent with the closing of its acquisition of Hi-Tech (the "Hi-Tech Acquisition") Akorn Loan Parties entered into a $600.0 million Term Facility (the "Existing Term Facility") pursuant to a Loan Agreement dated April 17, 2014 (the "Existing Term Loan Agreement") between the Akorn Loan Parties as borrowers, certain other lenders, with JPMorgan, acting as administrative agent. The Company may increase the loan amount up to an additional $150.0 million, or more, provided certain financial covenants and other conditions are satisfied. The proceeds received pursuant to the Existing Term Loan Agreement were used to finance the Hi-Tech Acquisition.

The Existing Term Facility is secured by all of the assets of the Akorn Loan Parties, including springing control of the Company's primary deposit account pursuant to a deposit account control agreement.

The Existing Term Loan Agreement requires quarterly principal repayment equal to 0.25% of the initial loan amount of $600.0 million beginning with the second full quarter following the closing date of the Existing Term Loan Agreement, with a final payment of the remaining principal balance due at maturity seven years from the date of closing of the Existing Term Loan Agreement. The Company may prepay all or a portion of the remaining outstanding principal amount under the Existing Term Loan Agreement at any time, or from time to time, subject to prior notice requirement to the lenders and payment of applicable fees. Prepayment of principal will be required should the Company incur any indebtedness not permitted under the Existing Term Loan Agreement, or effect the sale, transfer or disposition of any property or asset, other than in the ordinary course of business. As of March 31, 2015 outstanding debt under the term loan facility was $597.0 million and the Company was in full compliance with all applicable covenants which included customary limitations on indebtedness, distributions, liens, acquisitions, investments, and other activities.

Interest accrues based, at the Company's election, on an adjusted prime/federal funds rate or an adjusted LIBOR rate, plus a margin of 2.50% for ABR Loans, and 3.50% for Eurodollar Loans. Each such margin will decrease by 0.25% in the event Akorn's senior debt to EBITDA ratio for any quarter falls to 2.25:1.00 or below. During an event of default, as defined in the Existing Term Loan Agreement, any interest rate will be increased by 2.00% per annum. Per the Existing Term Loan Agreement, the interest rate on LIBOR loans cannot fall below 4.50%.

For the three month period ended March 31, 2015, the Company recorded interest expense of $6.7 million in relation to the Existing Term Loan.

As of and for the three month period ended March 31, 2015, and in connection with the $600.0 million Existing Term Loan Agreement entered into in 2014, the Company amortized $0.5 million of deferred financing fees which resulted in unamortized deferred financing fees of $13.2 million remaining. The Company will amortize the remaining deferred financing fees using the effective interest method over the term of the Existing Term Loan Agreement. During the three month period ended March 31, 2014, the Company amortized $4.0 million of ticking fees associated with the existing term loan agreement.

Subsequent to March 31, 2015 the Company completed several loan modifications as further discussed in the Form 10-K filed on May 10, 2016.

JPMorgan Credit Facility

On April 17, 2014, the Akorn Loan Parties entered into a Credit Agreement (the "JPM Credit Agreement") with JPMorgan as administrative agent, and Bank of America, N.A., as syndication agent for certain other lenders (at closing, Bank of America, N.A. and Wells Fargo Bank, N. A.) for a $150.0 million revolving credit facility (the "JPM Revolving Facility"). Upon entering into the JPM Credit Agreement, the Company terminated its prior $60.0 million revolving credit facility with Bank of America, N.A., as further described below.

Subject to other conditions in the JPM Credit Agreement, advances under the JPM Revolving Facility will be made in accordance with a borrowing base consisting of the sum of the following:

(a) 85% of eligible accounts receivable;

(b) The lesser of:

  a. 65% of the lower of cost or market value of eligible raw materials and work in process inventory, valued on a first in first out basis, and

  b. 85% of the orderly liquidation value of eligible raw materials and work in process inventory, valued on a first in first out basis;

(c) The lesser of:

  a. 75% of the lower of cost or market value of eligible finished goods inventory, valued on a first in first out basis, and

b. 85% of the orderly liquidation value of eligible finished goods inventory, valued on a first in first out basis up to 85% of the liquidation value of eligible inventory (or 75% of market value finished goods inventory); and

(d) Less any reserves deemed necessary by the administrative agent, and allowed in its permitted discretion.

The total amount available under the JPM Revolving Facility includes a $10.0 million letter of credit facility.

Under the terms of the JPM Credit Agreement, if availability under the JPM Revolving Facility falls below 12.5% of commitments or $15.0 million for more than 30 consecutive days, the Company may be subject to cash dominion, additional reporting requirements, and additional covenants and restrictions. The Company may seek additional commitments to increase the maximum amount of the JPM Revolving Facility to $200.0 million.

Unless cash dominion is exercised by the lenders in connection with the JPM Revolving Facility, the Company will be required to repay the JPM Revolving Facility upon its expiration five (5) years from issuance, subject to permitted extension, and will pay interest on the outstanding balance monthly based, at the Company's election, on an adjusted prime/federal funds rate ("ABR") or an adjusted LIBOR ("Eurodollar"), plus a margin determined in accordance with the Company's consolidated fixed charge coverage ratio (EBITDA to fixed charges) as follows:

Fixed Charge Coverage Ratio	Revolver ABR Spread	Revolver Eurodollar Spread
Category 1 > 1.50 to 1.0	0.50%	1.50%
Category 2 > 1.25 to 1.00 but ≤ 1.50 to 1.00	0.75%	1.75%
Category 3 ≤ 1.25 to 1.00	1.00%	2.00%

In addition to interest on borrowings, the Company will pay an unused line fee of 0.25% per annum on the unused portion of the JPM Revolving Facility.

During an event of default, as defined in the JPM Credit Agreement, any interest rate will be increased by 2.00% per annum.

The JPM Revolving Facility is secured by all of the assets of the Akorn Loan Parties, including springing control of the Company's primary deposit account pursuant to a Deposit Account Control Agreement. The financial covenants require the Akorn Loan Parties to maintain the following on a consolidated basis:

(a) Minimum Liquidity, as defined in the JPM Credit Agreement, of not less than (a) $120.0 million plus (b) 25% of the JPM Revolving Facility commitments during the three month period preceding the June 1, 2016 maturity date of the Company's $120.0 million of senior convertible notes.

(b) Ratio of EBITDA to fixed charges of no less than 1.00 to 1.00 (measured quarterly for the trailing 4 quarters).

As of March 31, 2015 the Company was in full compliance with all covenants applicable to the JPM Revolving Facility.

The Company intends to use any proceeds from borrowings under the JPM Revolving Facility for working capital needs and for the general corporate purposes of the Company and its subsidiaries, and to otherwise replace letters of credit that were outstanding upon the termination of the Company's prior revolving credit facility with Bank of America, N.A. At March 31, 2015, there were no outstanding borrowings and one (1) outstanding letter of credit in the amount of approximately $1.2 million under the JPM Revolving Facility. Availability under the facility as of March 31, 2015 was approximately $148.8 million.

The JPM Credit Agreement contains representations, warranties and affirmative and negative covenants customary for

financings of this type. The JPM Credit Agreement places customary limitations on indebtedness, distributions, liens, acquisitions, investments, and other activities of the Akorn Loan Parties in a manner designed to protect the collateral while providing flexibility for growth and the historic business activities of the Company and its subsidiaries.

Convertible Notes

On June 1, 2011, the Company closed on an offering of $120.0 million aggregate principal amount of 3.50% Convertible Senior Notes due 2016 (the "Notes") which included $20.0 million in aggregate principal amount of the Notes issued in connection with the full exercise by the initial purchasers of their over-allotment option. The Notes are governed by the Company's indenture with Wells Fargo Bank, N.A., as trustee (the "Indenture"). The Notes were offered and sold only to qualified institutional buyers. The net proceeds from the sale of the Notes were approximately $115.3 million, after deducting underwriting fees and other related expenses.

The Notes have a maturity date of June 1, 2016 and pay interest at an annual rate of 3.50% semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011. The Notes are convertible into the Company's common stock, cash or a combination thereof at an initial conversion price of $8.76 per share, which is equivalent to an initial conversion rate of approximately 114.1553 shares per $1,000 principal amount of Notes. The conversion price is subject to adjustment for certain events described in the Indenture, including certain corporate transactions which will increase the conversion rate and decrease the conversion price for a holder that elects to convert its Notes in connection with such corporate transaction.

The Notes may be converted at any time prior to the close of business on the business day immediately preceding December 1, 2015 only under the following circumstances: (1) during any calendar quarter commencing after September 30, 2011, if the closing sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price in effect on each applicable trading day; (2) during the five consecutive trading-day period following any five consecutive trading-day period in which the trading price for the Notes per $1,000 principal amount of Notes for each such trading day was less than 98% of the closing sale price of the Company's common stock on such date multiplied by the then-current conversion rate; or (3) upon the occurrence of specified corporate events. On or after December 1, 2015 until the close of business on the business day immediately preceding the stated maturity date, holders may surrender all or any portion of their Notes for conversion at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, at the Company's option, cash, shares of the Company's common stock, or a combination thereof. If a fundamental change (as defined in the Indenture) occurs prior to the stated maturity date, holders may require the Company to purchase for cash all or a portion of their Notes.

The Notes became convertible for the quarter ending on June 30, 2012 as a result of the Company's stock trading at or above the required price of $11.39 per share for 20 of the last 30 trading days in the quarter ended March 31, 2012. The Notes have remained convertible for each successive quarter as a result of meeting the trading price requirement at the end of each prior quarter. During the year ended December 31, 2014, approximately $32.5 million of this convertible debt was converted at the holder's request which resulted in an additional $1.0 million of expense recognized due to the conversions. During the three months ended March 31, 2015, approximately $2.4 million of the remaining convertible debt was converted at the holder's request which resulted in an additional $0.1 million of expense recognized due to the conversions.

The Notes are not listed on any securities exchange or on any automated dealer quotation system, but are traded on a secondary market made by the initial purchasers. The initial purchasers of the Notes advised the Company of their intent to make a market in the Notes following the offering, though they are not obligated to do so and may discontinue any market making at any time.

As of March 31, 2015, the Notes were trading at approximately 541.5% of their face value, resulting in a total market value of $461.1 million compared to their face value of $85.2 million. The actual conversion value of the Notes is based on the product of the conversion rate and the market price of the Company's common stock at conversion, as defined in the Indenture. As of March 31, 2015, the Company's common stock closed at $47.51 per share, resulting in a pro forma conversion value for the Notes of

approximately $461.9 million. Increases in the market value of the Company's common stock increase the Company's obligation accordingly. There is no upper limit placed on the possible conversion value of the Notes.

The Notes are accounted for in accordance with ASC 470-20, *Debt with Conversion and Other Options.* Under ASC 470-20, issuers of convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are required to separately account for the liability (debt) and equity (conversion option) components. The application of ASC 470-20 resulted in the recognition of $21.3 million as the value for the equity component. This amount was offset by $0.8 million of equity issuance costs, as described below, and both were affected by the aggregate conversion of $34.8 million of notes as documented above. At the dates indicated, the net carrying amount of the liability component and the remaining unamortized debt discount were as follows (in thousands):

	March 31, 2015	December 31, 2014
Carrying amount of equity component	$ 14,527	$ 14,930
Carrying amount of the liability component	81,133	82,543
Unamortized discount of the liability component	4,027	4,982
Unamortized debt financing costs	728	901

The Company incurred debt issuance costs of $4.7 million related to its issuance of the Notes. In accordance with ASC 470-20, the Company allocated this debt issuance cost ratably between the liability and equity components of the Notes, resulting in $3.9 million of debt issuance costs allocated to the liability component and $0.8 million allocated to the equity component. The portion allocated to the liability component was classified as deferred financing costs and is being amortized by the effective interest method through the earlier of the maturity date of the Notes or the date of conversion, while the portion allocated to the equity component was recorded as an offset to additional paid-in capital upon issuance of the Notes.

For the three month periods ended March 31, 2015 and 2014, the Company recorded the following expenses in relation to the Notes (in thousands):

	Three Months Ended March 31,	
	2015	2014
Interest expense at 3.50% coupon rate	$ 761	$ 1,050
Debt discount amortization	835	1,075
Deferred financing cost amortization	151	194
Loss on conversion	73	—
	$ 1,820	$ 2,319

Upon issuing the Notes, the Company established a deferred tax liability of $8.6 million related to the debt discount of $21.3 million, with an offsetting debit of $8.6 million to common stock. The deferred tax liability was established because the amortization of the debt discount generates non-cash interest expense that is not deductible for income tax purposes. Since the Company's net deferred tax assets were fully reserved by valuation allowance at the time the Notes were issued, the Company reduced its valuation allowance by $8.6 million upon recording the deferred tax liability related to the debt discount with an offsetting credit of $8.6 million to common stock. As a result, the net impact of these entries was a debit of $8.6 million to the valuation reserve against the Company's deferred tax assets and a credit of $8.6 million to deferred tax liability. The deferred tax liability is being amortized monthly as the Company records non-cash interest from its amortization of the debt discount on the Notes.

Bank of America Credit Facility

On October 7, 2011, the Company and its domestic subsidiaries (the "Borrowers") entered into a Loan and Security Agreement (the "B of A Credit Agreement") with Bank of America, N.A. (the "Agent") and other financial institutions (collectively with the Agent, the "B of A Lenders") through which it obtained a $20.0 million revolving line of credit, which included a $2.0 million letter of credit facility. On April 17, 2014, concurrent with the Company entering into the JPM Credit

Agreement, the Company and Bank of America, N.A. agreed to early terminate the B of A Credit Agreement, without penalty.

Aggregate cumulative maturities of long-term obligations (including the incremental and existing term loans, convertible debt and the JPM revolver) commencing after the quarter ended March 31, 2015 are:

(In thousands)	2015	2016	2017	2018	Thereafter
Maturities (1)	$ 7,838	$ 95,610	$ 10,450	$ 10,450	$ 1,000,588

(1) On February 16, 2016 the Company voluntarily prepaid $200.0 million of existing and incremental term loan principal which eliminated any further interim principal repayment obligations. The Company has not altered the schedule above for the subsequent event as of and for the quarter ended March 31, 2015.

NOTE 9 — EARNINGS PER SHARE

Basic net income per common share is based upon the weighted average number of common shares outstanding during the period. Diluted net income per common share is based upon the weighted average number of common shares outstanding, including the dilutive effect, if any, of potentially dilutive securities using the treasury stock method.

Previously, diluted net income per share assumed the principal amount of the convertible Notes would be cash settled and any conversion spread would be settled using common shares, as the Company has the choice of settling either in cash or shares. The Company had demonstrated a past practice and intent of cash settlement for the principal and stock settlement of the conversion spread. As a result, earnings per share calculations for periods ended prior to and including September 30, 2014 only included the assumption of conversion to common shares for the convertible spread. During the quarter ended December 31, 2014, the Company changed its practice of cash settlement and settled redemptions using common shares for both the principal and conversion spread and accordingly, earnings per share amounts were calculated using the if-converted method.

The Company's potentially dilutive securities consist of: (i) vested and unvested stock options that are in-the-money, (ii) warrants that are in-the-money, (iii) unvested restricted stock units ("RSUs"), and (iv) shares issuable on conversion of convertible notes. Information about the computation of basic and diluted earnings per share is detailed below (in thousands, except per share data):

	Three Months Ended March 31,	
	2015	2014
Income from continuing operations used for basic earnings per share	$ 37,538	$ 9,494
Convertible debt income adjustments, net of tax (1)	1,107	—
Income from continuing operations adjusted for convertible debt as used for diluted earnings per share	$ 38,645	$ 9,494
Income from continuing operations per share:		
Basic	$ 0.33	$ 0.10
Diluted	$ 0.31	$ 0.08
Shares used in computing net income (loss) per share:		
Weighted average basic shares outstanding	113,352	96,633
Dilutive securities:		
Stock option and unvested RSUs	2,085	4,845
Stock warrants	—	6,843
Shares issuable upon conversion of convertible notes (1)	9,940	8,563
Total dilutive securities	12,025	20,251
Weighted average diluted shares outstanding	125,377	116,884
Shares subject to stock options omitted from the calculation of income per share as their effect would have been anti-dilutive	575	50

(1) As of the period ended March 31, 2014 the number of shares issuable upon conversion of the Notes is based on the assumption that the Company would repay the principal of the Notes in cash and pay any incremental value in shares of common stock. Due to a change in the expectation that management may settle all future note conversions solely through shares in the quarter ended December 31, 2014, the diluted income from continuing operations per share calculation includes the dilutive effect of convertible debt and is offset by the exclusion of interest expense and deferred financing fees related to the convertible debt of $1.1 million, after-tax for the quarter ended March 31, 2015. This also alters the dilutive share effect of the convertible notes as the Company is now using the if-converted method for debt conversion obligations.

Stock Warrant Exercise

On April 10, 2014, the Company's chairman, John N. Kapoor, Ph.D., exercised all of his 7.2 million outstanding stock warrants for cash. These warrants were issued at various dates in 2009 and were scheduled to expire in 2014. The Company received cash proceeds of approximately $8.2 million from the warrant exercise during the year ended December 31, 2014.

NOTE 10 — SEGMENT INFORMATION

During the three month period ended March 31, 2015, the Company reported results for the following two reportable segments:

- Prescription Pharmaceuticals
- Consumer Health

Prior to the three months ended June 30, 2014 the Company managed the business as three distinct reporting segments; Ophthalmics, Hospital Drugs and Injectables, and Contract Services, which were realigned as a result of the Hi-Tech acquisition to more closely align our reporting structure with the operations and management of the business.

Financial information about the Company's reportable segments is based upon internal financial reports that aggregate certain operating information. The Company's CEO and Chief Operating Decision Maker (CODM), as defined in *ASC 280 - Segment Reporting*, oversees operational assessments and resource allocations based upon the results of the Company's reportable segments, which have available and discrete financial information.

Selected financial information by reportable segment is presented below (in thousands). The Company has recasted prior periods such as the three month periods ended March 31, 2014, to reflect the new segment reporting.

	Three Months Ended March 31,	
	2015	2014
Revenues:		
Prescription Pharmaceuticals	$ 210,554	$ 81,848
Consumer Health	16,824	8,774
Total revenues	227,378	90,622
Gross Profit:		
Prescription Pharmaceuticals	121,159	45,284
Consumer Health	9,004	4,372
Total gross profit	130,163	49,656
Operating expenses	56,896	26,216
Operating income	73,267	23,440
Other (expense)	(14,939)	(5,845)
Income from continuing operations before income taxes	$ 58,328	$ 17,595

The Company manages its reportable segments to the gross profit level and manages its operating and other costs on a company-wide basis. Inter-segment activity at the revenue and gross profit level has been minimal. The Company does not identify total assets by segment for internal purposes, as the Company's CODM does not assess performance, make strategic decisions, or allocate resources based on assets.

NOTE 11 — BUSINESS COMBINATIONS, DISPOSITIONS AND OTHER STRATEGIC INVESTMENTS

Akorn AG (formerly Excelvision AG)

On July 22, 2014, Akorn International S.à r.l., a wholly owned subsidiary of Akorn, Inc. entered into a share purchase agreement with Fareva SA, a private company headquartered in France to acquire all of the issued and outstanding shares of capital stock of its wholly owned subsidiary, Excelvision AG for 21.7 million CHF ("Swiss Francs"), net of certain working capital and inventory amounts. Excelvision AG was a contract manufacturer located in Hettlingen, Switzerland specializing in ophthalmic products. On April 1, 2016 the name of Excelvision AG was changed to Akorn AG.

On January 2, 2015, the Company acquired all of the outstanding shares of capital stock of Excelvision AG for $28.4 million U.S. dollars ("USD") funded through available cash on hand including other net working capital and inventory amounts. The Company's acquisition of Akorn AG is being accounted for as a business combination in accordance with *ASC 805 - Business Combinations*. The purpose of the acquisition was to expand the Company's manufacturing capacity.

During the quarter ended March 31, 2015, the Company recorded approximately $0.1 million in acquisition-related expenses in connection with the Akorn AG Acquisition. These expenses principally consisted of various legal fees and other acquisition costs which have been recorded within "acquisition related costs" as part of operating expenses in the Company's condensed and consolidated statement of comprehensive income.

The following table sets forth the consideration paid for the Akorn AG acquisition and the fair values of the acquired assets and assumed liabilities (in millions of USD) as of the acquisition date adjusted in accordance with GAAP. The figures below are preliminary and subject to review of the facts and assumptions used to determine the fair values of the acquired assets developed utilizing an income approach and may differ from historical financial results of Akorn AG.

Consideration:		
Amount of cash paid	$	25.9
Outstanding amount payable to Fareva		2.5
Total consideration at closing	$	28.4
Recognized amounts of identifiable assets acquired:		
Cash and cash equivalents	$	1.2
Accounts receivable		3.4
Inventory		4.2
Other current assets		0.9
Property and equipment		26.6
Total assets acquired		36.3
Assumed current liabilities		(1.7)
Assumed non-current liabilities		(3.9)
Deferred tax liabilities		(1.4)
Total liabilities assumed		(7.0)
Bargain purchase gain		(0.9)
Fair value of assets acquired	$	28.4

Through its acquisition of Akorn AG the Company recognized a bargain purchase gain of $0.9 million which was largely derived from the difference between the fair value and the book value of the property and equipment acquired through the acquisition. Bargain purchase gain has been recognized within net income for the quarter ended March 31, 2015.

During the quarter ended March 31, 2015, the Company recorded net revenue of approximately $6.5 million related to sales from the Akorn AG location subsequent to acquisition.

Lloyd Animal Health Products

On October 2, 2014, Akorn Animal Health, Inc., a wholly owned subsidiary of the Company entered into a definitive Product acquisition agreement with Lloyd, Inc., to acquire certain rights and inventory related to a suite of animal health injectable products (the "Lloyd Products") used in pain management and anesthesia. The Company acquired the products for $16.1 million, funded through available cash paid at closing, and a contingent payment of $2.0 million, discounted to $1.9 million using a 4.5% discount rate and other unobservable inputs, which was paid in 2015. The Company's acquisition of the Lloyd Products is being accounted for as a business combination in accordance with *ASC 805 - Business Combinations*. The purpose of the acquisition is to expand the Company's animal health product portfolio.

The following table sets forth the consideration paid for the Lloyd Acquisition and the fair values of the acquired assets and assumed liabilities (in millions) as of the acquisition date adjusted in accordance with GAAP. The figures below may differ from historical financial results of the Lloyd Products.

Consideration:		
Amount of cash paid	$	16.1
Fair value of contingent payment		1.9
Total consideration at closing	$	18.0
Recognized amounts of identifiable assets acquired:		
Accounts receivable		0.1
Inventory		2.5
Product licensing rights		10.0
IPR&D		5.5
Accounts payable assumed		(0.1)
Fair value of assets acquired	$	18.0

IPR&D assets represent ongoing in-process research and development projects obtained through the acquisition. Weighted average remaining amortization period of intangible assets acquired through the Lloyd acquisition as of the closing date was 10.7 years. The rights to Lloyd Products are included within product licensing rights, net on the Company's condensed consolidated balance sheet as of March 31, 2015 and December 31, 2014.

The Company has not provided pro forma revenue and earnings of the Company as if the Lloyd Products Acquisition was completed as of January 1, 2014 because to do so would be impracticable. The acquired Lloyd Product rights were not managed as a discrete business by the previous owner. Accordingly, determining the pro forma revenue and earnings of the Company including the Lloyd Products acquisition would require significant estimates of amounts, and it is impossible to distinguish objectively information about such estimates that provides evidence of circumstances that existed on the dates at which those amounts would be recognized and measured, and would have been available when the financial statements for that prior period were issued.

Xopenex Inhalation Solutions

On October 1, 2014, the Company entered into a definitive product acquisition agreement with Sunovion Pharmaceuticals Inc., to acquire certain rights and inventory related to the branded product, Xopenex® Inhalation Solution (levalbuterol hydrochloride) (the "Xopenex Product") for $45 million, funded through available cash paid at closing, less certain liabilities for product return reserves, rebates, and chargeback reserves, which were assumed by Oak Pharmaceuticals, Inc. ("Oak"), a subsidiary of Akorn, subject to a cap. The total cash paid at closing was $41.5 million, which was net of certain liabilities for product return reserves, rebates, and chargeback reserves assumed by the Company.

Xopenex® is indicated for the treatment or prevention of bronchospasm in adults, adolescents, and children 6 years of age and older with reversible obstructive airway disease. The Company's acquisition of Xopenex® (the "Xopenex Acquisition") is being accounted for as a business combination in accordance with *ASC 805 - Business Combinations*. The purpose of the Xopenex Acquisition is to expand the Company's product portfolio of prescription pharmaceuticals.

Pursuant to the purchase agreement, certain trademarks and patents related to the Xopenex Product will be licensed to Oak by Sunovion. Further, in connection with closing the Xopenex acquisition, the Company and Sunovion entered into a customary transition services agreement. Additionally, the Company assumed a distribution agreement for authorized generic of the product and assumed certain open purchase orders placed in ordinary course for active pharmaceutical ingredients.

The following table sets forth the consideration paid for the Xopenex Acquisition and the fair values of the acquired assets and assumed liabilities (in millions) as of the acquisition date adjusted in accordance with GAAP. The figures below may differ from historical financial results of the Xopenex Product.

Consideration:		
Amount of cash paid	$	41.5
Product returns and reserves assumed		3.5
Total consideration at closing	$	45.0
Recognized amounts of identifiable assets acquired:		
Accounts Receivable, net (product returns and reserves assumed)		(3.5)
Inventory		6.3
Product licensing rights		38.7
Fair value of net assets acquired	$	41.5

Weighted average remaining amortization period of the intangible asset acquired as of the closing date was 10 years. The rights to Xopenex® are included within product licensing rights, net on the Company's condensed consolidated balance sheet as of March 31, 2015 and December 31, 2014. During the quarter ended March 31, 2015 the Company recorded approximately $0.1 million in acquisition related expenses in connection with the Xopenex acquisition.

VPI Holdings Corp. Inc.

On August 12, 2014, the Company completed its acquisition of VersaPharm, for a total purchase price of approximately $433.0 million, subject to net working capital adjustments. This purchase price was based on acquiring all outstanding equity interests of VPI Holdings Corp. ("VPI"), the parent company of VersaPharm and was equal to $440.0 million, net of various post-closing adjustments related to working capital, cash, and transaction expenses of approximately $7.0 million.

On May 9, 2014, the Company entered into an Agreement and Plan of Merger (the "VP Merger Agreement") to acquire VPI. Upon consummation of the merger, each share of VPI's common stock and preferred stock issued and outstanding immediately

prior to such time, other than those shares held in treasury by VersaPharm, owned by Akorn, Akorn Enterprises II, Inc., or VPI or any other subsidiary of VPI (each of which were cancelled) and to which dissenters' rights have been properly exercised, were cancelled and converted into the right to receive its per share right to the aggregate merger consideration, subject to various post-closing adjustments related to working capital, cash, transaction expenses and funded indebtedness. In addition, all stock options of VPI held immediately prior to the consummation of the merger became fully vested and were cancelled upon consummation of the merger with the right to receive payment on the terms set forth in the VP Merger Agreement.

The acquisition was approved by the Federal Trade Commission ("FTC") on August 4, 2014 following review pursuant to provisions of Hart-Scott Rodino Act ("HSR"). In connection with the VersaPharm acquisition, the Company entered into an agreement (the "Rifampin Divestment Agreement") with Watson, a wholly owned subsidiary of Allergan, Inc. (formerly Actavis plc), to divest certain rights and assets to the Company's Rifampin injectable pending ANDA. Under the terms of the disposition the Company received $1.0 million for the pending product rights and recorded a gain of $0.8 million in *Other non-operating income, net* in the year ended December 31, 2014 related to the divestment.

VersaPharm was a developer and marketer of multi-source prescription pharmaceuticals. We believe the acquisition complements and expands our product portfolio by diversifying our offering to niche dermatology markets. VersaPharm's product portfolio, pipeline and development capabilities were complimentary to the Hi-Tech Pharmacal Co., Inc. ("Hi-Tech") acquisition, described below, through which we acquired manufacturing capabilities needed for many of VersaPharm's current and pipeline products. The VersaPharm Acquisition also enhanced our new product pipeline as VersaPharm had significant R&D experience and knowledge and numerous in-process research and development ("IPR&D") products which were under active development.

The VersaPharm Acquisition was principally funded through a $445.0 million Incremental Term Loan Facility entered into concurrent with completing the acquisition, and through available Akorn cash. For further details on the term loan financing, please refer to the description in Note 8 — *Financing Arrangements*.

During the quarter ended March 31, 2015, the Company recorded approximately $0.4 million in acquisition-related expenses in connection with the VersaPharm Acquisition. These expenses principally consisted of various legal fees and other acquisition costs which have been recorded within "acquisition related costs" as part of operating expenses in the Company's consolidated statement of comprehensive income in the applicable periods.

The following table sets forth the consideration paid for the VersaPharm Acquisition and the fair values of the acquired assets and assumed liabilities (in millions) as of the acquisition date adjusted in accordance with GAAP. The figures below may differ from historical financial results of VersaPharm.

	Fair Valuation
Consideration:	
Amount of cash paid to VersaPharm stockholders	$ 322.7
Amount of cash paid to vested VersaPharm option holders	14.2
Amounts paid to escrow accounts	10.3
Transaction expenses paid for previous owners of VersaPharm	3.4
Total consideration paid at closing	350.6
VersaPharm debt paid off through closing cash	82.4
Total cash paid at closing	$ 433.0
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 0.1
Accounts receivable	3.1
Inventory	21.0
Other current assets	2.8
Property and equipment	1.5
Trademarks	1.0
Product licensing rights	250.8
Intangibles, other	5.2
IPR&D	212.3
Goodwill	100.0
Total assets acquired	$ 597.8
Assumed current liabilities	(12.2)
Assumed non-current liabilities	(81.8)
Deferred tax liabilities	(153.2)
Total liabilities assumed	$ (247.2)
	$ 350.6

Goodwill represents expected synergies resulting from the combination of the entities and other intangible assets that do not qualify for separate recognition, while IPR&D assets represent ongoing projects obtained through the acquisition. The Company does not anticipate being able to deduct any of the associated incremental value of goodwill and other intangible assets for income tax purposes, but expects to be able to deduct approximately $43.2 million of value associated with pre-existing VersaPharm goodwill and other intangible assets for income tax purposes in future periods.

During the quarter ended March 31, 2015 the Company recorded net revenue of approximately $13.1 million related to sales of the VersaPharm currently marketed products subsequent to acquisition.

Weighted average remaining amortization period of intangible assets acquired other than goodwill and IPR&D through the VersaPharm acquisition as of the closing date was 11.4 years in aggregate, 11.4 years for product licensing rights, 11.0 years for other intangibles, and 3 years for trademarks.

Hi-Tech Pharmacal Co., Inc.

On April 17, 2014, the Company completed its acquisition of Hi-Tech for a total purchase price of approximately $650.0 million. This purchase price was based on acquiring all outstanding shares of Hi-Tech common stock for $43.50 per share, buying out the intrinsic value of Hi-Tech's stock options, and paying the single-trigger separation payments to various Hi-Tech executives due upon change in control. The total consideration paid is net of Hi-Tech's cash acquired subsequent to Hi-Tech's payment of

$44.6 million of stock options and single-trigger separation payments as of April 17, 2014.

On August 27, 2013, the Company entered into an Agreement and Plan of Merger (the "HT Merger Agreement") to acquire Hi-Tech. Subject to the terms and conditions of the HT Merger Agreement, upon completion of the merger on April 17, 2014, each share of Hi-Tech's common stock, par value $0.01 per share, issued and outstanding and held by non-interested parties at the time of the merger (the "Hi-Tech Shares"), was cancelled and converted into the right to receive $43.50 in cash, without interest, less any applicable withholding taxes, upon surrender of the outstanding Hi-Tech shares.

In connection with the Hi-Tech acquisition, the Company entered into an agreement (the "Divestment Agreement") with Watson Laboratories, Inc., a wholly owned subsidiary of Allergan, Inc. (formerly Actavis plc), to divest certain rights and assets, as further discussed below.

Hi-Tech was a specialty pharmaceutical company which developed, manufactured and marketed generic and branded prescription and OTC drug products. Hi-Tech specialized in liquid and semi-solid dosage forms and produced and marketed a range of oral solutions and suspensions, topical ointments and creams, nasal sprays, otics, sterile ophthalmics and sterile ointment and gel products. Hi-Tech's Health Care Products division was a developer and marketer of OTC products, and their ECR subsidiary marketed branded prescription products. ECR was divested during the year ended December 31, 2014.

The Hi-Tech Acquisition complemented and expanded our manufacturing capabilities and product portfolio by diversifying our offerings to our retail customers beyond ophthalmics to other niche dosage forms such as oral liquids, topical creams and ointments, nasal sprays and otics. The Hi-Tech Acquisition also enhanced our new product pipeline. Further, the Hi-Tech Acquisition added branded OTC products in the categories of cough and cold, nasal sprays and topicals to our TheraTears® brand of eye care products.

The Hi-Tech Acquisition was principally funded through a $600.0 million term loan entered into concurrent with completing the acquisition, and through Hi-Tech cash assumed through the acquisition.

During the quarters ended March 31, 2015 and 2014 the Company recorded approximately $0.5 million and $0.3 million, respectively, in acquisition-related expenses in connection with the Hi-Tech Acquisition. These expenses principally consisted of various legal fees and other acquisition costs which have been recorded within "acquisition related costs" as part of operating expenses in the Company's consolidated statement of comprehensive income in the applicable periods.

The following table sets forth the consideration paid for the Hi-Tech Acquisition and the fair values of the acquired assets and assumed liabilities (in millions) as of the acquisition date adjusted in accordance with GAAP. The figures below may differ from historical financial results of Hi-Tech.

	Fair Valuation
Consideration:	
Amount of cash paid to Hi-Tech shareholders	$ 605.0
Amount of cash paid to vested Hi-Tech option holders	40.5
Amount of cash paid to key executives under single-trigger separation payments upon change-in-control	4.1
	$ 649.6

	Fair Valuation
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 89.7
Accounts receivable	48.6
Inventory	52.4
Other current assets	34.0
Property and equipment	45.2
Product licensing rights	339.6
IPR&D	9.4
Customer Relationships	0.3
Trademarks	5.5
Goodwill	171.3
Other non-current assets	0.6
Total assets acquired	$ 796.6
Assumed current liabilities	(22.6)
Assumed non-current liabilities	(3.3)
Deferred tax liabilities	(121.1)
Total liabilities assumed	$ (147.0)
	$ 649.6

Goodwill represents expected synergies resulting from the combination of the entities and other intangible assets that do not qualify for separate recognition, while IPR&D assets represent ongoing in-process research and development projects obtained through the acquisition. The Company does not anticipate being able to deduct any of the associated incremental value of goodwill and other intangible assets for income tax purposes, but expects to be able to deduct approximately $18.9 million of value associated with pre-existing Hi-Tech goodwill and other intangible assets for income tax purposes in future periods.

During the quarter ended March 31, 2015 the Company recorded net revenue of approximately $88.1 million related to sales of the Hi-Tech currently marketed products subsequent to acquisition.

Weighted average amortization period of intangible assets acquired other than goodwill and IPR&D through the Hi-Tech acquisitions as of the closing date was 15.6 years in aggregate, 15.7 years for product licensing rights, 1.0 year for customer relationships and 9 years for trademarks.

Watson Product Disposition

In connection with the Hi-Tech acquisition, Akorn entered into an agreement (the "Disposition Agreement") with Watson to dispose of certain rights and assets related to three Hi-Tech products marketed under Abbreviated New Drug Applications ("ANDAs") — Ciprofloxacin Hydrochloride Ophthalmic Solution, Levofloxacin Ophthalmic Solution and Lidocaine Hydrochloride Jelly — and one Akorn product marketed under a New Drug Application: Lidocaine/Prilocaine Topical Cream, collectively "the products." The Disposition Agreement further included one product under development. Net revenues for the Akorn products: Lidocaine/Prilocaine Topical Cream were approximately $1.5 million and $6.8 million in the years ended December 31, 2014 and 2013, respectively. This disposition was required pursuant to a proposed consent order accepted by vote of the FTC on April 11, 2014. The closing of the disposition agreement, which was contingent upon the consummation of the Company's acquisition of 50% or more of the voting securities of Hi-Tech, took place on April 17, 2014. Under the terms of the disposition the Company received $16.8 million for the intangible product rights, associated goodwill, and saleable inventory of the products denoted above. The Company recorded a gain of $8.5 million in *Other (expense) income, net* in the year ended December 31, 2014, resulting from the difference of the consideration received and assets disposed.

Calculation of gain from Watson product disposition (in millions)		
Consideration received	$	16.8
Intangible assets disposed		(5.9)
Goodwill disposed		(1.1)
Other assets disposed		(1.3)
Pre-Tax gain recognized	$	8.5

Upon completing the Watson product disposition, the Company entered into a master supply agreement with Watson whereby the Company will continue manufacturing the products for a transitional period. The parties also entered into a transition services agreement, the purpose of which is to affect a smooth transfer of all intellectual property and necessary historical data to complete the ownership transfer to Watson.

ECR Divestiture

On June 20, 2014, the Company divested its subsidiary, ECR, excluding three branded products (specifically Cormax®, VoSol® HC, and Zolvit® Oral Solution otherwise known as "Lortab Elixir") to Valeant Pharmaceuticals International, Inc. ("Valeant") for $41.0 million in cash and assumption of certain liabilities. Through the divestiture, the Company recognized a nominal gain on the sale of the intangible product rights, associated goodwill, saleable inventory and other assets of ECR. ECR, which promotes certain branded pharmaceuticals through its sales force, was acquired through the acquisition of Hi-Tech. As the Company has divested a component of the combined entity and does not expect material continuing cash flows, ECR results which included a net loss from discontinued operations of $0.5 million, net of tax for the period from acquisition to disposition (which both occurred during the year ended December 31, 2014) have been included within *discontinued operations* in the consolidated statements of comprehensive income.

Calculation of gain/from ECR Divestiture (in millions)		
Consideration received	$	41.0
Intangible assets divested		(29.8)
Goodwill divested		(14.2)
Other assets divested		(1.2)
Assumed liabilities divested		5.1
Pre-Tax Gain recognized	$	0.9

Zioptan Acquisition

On April 1, 2014, the Company acquired the rights to the U.S. NDA for Zioptan®, a prescription ophthalmic eye drop indicated for reducing elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension, from Merck, Sharp and Dohme Corp. ("Merck"). The Company's acquisition of the rights to the U.S. NDA for Zioptan® (the "Zioptan Acquisition") is being accounted for as a business combination in accordance with *ASC 805 - Business Combinations*. The purpose of the Zioptan Acquisition is to expand the Company's product portfolio of prescription pharmaceuticals. The total cash consideration at closing was $11.2 million, all of which was recognized as product licensing rights as of the acquisition date and has an amortization period of 10 years.

Upon completing the Zioptan Acquisition, the Company entered into a master supply agreement with Merck whereby Merck will continue manufacturing Zioptan® for a transitional period. The transfer price, per the terms of the supply agreement, will equal Merck's historical product cost. The parties also entered into a transition services agreement, the purpose of which is to affect a smooth transfer of all intellectual property and necessary historical data to complete the ownership transfer to the Company.

The rights to the U.S. NDA for Zioptan® are included within product licensing rights, net on the Company's consolidated balance sheet as of March 31, 2015 and December 31, 2014.

The Company has not provided pro forma revenue and earnings of the Company as if the Zioptan Acquisition was completed as of January 1, 2014 because to do so would be impracticable. The acquired Zioptan® rights were not managed as a discrete business by Merck. Accordingly, determining the pro forma revenue and earnings of the Company including the Zioptan Acquisition would require significant estimates of amounts, and it is impossible to distinguish objectively information about such estimates that provides evidence of circumstances that existed on the dates at which those amounts would be recognized and measured, and would have been available when the financial statements for that prior period were issued.

Betimol Acquisition

On January 2, 2014, the Company acquired the NDA rights to Betimol®, a prescription ophthalmic eye drop for the reduction of eye pressure in glaucoma patients, from Santen. The Company's acquisition of U.S. NDA rights to Betimol® (the "Betimol Acquisition") is being accounted for as a business combination in accordance with *ASC 805 - Business Combinations*. The purpose of the Betimol Acquisition is to expand the Company's product portfolio of prescription pharmaceuticals. The total consideration will be equal to 1.5 times the Company's net sales of Betimol® in the first year following acquisition, such year starting upon the Company's first sale of the product. The Company paid $7.5 million upon completing the acquisition and paid the remaining amount of $4.7 million following the first year post-acquisition in June 2015. There is also a provision for a $2.0 million increase to the total consideration should net sales of Betimol® exceed $14.0 million in any one of the first five years following acquisition, the Company currently has valued this at $0.

Upon completing the Betimol Acquisition, the Company entered into a supply agreement with Santen whereby Santen will continue manufacturing Betimol® for a transitional period. The transfer price, per the terms of the supply agreement, will equal Santen's cost of active pharmaceutical ingredients ("API") plus actual cost of manufacturing the product, making this a favorable contract pursuant to *ASC 805 — Business Combinations*. The parties also entered into a transition services agreement, the purpose of which is to affect a smooth transfer of all intellectual property and necessary historical data to complete the ownership transfer to the Company.

The following table sets forth the consideration paid for the Betimol Acquisition and the fair values of the acquired assets and assumed liabilities (in millions) as of the acquisition date adjusted in accordance with GAAP.

Betimol Acquisition:		
Consideration paid in cash at closing	$	7.5
Purchase consideration payable		4.0
	$	11.5
Fair value of acquired assets:		
U.S. NDA rights to Betimol®	$	11.4
Favorable supply agreement		0.1
	$	11.5

The U.S. NDA rights to Betimol® are included within product licensing rights, net on the Company's consolidated balance sheet as of March 31, 2015 and December 31, 2014 and has an amortization period of 15 years. The favorable supply agreement is included within other long-term assets on the Company's consolidated balance sheet as of March 31, 2015 and December 31, 2014.

The Company originally estimated that it would owe additional consideration to Santen of approximately $4.5 million. Since this was a performance-based earn-out payment, this additional consideration was originally discounted to approximately $4.0 million. As noted above and during the year ended December 31, 2015, the Company remitted payment of $4.7 million to settle the outstanding Santen liability in full, recognizing an additional $0.2 million of contingent earn-out expense.

The Company has not provided pro forma revenue and earnings of the Company as if the Betimol Acquisition was completed as of January 1, 2014 because to do so would be impracticable. The acquired Betimol® rights were not managed as a discrete business by Santen. Accordingly, determining the pro forma revenue and earnings of the Company including the Betimol Acquisition would require significant estimates of amounts, and it is impossible to distinguish objectively information about such estimates that provides evidence of circumstances that existed on the dates at which those amounts would be recognized and measured, and would have been available when the financial statements for that prior period were issued.

Other Individually Insignificant Product Acquisitions

During the three months ended March 31, 2015 and 2014 the Company did not acquire any individually insignificant drug product licensing rights (NDA, ANDA and ANADA rights).

Pro Forma Operations

The unaudited pro forma results presented below reflect the consolidated results of operations inclusive of the Akorn AG acquisition which occurred during the quarter ended March 31, 2015, as if the transaction had taken place on January 1, 2015, and the Xopenex acquisition, VersaPharm acquisition and Akorn Rifampin product divestiture ("VersaPharm transactions"), and the Hi-Tech acquisition, Watson product disposition and ECR divestiture ("Hi-Tech transactions") which occurred during the year ended December 31, 2014, as if the transactions had taken place on January 1, 2014. The pro forma results include amortization associated with the acquired tangible and intangible assets, interest on debt incurred for the transactions, amortization of inventory step-up, acquisition related expenses and income tax expense affected for the pro forma results. The unaudited pro forma financial information presented below does not reflect the impact of any actual or anticipated synergies expected to result from the acquisitions. Accordingly, the unaudited pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date (amounts in thousands, except per share data):

	For the Three Months Ended March 31,	
	2015	2014
Revenue	$ 227,378	$ 148,953
Net income from continuing operations	37,189	17,410
Net income from continuing operations per share	$ 0.30	$ 0.15

Other Strategic Investments

On August 1, 2011, the Company entered into a Series A-2 Preferred Stock Purchase Agreement to acquire a minority ownership interest in Aciex Therapeutics Inc. ("Aciex"), a private ophthalmic development pharmaceutical company based in Westborough, Massachusetts, for $8.0 million in cash. Subsequently, on September 30, 2011, the Company entered into Amendment No. 1 to Series A-2 Preferred Stock Purchase Agreement to acquire additional shares of Series A-2 Preferred Stock in Aciex for approximately $2.0 million in cash. On April 17, 2014, the Company entered into a secured note and warrant purchase agreement to acquire secured, convertible promissory notes of Aciex for approximately $0.4 million in cash. On June 27, 2014, the Company entered into a second secured note and warrant purchase agreement to acquire additional secured, convertible promissory notes of Aciex for an additional amount of approximately $0.4 million. The Company's aggregate investment in Aciex was $10.8 million at cost. Aciex was an ophthalmic drug development company focused on developing novel therapeutics to treat ocular diseases. Aciex's pipeline consisted of both clinical stage assets and pre-investigational new drug stage assets. The investments

detailed above provided the Company with an ownership interest in Aciex of below 20%. The Aciex Agreement and Aciex Amendment contained certain customary rights and preferences over the common stock of Aciex and further provided that the Company would have had the right to a seat on the Aciex board of directors.

On July 2, 2014 Nicox S.A., ("Nicox") an international company entered into an arrangement to acquire all of the outstanding equity of Aciex (the "Aciex Acquisition").

On October 22, 2014 Nicox shareholders voted to approve the Aciex Acquisition. The transaction was consummated on October 24, 2014, following the completion of certain legal conditions and formalities. As consideration for its carried investment in Aciex, the Company received from the Aciex Acquisition pro-rata shares of Nicox which are publically traded on the Euronext Paris exchange. Through the closing the Company received approximately 4.3 million shares of Nicox which were subject to certain lockup provisions preventing immediate sale of underlying shares received for the Company's investment in an available for sale security.

Through the quarter ended March 31, 2015 and the year ended December 31, 2014 the Company sold 1.0 million and 0.2 million unrestricted shares of Nicox for approximately $2.4 million and $0.6 million realizing a loss of $0.1 million and an immaterial gain on the sale of shares, respectively.

In accordance with *ASC 820*, the Company records unrealized holding gains and losses on the remaining available for sale securities in the "Accumulated other comprehensive income" caption in the consolidated Balance Sheet. For the three month period ended March 31, 2015 the Company recognized an unrealized holding loss of $1.6 million as calculated based on the discounted value of the investment given the contractual lockup provisions. The Company has determined that of the remaining $6.0 million of unrealized fair value associated with the investment, $5.5 million is available to be converted to cash within one year from the balance sheet date and has been classified as a current asset and the remaining $0.5 million has been classified as non-current asset.

NOTE 12 — COMMITMENTS AND CONTINGENCIES

Payments Due under Strategic Business Agreements

The Company has entered into strategic business agreements for the development and marketing of finished dosage form pharmaceutical products with various pharmaceutical development companies. Each strategic business agreement includes a future payment schedule for contingent milestone payments. The Company will be responsible for contingent milestone payments to these strategic business partners based upon the occurrence of future events. Each strategic business agreement defines the triggering event for any required future payments, such as meeting product development progress timelines, successful product testing and validation, successful clinical studies, various U.S. Food and Drug Administration ("FDA") and other regulatory approvals and other factors as negotiated in each agreement. None of the contingent milestone payments is expected to be individually material to the Company. The Company's estimate of future milestone payments may vary significantly from period to period. When realized, milestone payments related to events prior to FDA approval will be reported as part of research and development expense in the Company's condensed consolidated statement of comprehensive income. Milestone payments due upon receipt of FDA approval will be capitalized as intangible assets.

Based on the agreements the Company has in place with strategic business partners as of March 31, 2015, the table below sets forth the approximate timing and dollar amount of payments that would be due under those agreements, assuming the underlying milestones are achieved in the years indicated (in thousands):

Year of Payment	Amount
2015	$ 4,351
2016	12,689
2017	2,903
Total	$ 19,943

Purchase Commitments

The Company is engaged in various supply agreements with third parties which obligate the Company to purchase various API or finished products at contractual minimum levels. None of these agreements are individually or in aggregate material to the Company. Further, the Company does not believe at this time that any of the purchase obligations represent levels above that of normal business demands.

Legal Proceedings

Shareholder and Derivative Litigation. On March 4, 2015, a purported class action complaint was filed entitled *Yeung v. Akorn, Inc., at el.*, in the federal district court of Northern District of Illinois, No. 15-cv-1944. The complaint alleged that the Company and three of its officers violated the federal securities laws in connection with matters related to its accounting and financial reporting in the wake of its acquisitions of Hi-Tech Pharmaceutical Co., Inc. and VersaPharm, Inc. The Company and individual defendants dispute these claims and intend to vigorously defend these allegations.

Fera Pharmaceuticals, LLC v. Akorn Inc., Sean Brynjelsen, and Michael Stehn, in the United States District Court for the Southern District of New York, Case No. 12-cv-07692-LLS. Fera Pharmaceuticals, LLC ("Fera") filed this action on September 12, 2012. The defendants in the case are the Company and two of its employees, Sean Brynjelsen and Michael Stehn. The amended complaint generally alleges that the Company breached certain terms of a contract manufacturing supply agreement by, among other things, failing to manufacture Fera's products, raising the manufacturing cost, and impermissibly terminating the contract. In addition, Fera alleges that the Company misappropriated Fera's trade secrets in order to manufacture Erythromycin and Bacitracin for its own benefit. The counts in the amended complaint are for (1) breach of contract, (2) misappropriation of trade secrets, (3) fraudulent inducement, and (4) declaratory and injunctive relief. Fera seeks $135 million in compensatory damages, an additional, unspecified amount in punitive damages, and injunctive relief restraining the Company from selling the products at issue in the case. On January 13, 2015, the Company filed a counterclaim against Fera and certain affiliates, as well as Perrigo Company of Tennessee and Perrigo Company plc, asserting violations of Sections 1 and 2 of the Sherman Act and tortious interference with business relations. The case is in the discovery phase, and no trial date has been scheduled.

State of Louisiana v. Abbott Laboratories, Inc., et al., The Louisiana Attorney General filed suit, Number 624,522, Nineteenth Judicial District Court, Parish of East Baton Rouge, including Hi-Tech Pharmacal and other defendants, in Louisiana state court. Louisiana's complaint alleges that the defendants violated Louisiana state laws in connection with Medicaid reimbursement for certain vitamins, dietary supplements, and DESI products that were allegedly ineligible for reimbursement. The defendants filed exceptions of no cause of action and no right of action in response to Louisiana's amended complaint.

In May 2013, Inspire, a wholly owned subsidiary, received a Notice Letter that Mylan Pharmaceuticals, Inc. ("Mylan") filed an ANDA with the FDA seeking marketing approval for a 1% azithromycin ophthalmic solution prior to the expiration of the five U.S. patents licensed to us and listed in the Orange Book for Azasite®. On June 14, 2013, Insite, Merck, Inspire and Pfizer filed a complaint against Mylan and a related entity alleging that their proposed product infringes the listed patents. The parties agreed to settle the matter and the case was dismissed by court order on March 4, 2015.

Former Hi-Tech director and employee Reuben Seltzer delivered to the Company a demand letter in August 2014 alleging that the Company breached his employment agreement and improperly terminated Mr. Seltzer's employment. Mr. Seltzer further alleges that he is entitled to compensation in the approximate amount of $5.2 million. The Company disputes these claims and intends to vigorously defend these allegations.

See Note 17 - "Subsequent Events" in this Report on Form 10-Q and our most current Form 10-K (Note 22 — "Legal Proceedings") that was filed with the SEC on May 10, 2016 for updated information regarding the above and other legal proceedings.

NOTE 13 — CUSTOMER AND SUPPLIER CONCENTRATION

Customer Concentrations

A significant percentage of the Company's sales are to three large wholesale drug distributors: AmerisourceBergen Corporation; Cardinal Health, Inc.; and McKesson Corporation. These three wholesalers are all distributors of the Company's products, as well as suppliers of a broad range of health care products. The following table sets forth the percentage of the Company's gross accounts receivable as of March 31, 2015 and December 31, 2014, and the gross and net sales for the three month periods ended March 31, 2015 and 2014, attributable to the Big 3 Wholesalers:

	Three months ended March 31,	
	2015	2014
Big 3 Wholesalers combined:		
Percentage of gross sales	76%	62%
Percentage of net sales revenues	67%	45%

	March 31, 2015	December 31, 2014
Percentage of gross trade accounts receivable	84%	85%

No other customers accounted for more than 10% of gross sales, net revenues or gross trade receivables for the indicated dates and periods.

Supplier Concentrations

The Company requires a supply of quality raw materials and components to manufacture and package pharmaceutical products for its own use and for third parties with which it has contracted. The principal components of the Company's products are active and inactive pharmaceutical ingredients and certain packaging materials. Certain of these ingredients and components are available from only a single source and, in the case of many of our products, only one supplier of raw materials has been identified and qualified. Because FDA approval of drugs requires manufacturers to specify their proposed suppliers of active ingredients and certain packaging materials in their applications, FDA approval of any new supplier would be required if such active ingredients or such packaging materials were no longer available from the specified supplier. The qualification of a new supplier could delay the Company's development and marketing efforts. In addition, certain of the pharmaceutical products marketed by the Company are manufactured by a third party manufacturer that serves as the Company's sole source of that

finished product. If for any reason the Company is unable to obtain sufficient quantities of any of the raw materials or components required to produce and package its products, it may not be able to manufacture its products as planned, which could have a material adverse effect on the Company's business, financial condition and results of operations. Likewise, if the Company's manufacturing partners experience any similar difficulties in obtaining raw materials or in manufacturing the finished product, the Company's results of operations would be negatively impacted.

During the three month periods ended March 31, 2015 and 2014, none of the Company's suppliers accounted for 10% or more of the Company's total purchases during the applicable periods.

Product Concentrations

In the three month period ended March 31, 2015 one Prescription Pharmaceutical product represented approximately 10% of the Company's total net sales. Comparatively, in the three month period ended March 31, 2014 a separate Prescription Pharmaceutical product represented approximately 10% of the Company's total net sales. The Company attempts to minimize the risk associated with product concentrations by continuing to acquire and develop new products to add to its portfolio.

NOTE 14 — INCOME TAXES

The following table sets forth information about the Company's income tax provision for the periods indicated (dollar amounts in thousands):

	Three Months ended March 31,	
	2015	2014
Income from continuing operations before income taxes	$ 58,328	$ 17,595
Income tax provision	20,790	8,101
Net income from continuing operations	$ 37,538	$ 9,494
Income tax provision as a percentage of income before income taxes	35.6%	46.0%

In accordance with ASC 740-10-25, Income Taxes — Recognition, the Company reviews its tax positions to determine whether it is "more likely than not" that its tax positions will be sustained upon examination, and if any tax positions are deemed to fall short of that standard, the Company establishes reserves based on the financial exposure and the likelihood that its tax positions would not be sustained. Based on its evaluations, the Company determined that it would not recognize tax benefits on $2.0 million and $2.0 million related to uncertain tax positions as of March 31, 2015 and December 31, 2014, respectively. If recognized, $1.2 million of these tax positions will impact the Company's effective rate with the remaining $0.8 million affecting goodwill.

NOTE 15 — RELATED PARTY TRANSACTIONS

During the three month periods ended March 31, 2015 and 2014, the Company obtained legal services totaling $0.3 million and $0.5 million, respectively, of which $0.2 million was payable as of March 31, 2015 and $0.1 million was payable as of March 31, 2014, from Polsinelli PC (formerly Polsinelli Shughart PC), a law firm for which the spouse of the Company's Senior Vice President, General Counsel and Secretary is an attorney and shareholder.

NOTE 16 — RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2016, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update ("ASU") 2016-09*

- *Compensation - Stock Compensation*, which simplifies the accounting for the tax effects related to stock based compensation, including adjustments to how excess tax benefits and a company's payments for tax withholdings should be classified, amongst other items. *ASU 2016-09* is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that *ASU 2016-09* will have on its statement of financial position or financial statement disclosures.

In March 2016, the FASB issued *ASU 2016-08 - Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments of this standard are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The effective date for *ASU 2016-08* is the same as the effective date for *ASU 2014-09* and *ASU 2015-14*. The Company is currently evaluating the impact that *ASU 2016-08* will have on its statement of financial position or financial statement disclosures.

In February 2016, the FASB issued *ASU 2016-02 - Leases* which establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. *ASU 2016-02* is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Company is currently evaluating the impact that *ASU 2016-02* will have on its statement of financial position or financial statement disclosures.

In November 2015, the FASB issued *ASU 2015-17 - Balance Sheet Classification of Deferred Taxes* to simplify the presentation of deferred income taxes. *ASU 2015-17* requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. *ASU 2015-17* is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently evaluating the impact that *ASU 2015-17* will have on its statement of financial position or financial statement disclosures.

In September 2015, the FASB issued *ASU 2015-16 - Business Combinations*. *ASU 2015-16* simplifies the accounting for measurement-period adjustments by requiring adjustments to provisional amounts in a business combination to be recognized in the reporting period in which the adjustment amounts are determined and eliminates the requirement to retrospectively account for those adjustments. *ASU 2015-16* requires an entity to present separately on the face of the income statement or disclose in the notes the amount recorded in current-period earnings that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. *ASU 2015-16* is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact that *ASU 2015-16* will have on its statement of financial position or financial statement disclosures.

In August 2015, the FASB issued *ASU No. 2015-14 - Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date*, which defers the effective date of *ASU 2014-09* for one year and permits early adoption as early as the original effective date of *ASU 2014-09*. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact that *ASU 2014-09* will have on its statement of financial position or financial statement disclosures.

In July 2015, the FASB issued *ASU 2015-12 - Plan Accounting: Defined Benefit Plans (Topic 960) Defined Contribution Pension Plans (Topic 962) Health and Welfare Benefit Plans (Topic 965)*. The standard (1) requires an employee benefit plan to use contract value as the only measurement amount for fully benefit-responsive investment contracts, (2) simplifies and increases the effectiveness of plan investment disclosure requirements for employee benefit plans, and (3) provides employee benefit plans with a measurement-date practical expedient. The standard will be effective for the Plan beginning in fiscal year 2017, with early adoption permitted. The Company is currently evaluating the ASU 2015-12 will have on its statement of financial position or financial statement disclosures.

In July 2015, the FASB issued *ASU 2015-11 - Inventory*. *ASU 2015-11* simplifies the measurement of inventory by requiring inventory to be measured at the lower of cost and net realizable value. *ASU 2015-11* is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The Company is currently evaluating the impact that *ASU 2015-11* will have on its statement of financial position or financial statement disclosures.

In April 2015, the FASB issued *ASU 2015-03 - Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. *ASU 2015-03* is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the impact that ASU 2015-03 will have on its statement of financial position or financial statement disclosures.

In August 2014, the FASB issued *ASU 2014-15 - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. *ASU 2014-15* is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years.. The Company is currently evaluating the impact that *ASU 2014-15* will have on its statement of financial position or financial statement disclosures.

In May 2014, FASB issued *ASU 2014-09 - Revenue from Contracts with Customers*, which provides guidance for revenue recognition. *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 and supersedes the revenue recognition requirements in *ASC 605 - Revenue Recognition*, and most industry-specific guidance. This ASU also supersedes some cost guidance included in *ASC 605-35 - Revenue Recognition - Construction-Type and Production-Type Contracts*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will be required to use more judgment and make more estimates than under previous guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. *ASU 2014-09, as amended by ASU 2015-14,* is effective for the Company for the fiscal year beginning January 1, 2018 and, at that time the Company may adopt the new standard under the full retrospective approach or the modified retrospective approach, as permitted under the standard. Early adoption of the standard is permitted beginning on January 1, 2017. The Company is currently evaluating the impact that *ASU 2014-09* will have on its statement of financial position or financial statement disclosures.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In April 2014, the FASB issued *ASU No. 2014-08 - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which changes the criteria for reporting discontinued operations while enhancing disclosures in this area. Pursuant to *ASU 2014-08*, only disposals representing a strategic shift, such as a major line of business, a major geographical area or a major equity investment, which were not expected to have continuing cash flows should be presented as a discontinued operation. If the disposal does qualify as a discontinued operation under *ASU 2014-08*, the entity will be required to provide expanded disclosures. *ASU 2014-08* was adopted by the Company for the year beginning January 1, 2015 and did not have a material impact on the Company's consolidated financial statements.

In July 2013, the FASB issued *ASU 2013-11 - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU 2013-11* was issued to eliminate the diversity in practice in presentation of unrecognized tax benefits, and amends *ASC 740 - Income Taxes,* to provide clarification of the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. According to the new guidance, unrecognized tax benefits will be netted against all available same-jurisdiction loss or other tax carryforward that would be utilized, rather than only being netted against carryforwards that are created by the

unrecognized tax benefits. The revised guidance was adopted by the Company for the year beginning January 1, 2014 and did not have a material impact on the Company's consolidated financial statements.

NOTE 17 – SUBSEQUENT EVENTS

In a judgment entered on October 2, 2015, the trial court in the State of Louisiana case described under "Legal Proceedings" above sustained the defendants' exception of no right of action, which dismissed all of Louisiana's claims. Louisiana sought appellate review of the court's decision by filing an application for supervisory writs, as well as an appeal pending in the First Circuit Court of Appeal in Louisiana.

On May 4, 2015, a case entitled Sarzynski v. Akorn, Inc., et al., No. 15- cv-3921, was filed which makes similar allegations to the Yeung case described in "Legal Proceedings" above and seeks unspecified damages. On August 24, 2015, the two cases were consolidated and a lead plaintiff appointed in In re Akorn, Inc. Securities Litigation. No motions or answer have been filed in the case.

Two shareholder derivative lawsuits also have been filed alleging breaches of fiduciary duty in connection with the Company's accounting for its acquisition and pending restatement of its financials. The cases are Safriet v. Rai, et al., No. 15-cv-7275 filed August 19, 2015, and Glaubach v. Rai, et al., No. 15- 11129 filed December 10, 2015, and seek unspecified monetary damages, restitution from the individual defendants and specified changes to the Company's corporate governance and internal procedures. Both cases were filed in the Northern District of Illinois and have been stayed pending anticipated rulings on any motions to dismiss the defendants may file in In re Akorn, Inc. Securities Litigation.

On March 8, 2016, an additional case was filed, Kogut v. Akorn, Inc., et al., in Louisiana state court in the Parish of East Baton Rouge, No. 646474. The Kogut action seeks an order requiring the Company to make its pending SEC filings, issue audited financial statements, and hold its annual shareholder meeting.

In addition, Akorn has received shareholder demands for legal action to be taken against certain of the Company's directors and officers based on alleged breaches of fiduciary duties and other misconduct in connection with the Company's restatement of financial results and other matters. Akorn's Board of Directors formed a special committee to conduct an inquiry into the demand allegations and to provide its conclusions and recommendations to the Board.

The Chicago Regional Office of the Securities and Exchange Commission (SEC) is conducting an investigation regarding the previously disclosed restatement, internal controls and other related matters. Additionally, the United States Attorney's Office for the Southern District of New York (USAO) has requested information regarding these matters. Akorn has been furnishing requested information and is fully cooperating with the SEC and USAO.

The legal matters discussed above, and in Note 12, could result in losses, including damages, fines and civil penalties, and criminal charges, which could be substantial. We record accruals for these contingencies to the extent that we conclude that a loss is both probable and reasonably estimable. As of the date of this filing, although the Company has determined that liabilities associated with these legal matters are reasonably possible, they cannot be reasonably estimated. Given the nature of the litigation and investigations discussed above and the complexities involved, the Company is unable to reasonably estimate a possible loss for such matters until the Company knows, among other factors, (i) what claims, if any, will survive dispositive motion practice, (ii) the extent of the claims, including the size of any potential class, particularly when damages are not specified or are indeterminate, (iii) how the discovery process will affect the litigation, (iv) the settlement posture of the other parties to the litigation and (v) any other factors that may have a material effect on the litigation or investigation. However, we could incur judgments, enter into settlements or revise our expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on our results of operations in the period in which the amounts are accrued and/or our cash flows in the period in which the amounts are paid.

The Company completed several existing and incremental loan modifications which resulted in additional deferred financing fee capitalization and amortization in subsequent periods.

On February 16, 2016 the Company voluntarily prepaid a portion of the existing and incremental term loan principal which eliminated any further interim principal repayment obligation after that date.

See also related Risk Factors in our Form 10-K that was filed with the SEC on May 10, 2016.

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

FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE RESULTS

Certain statements in this Form 10-Q are forward-looking in nature and are intended to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. Any forward-looking statements, including statements regarding our intent, beliefs or expectations are not guarantees of future performance. These statements are subject to risks and uncertainties and actual results, levels of activity, performance or achievements may differ materially from those in the forward-looking statements as a result of various factors. See "Risk Factors" in our Annual Report on Form 10-K for the fiscal years ended December 31, 2014 and 2015, which includes, but is not limited to, the following items:

- The effects of the restatement and our ability to remediate material weaknesses;
- Our ability to continue to comply with all of the requirements of the U.S. Food and Drug Administration, including current Good Manufacturing Practices regulations;
- Our ability to obtain and maintain regulatory approvals for our products;
- Our success in developing, manufacturing, acquiring and marketing new products;
- Our ability to bring new products to market and the effects of sales of such products on our financial results;
- Our ability to successfully integrate acquired businesses and products;
- The effects of competition from other generic pharmaceuticals and from other pharmaceutical companies;
- Availability of raw materials needed to produce our products;
- The effects of federal, state and other governmental regulation on our business;
- The success of our strategic partnerships for the development and marketing of new products;
- The Company may be subject to litigation of a material nature, including but not limited to, the matters discussed in Part I, Item 1, Note 12 - *"Commitments and Contingencies"* under the heading *"Legal Proceedings"*;
- Our ability to obtain additional funding or financing to operate and grow our business; and
- Our ability to generate cash from operations sufficient to meet our working capital requirements and satisfy our debt obligations.

If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected. As a result, you should not place undue reliance on any forward-looking statements. Any forward-looking statement you read in the following Management's Discussion and Analysis of Financial Condition and Results of Operations reflects our current views with respect to future events and is subject to these and other risks, uncertainties, and assumptions relating to our operations, results of operations, growth strategy, and liquidity. Unless required by law, we undertake no obligation to publicly update any forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

RESULTS OF OPERATIONS

The following table sets forth the amounts and percentages of total revenue for certain items from our Condensed Consolidated Statements of Comprehensive Income and our segment reporting information for the three-month periods ended March 31, 2015 and 2014 (dollar amounts in thousands):

	Three months ended March 31,			
	2015		2014	
	Amount	% of Revenue	Amount	% of Revenue
Revenues:				
Prescription Pharmaceuticals	$ 210,554	92.6%	$ 81,848	90.3%
Consumer Health	16,824	7.4%	8,774	9.7%
Total revenues	227,378	100.0%	90,622	100.0%
Gross profit:				
Prescription Pharmaceuticals	121,159	57.5%	45,284	55.3%
Consumer Health	9,004	53.5%	4,372	49.8%
Total gross profit	130,163	57.2%	49,656	54.8%
Operating expenses:				
SG&A expenses	29,986	13.2%	16,586	18.3%
Acquisition-related costs	1,257	0.6%	454	0.5%
R&D expenses	9,276	4.1%	4,419	4.9%
Amortization of intangible assets	16,377	7.2%	4,757	5.2%
Operating income	$ 73,267	32.2%	$ 23,440	25.9%
Other (expense), net	(14,939)	(6.6)%	(5,845)	(6.4)%
Income before income taxes	58,328	25.6%	17,595	19.5%
Income tax provision	20,790	9.1%	8,101	9.0%
Net income (loss)	$ 37,538	16.5%	$ 9,494	10.5%

THREE MONTHS ENDED MARCH 31, 2015 COMPARED TO THREE MONTHS ENDED MARCH 31, 2014

Our revenue was $227.4 million during the quarter ended March 31, 2015, representing an increase of $136.8 million, or 150.9%, over our revenue of $90.6 million for the prior year quarter ended March 31, 2014. The increase in revenue in the quarter was primarily due to the acquisitions completed during the prior year including Hi-Tech, VersaPharm and other product acquisitions, which generated $121.1 million of revenue in the quarter compared to $2.8 million in the prior year quarter. Of the remaining $18.5 million of increase, $13.7 million was related to organic growth in existing products with $3.5 million, or 25.6% of the change from volume increases and $10.2 million due to price changes due to the competitive nature of our business and industry and $6.1 million related to newly-approved products, partially offset by a $1.3 million decline in products which were either divested or discontinued in the year.

The Prescription Pharmaceuticals segment revenues of $210.6 million represented an increase of $128.7 million, or 157.2%, over the prior year quarter, with acquisitions completed in the prior year accounting for $112.8 million of the increase, sales of new and re-launched products which accounted for $6.1 million of the increase and increased sales of existing products which accounted for $11.1 million, partially offset by divested or discontinued products of $1.3 million. The Consumer Health segment revenues of $16.8 million represented an increase of $8.0 million, or 91.8%, over the prior year quarter, with acquisitions completed in the prior year accounting for $5.5 million of the increase and organic revenue increases accounting for the remaining $2.5 million.

Consolidated gross profit for the quarter ended March 31, 2015 was $130.2 million, or 57.2% of revenue, compared to $49.7 million, or 54.8% of revenue, in the corresponding prior year quarter. The $80.5 million increase in gross profit dollars was principally due to the effect of business and product acquisitions in the prior year, with a secondary cause being our organic growth. The increase in gross profit margin from 54.8% in the prior year quarter to 57.2% in the quarter ended March 31, 2015 was principally due to the effect of recent acquisitions and organic growth in gross margin.

SG&A expenses were $30.0 million in the quarter ended March 31, 2015, compared to $16.6 million in the prior year quarter. Of this $13.4 million increase, the largest components of the increase were a $6.0 million increase in wages and related costs, a

$3.5 million increase in other SG&A expenses and a $1.3 million increase in marketing and advertising expenses to support our growing business. As a percentage of sales, SG&A expenses decreased to 13.2% in the quarter ended March 31, 2015 compared to 18.3% in the comparative prior year quarter.

Acquisition-related costs incurred in the quarter ended March 31, 2015 were $1.3 million, compared to $0.5 million, in the prior year quarter. The acquisition-related costs principally consisted of advisor and legal fees related to the Akorn AG facility acquisition in 2015. As a percentage of sales, acquisition expenses remained flat, increasing slightly to 0.6% in the quarter ended March 31, 2015 compared to 0.5% in the comparative prior year quarter.

R&D expense was $9.3 million in the quarter ended March 31, 2015 compared to $4.4 million in the prior year quarter. This increase was primarily related to the acquisition of Hi-Tech and VersaPharm and increases in existing R&D due to the timing and expansion of development activities to support the growing Company. As a percentage of sales, R&D expenses decreased to 4.1% in the quarter ended March 31, 2015 compared to 4.9% in the comparative prior year quarter.

Amortization of intangible assets was $16.4 million in the quarter ended March 31, 2015 compared to $4.8 million in the prior year quarter. This $11.6 million increase was primarily due to the amortization of intangible assets acquired through the Hi-Tech and VersaPharm acquisition and the other product acquisitions we completed during the prior year. As a percentage of sales, amortization expenses increased to 7.2% in the quarter ended March 31, 2015 compared to 5.2% in the comparative prior year quarter.

In the quarter ended March 31, 2015, we recognized non-operating expense totaling $14.9 million compared to $5.8 million in the prior year quarter. This increase of $9.1 million was principally related to a $11.3 million increase in interest expense related to the indebtedness obtained to finance the Hi-Tech and VersaPharm acquisitions partially offset by a $3.3 million decrease in deferred financing fees amortization in comparison to the three month period ended March 31, 2014, primarily due to reduced deferred financing fee amortization in the current year.

For the quarter ended March 31, 2015, we recorded an income tax provision of $20.8 million based on an effective tax provision rate of approximately 35.6%. In the prior year quarter ended March 31, 2014, our income tax provision was $8.1 million based on an effective tax provision rate of approximately 46.0%. The decrease in comparison to the prior year provision rate was principally due to tax benefits due to domestic production credits.

We reported net income of $37.5 million for the quarter ended March 31, 2015, or 16.5% of revenues, compared to net income of $9.5 million for the quarter ended March 31, 2014, representing 10.5% of revenues.

FINANCIAL CONDITION AND LIQUIDITY

Overview

During the quarter ended March 31, 2015, operating activities generated $45.3 million in cash flows. This positive cash flow was principally the result of our consolidated net income of $37.5 million, a $2.9 million decrease in prepaid expenses and other current assets, a $7.9 million increase in accounts payable, an increase of $19.9 million in accrued expenses, and a $0.4 million decrease in accounts receivable partially offset by a $14.6 million increase in inventory and a net outflow of non-cash expenses of $8.8 million. We used $29.4 million in investing activities during the quarter ended March 31, 2015, consisting of $24.6 million, net of cash acquired used to acquire Excelvision and $7.1 million used to acquire fixed assets, partially offset by $2.4 million from the sales of investments in available for sale securities. Financing activities provided us with $36.8 million, consisting of $40.9 million generated from employee stock plan activity and proceeds under various options exercises, partially offset by $2.6 million of debt repayment related to the Hi-Tech and VersaPharm acquisitions and $1.5 million from the payment of existing contingent liabilities during the period.

During the three months ended March 31, 2014, we generated $23.4 million in cash flow from operating activities. This operating cash flow was primarily the result of our consolidated net income of $9.5 million, non-cash expenses of $7.7 million, a $6.1 million increase in trade accounts payable, a $5.5 million increase in other accrued expenses and a $1.0 million decline in prepaid expenses partially offset by a $6.0 million increase in inventory and a $0.5 million increase in accounts receivable. We

used $12.7 million in cash for investing activities during the three months ended March 31, 2014, which consisted of $7.5 million invested in the Betimol Acquisition and $5.2 million used to acquire property, plant and equipment. Financing activities generated $0.6 million in cash flow during the three months ended March 31, 2014, primarily consisting of $1.1 million generated from purchase of stock through our employee stock purchase plan and stock option plan, partially offset by $0.4 million in debt financing costs.

As of March 31, 2015, we had no outstanding loans under our $150.0 million JPM Revolving Facility, and one (1) outstanding letter of credit for $1.2 million. Our borrowing availability under the JPM Revolving Facility as of March 31, 2015 was $148.8 million.

Liquidity and Capital Needs

We require certain capital resources in order to maintain and expand our business. Our future capital expenditures may include substantial projects undertaken to upgrade, expand and improve our manufacturing facilities, both in the U.S. and in foreign locations. Our cash obligations include the principal and interest payments due on our Existing Term Loan and Incremental JPM Term Loans (as defined below and described throughout this report) and our $85.2 million in convertible senior notes due 2016 (the "Notes"), plus any amount we may borrow under the JPMorgan Facility. We believe that our cash reserves, operating cash flows, and availability under our revolving credit facility will be sufficient to meet our cash needs for the foreseeable future.

We continue to evaluate opportunities to grow and expand our business through the acquisition of new businesses, manufacturing facilities, or pharmaceutical product rights. Such acquisitions may require us to obtain additional sources of capital. We cannot predict the amount of capital that may be required to complete such acquisitions, and there is no assurance that sufficient financing for these activities would be available on terms acceptable to us, if at all.

Incremental Term Loan

On August 12, 2014, we completed the VersaPharm Acquisition for a purchase price of approximately $440.0 million in cash, net of working capital adjustments. The acquisition was financed primarily through a $445.0 million incremental term loan (the "Incremental Term Loan"). The Incremental Term Loan matures on April 17, 2021 and bears interest at a variable rate based on a margin above prime or LIBOR, at our election. Please refer to Note 8 — *Financing Arrangements* for additional information about the Incremental Term Loan.

Existing Term Loan

On April 17, 2014, we completed the Hi-Tech Acquisition for a purchase price of approximately $650.0 million in cash. The acquisition was financed primarily through a $600.0 million term loan (the "Existing Term Loan"). The Existing Term Loan matures on April 17, 2021 and bears interest at a variable rate based on a margin above prime or LIBOR, at our election. Please refer to Note 8 — *Financing Arrangements* for additional information about the Existing Term Loan.

Convertible Notes

On June 1, 2011, we issued $120.0 million aggregate principal amount of 3.50% Convertible Senior Notes due 2016 (as defined above, the "Notes"). Please refer to Note 8 — *Financing Arrangements* for additional information about the Notes.

Credit Facility:

JPMorgan Credit Agreement

On April 17, 2014, concurrent with entering into the Existing Term Loan, we entered into a new $150.0 million revolving

credit facility with JPMorgan. Please refer to Note 8 — *Financing Arrangements* for additional information about the Bank of America Credit Agreement and the JPMorgan Credit Agreement.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. A summary of our significant accounting policies is included in Item 1. Financial Statements, Note 3 — Summary of Significant Accounting Policies, in our Annual Report on Form 10-K for the year ended December 31, 2015 filed on May 10, 2016. Certain of our accounting policies are considered critical, as these policies require significant, difficult or complex judgments by management, often requiring the use of estimates about the effects of matters that are inherently uncertain. Such policies are summarized in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2015 filed on May 10, 2016.

The Company consolidates the financial statements of its foreign subsidiary in accordance with ASC 830, *Foreign Currency Matters*, under which the statement of operations amounts are translated from Indian rupees ("INR") to USD and Swiss Francs ("CHF") to USD at the average exchange rate during the applicable period, while balance sheet amounts are generally translated at the exchange rate in effect as of the applicable balance sheet date. Cash flows are translated at the average exchange rate in place during the applicable period. Differences arising from foreign currency translation are included in other comprehensive income (loss) and are carried as a separate component of equity on our condensed consolidated balance sheets.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of March 31, 2015, our principal debt obligations included the $600.0 million Existing Term Loan and a $445.0 million Incremental Term Loan. Interest on borrowings under these facilities are variable as calculated at our election, on an ABR rate or an adjusted LIBOR rate, plus a margin of 2.50% for ABR loans, and 3.50% for LIBOR loans. Each such margin will decrease by 0.25% in the event the Company's senior debt to EBITDA ratio for any quarter falls to 2.25:1.00 or below. As the interest rates on these facilities are variable they may expose the Company to interest rate risk on such borrowings. A 1/8% variance in interest rates would impact income before income taxes by approximately $1.3 million throughout the year.

As of March 31, 2015, we were party to the $150.0 million JPM Credit Agreement with JPMorgan providing for a revolving credit facility. Interest on borrowings under the JPM Credit Agreement were to be calculated at a premium above either the current prime rate or current LIBOR rates plus a margin determined in accordance with the Company's consolidated fixed charge coverage ratio (EBITDA to fixed charges), exposing us to interest rate risk on such borrowings. As of March 31, 2015, we had no outstanding loans under the JPM Credit Agreement. At March 31, 2015, we had one (1) outstanding letter of credit under the JPM Credit Agreement for $1.2 million.

As of March 31, 2015, debt also included $85.2 million of the Notes due 2016. The Notes bear a fixed interest rate of 3.50%, with semi-annual interest payments due every June 1st and December 1st until maturity. Since the interest rate on this debt is fixed, we have no interest rate risk related to the Convertible Notes. Based on the closing price of our common stock as of March 31, 2015, the fair market value of the Notes was approximately $461.9 million compared to their face value of $85.2 million as of March 31, 2015. However, this variance is due to the conversion feature in the Notes rather than to changes in market interest

rates. As noted above, the Notes carry a fixed interest rate and therefore do not subject us to interest rate risk.

We acquired the principal manufacturing facility and ongoing business of Kilitch, an Indian pharmaceutical company on February 28, 2012. Accordingly, we are subject to foreign exchange risk based on changes in the exchange rate between U.S. dollars and Indian rupees. Additionally, the business we acquired from Kilitch is itself subject to foreign exchange risk related to certain of its export sales to unregulated markets in Africa, Asia and elsewhere, which are typically denominated in U.S. dollars rather than the local currency, Indian rupees. The Company entered into three non-deliverable forward contracts in October 2013 to protect against unfavorable trends with regard to currency translation rates between USD and INR for planned capital expenditures at AIPL, which all three matured and were redeemed during the prior year.

We acquired the principal manufacturing facility and ongoing business of ExcelVision, a Swiss pharmaceutical subsidiary of Fareva on January 2, 2015. Accordingly, we are subject to foreign exchange risk based on changes in the exchange rate between U.S. dollars and Swiss Francs. Additionally, the business we acquired is itself subject to foreign exchange risk related to certain of its sales to markets, which may be denominated in U.S. dollars rather than the local currency, Swiss Francs.

Our financial instruments include cash and cash equivalents, accounts receivable, available for sale securities, accounts payable and the Notes. The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate book value because of the short maturity of these instruments. Available for sale securities are stated at fair value adjusted for certain lock-up provisions which prevent us from selling until a set period of time has elapsed. As of March 31, 2015, we hold available for sale securities in shares of Nicox whose shares are publically traded on the Euronext Paris exchange, with a cost basis of $10.8 million which was initially valued at $12.5 million discounted to reflect certain lockup provisions preventing immediate sale of underlying shares received. The fair value of these securities at March 31, 2015 was $6.0 million and the decline in value is due to declines in the share price of Nicox shares and $3.1 million in cost basis of sales of shares not subject to the lockup provision. We monitor these investments for other than temporary declines in market value, and charge impairment losses to income when an other than temporary decline in value occurs.

At March 31, 2015, the bulk of our cash and cash equivalents balance was invested in overnight instruments, the interest rates of which may change daily. Accordingly, these overnight investments are subject to market risk.

Item 4. Controls and Procedures.

In 2015, the Company determined that the previously issued financial statements for the quarterly periods ending June 30, 2014, September 30, 2014 and December 31, 2014 along with the annual period ending December 31, 2014 should not be relied upon because of errors in the financial statements in those associated periods. In addition, in 2016, the Company determined that the previously issued financial statements for the quarterly period ending March 31, 2014 should not be relied upon because of errors in the financial statements.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, for the three months ended March 31, 2015.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, because of the material weaknesses in internal control over financial reporting as described in our Form 10-K as filed with the SEC on May 10, 2016, our disclosure controls and procedures were not effective as of March 31, 2015.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In prior filings, we identified and reported material weaknesses in the Company's internal control over financial reporting, which still exist as of March 31, 2015, due to ongoing remediation and testing procedures. In response to the identified material weaknesses, our management, with oversight from our audit committee, has dedicated significant resources to improve our control environment and to remedy the identified material weaknesses.

As described in Item 9A of our Form 10-K filed with the SEC on May 10, 2016, we are in the process of completing the design and implementation of the appropriate controls to fully remediate the material weaknesses. In addition, the Company is required to demonstrate the effectiveness of the new processes for a sufficient period of time. Therefore, until all remedial actions as described fully in our Form 10-K, as filed on May 10, 2016, including the efforts to implement and test the necessary control activities we identified, are fully completed, the material weaknesses identified will continue to exist.

Changes in Internal Control Over Financial Reporting

As disclosed under Item 9A of our 2015 Form 10-K that was filed with the SEC on May 10, 2016, we identified certain material weaknesses and continued ongoing remediation activities of those material weaknesses. During the quarter ended March 31, 2015, there were no material changes in the internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company's disclosure of legal proceedings within Note 12, *Commitments and Contingencies*, included in Part I of this report, is incorporated in this Part II, Item 1 by reference.

Item 1A. Risk Factors.

As of March 31, 2015 there were no material changes to the risk factors disclosed in Part 1 - Item 1A, of our Form 10-K for the year ended December 31, 2015. For additional information subsequent to March 31, 2015, please see the Risk Factors identified in our most recent Form 10-K that was filed with the SEC on May 10, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The list of exhibits in the Exhibit Index to this Report is incorporated herein by reference.

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SIGNATURES

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

AKORN, INC.

/s/ DUANE A. PORTWOOD
Duane A. Portwood
Chief Financial Officer
(on behalf of the registrant and as its
Principal Financial Officer)

Date: June 1, 2016

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EXHIBIT INDEX

Those exhibits marked with a (*) refer to exhibits filed herewith. The other exhibits are incorporated herein by reference, as indicated in the following list.

Exhibit No.	Description
31.1 *	Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
31.2 *	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
32.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.
32.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.
101 *	The financial statements and footnotes from the Akorn, Inc. Quarterly Report on Form 10-Q for the three month period ended March 31, 2015, filed on June 1, 2016, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Statement of Shareholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Rajat Rai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akorn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RAJAT RAI
Rajat Rai
Chief Executive Officer

Date: June 1, 2016

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Duane Portwood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akorn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DUANE A. PORTWOOD
Duane A. Portwood
Chief Financial Officer

Date: June 1, 2016

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. 1350

In connection with the Quarterly Report of Akorn, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned officer of the Company does hereby certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) and Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934 (17 CFR 240.13a-14(b)), that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 1, 2016

/s/ RAJAT RAI
Rajat Rai
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. 1350

In connection with the Quarterly Report of Akorn, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2015, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned officer of the Company does hereby certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) and Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934 (17 CFR 240.13a-14(b)), that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 1, 2016

/s/ DUANE A. PORTWOOD
Duane A. Portwood
Chief Financial Officer