Zydus Pharmaceuticals (USA) INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

RAM ASSOCIATES, CPAS

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ZYDUS PHARMACEUTICALS (USA) INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Zydus Pharmaceuticals (USA) Inc.

We have audited the accompanying consolidated financial statements of Zydus Pharmaceuticals (USA) Inc. (a New Jersey Corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, retained earnings, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Zydus Pharmaceuticals (USA) Inc and subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ram Associates

Ram Associates
Hamilton, NJ

April 15, 2020

ZYDUS PHARMACEUTICALS (USA) INC.
Consolidated Balance Sheets
December 31,

	2019	2018
ASSETS		
Current assets :		
Cash	$ 7,189,376	$ 7,577,405
Accounts receivable (net of allowance $62,711)	294,649,535	342,900,678
Inventories	132,235,381	158,887,506
Prepaid expenses	3,645,899	3,096,389
Other current assets	8,082,033	6,236,794
Total current assets	445,802,224	518,698,772
Fixed assets, net	45,594,459	48,332,755
Land	3,308,930	3,308,930
Intangible assets, net	61,521	85,248
Deferred tax assets	15,541,772	17,989,536
Other assets	6,250,000	5,000,000
TOTAL ASSETS	$ 516,558,906	$ 593,415,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities :		
Line of credit	$ 143,429,819	$ 195,000,000
Accounts payable	203,199,015	207,776,602
Accrued expenses	70,177,625	91,485,879
Current portion of long-term debt	-	16,400,406
Total current liabilities	416,806,459	510,662,887
Long-term liabilities :		
Long-term debt, net of current portion	20,000,000	16,983,628
Total current and long-term liabilities	436,806,459	527,646,515
Stockholders' equity		
Common stock, $1 per share par value - 3,000,000 shares authorized, issued and outstanding	3,000,000	3,000,000
Retained earnings	104,752,447	90,768,726
Treasury stock, at cost 700,000 shares - 2019 and 700,000 shares - 2019	(28,000,000)	(28,000,000)
Total stockholders' equity	79,752,447	65,768,726
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 516,558,906	$ 593,415,241

- See accompanying notes to financial statements -

ZYDUS PHARMACEUTICALS (USA) INC.

Consolidated Statements of Income

For The Years Ended December 31,

	2019	2018
Net revenue	$ 802,628,000	$ 774,567,656
Cost of sales	701,040,020	669,577,132
Manufacturing costs	15,142,518	16,383,794
Gross profit	86,445,462	88,606,730
Operating expenses:		
Research and development	4,077,196	5,947,467
General and administrative expenses	53,238,770	39,606,942
Total operating expenses	57,315,966	45,554,409
Operating income before other income and (expense)	29,129,496	43,052,321
Other income and (expense):		
Depreciation	(5,026,985)	(4,999,215)
Amortization	(23,727)	(37,395)
Loss on write off of fixed assets	(652,156)	(278,201)
Interest income	407,652	202,143
Interest expense	(6,154,528)	(5,844,729)
Total other income and (expense)	(11,449,744)	(10,957,398)
Operating income before income tax	17,679,752	32,094,923
Income taxes:		
Federal income tax	(941,015)	(7,851,541)
State income tax	(307,253)	(1,790,182)
Deferred income tax	(2,447,763)	2,317,660
Total income taxes	(3,696,031)	(7,324,063)
Net income	$ 13,983,721	$ 24,770,860

- See accompanying notes to financial statements -

ZYDUS PHARMACEUTICALS (USA) INC.

Consolidated Statements of Changes in Stockholders' Equity

For The Years Ended December 31, 2019 and 2018

	Common Stock		Retained earnings	Treasury stock		Total stockholders' equity
	Number of shares	Amount		Number of treasury stocks	Amount	
Balance at December 31, 2017	3,000,000	$ 3,000,000	$ 65,997,866	(700,000)	$ (28,000,000)	$ 40,997,866
Net income			24,770,860			24,770,860
Balance at December 31, 2018	3,000,000	$ 3,000,000	$ 90,768,726	(700,000)	$ (28,000,000)	$ 65,768,726
Net income			13,983,721			13,983,721
Balance at December 31, 2019	3,000,000	$ 3,000,000	$ 104,752,447	(700,000)	$ (28,000,000)	$ 79,752,447

- See accompanying notes to financial statements -

ZYDUS PHARMACEUTICALS (USA) INC.

Consolidated Statements of Cash Flows

For The Years Ended December 31,

	2019	2018
Cash flows from operating activities		
Net income	$ 13,983,721	$ 24,770,860
Adjustment to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	5,050,712	5,036,611
Deferred income taxes	2,447,764	(2,317,659)
Loss on write off of fixed assets	652,156	278,201
Changes in assets and liabilities :		
(Increase) / decrease in :		
Accounts receivable	48,251,143	(26,985,405)
Inventory	26,652,125	(51,099,590)
Prepaid expenses	(549,510)	(813,637)
Other current assets	(1,845,239)	(5,116,164)
Other assets	(1,250,000)	(2,500,000)
Increase / (decrease) in :		
Accounts payable	(4,577,587)	45,647,661
Accrued expenses	(21,308,254)	630,189
Total adjustments	53,523,311	(37,239,794)
Net cash provided by (used in) operating activities	67,507,032	(12,468,933)
Cash flows from investing activities		
Capital expenditures	(3,470,845)	(5,420,516)
Sale of assets	530,000	245,000
Net cash used in investing activities	(2,940,845)	(5,175,516)
Cash flows from financing activities		
(Decrease) / Increase in line of credit	(51,570,181)	35,231,949
(Decrease) / Increase in long-term debt from bank	(13,384,035)	(16,615,965)
Net cash provided by (used in) financing activities	(64,954,216)	18,615,984
Net increase (decrease) in cash and cash equivalents	(388,029)	971,535
Cash at the beginning of the year	7,577,405	6,605,870
Cash at the end of the year	$ 7,189,376	$ 7,577,405
Supplementary disclosure of cash flows information:		
Cash paid during the years for:		
Income taxes	$ 3,255,800	$ 14,272,920
Interest	6,389,273	5,644,522

- See accompanying notes to financial statements -

1) Organization and Description of Business

Zydus Pharmaceuticals (USA) Inc ("the Company") was incorporated in New Jersey on November 18, 2003 and is a 100% subsidiary of Cadila Healthcare Limited, India, ("Zydus Cadila").

The Company markets and distributes Generic and Authorized Generic pharmaceutical products in the United States of America. The Company had acquired a manufacturing facility in St. Louis, Missouri in 2011. Most of the products are procured from Zydus Cadila except for products that are manufactured at the St. Louis facility of the Subsidiary. The Company also markets and distributes products manufactured by third parties.

The corporate office of the Company is located at Pennington, New Jersey. The building is owned by Zydus Healthcare (USA) LLC ("Zydus Healthcare"), a related party.

Nesher Pharmaceuticals (USA) LLC

Nesher Pharmaceuticals (USA) LLC ("Nesher") which is a 100% subsidiary of the Company was formed in the state of Missouri on May 17, 2011 to acquire the Generics business, including certain manufacturing, packaging and laboratory facilities, certain intellectual property, existing and future product opportunities, as well as equipment specific to the generic business.

During the year, Nesher manufactured four products. Nesher also manufactures on contract basis a product that is being distributed by Sentynl Therapeutics Inc., a related party. Nesher has a fully functional research and development division at its St. Louis facility.

ZyVet Animal Health Inc

ZyVet Animal Health Inc ("ZyVet") which is a 100% subsidiary of the Company was formed in the State of New Jersey on April 9, 2019 to market and distribute pharmaceutical products for animal consumption.

2) Summary of Significant Accounting Policies

Basis of consolidated financial statements

The consolidated financial statements include the financial statements of the Company and its Subsidiaries. All significant related party accounts and transactions between the Company and the Subsidiaries have been eliminated upon consolidation. Previous year's numbers are regrouped wherever necessary.

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP); consequently, revenue is recognized when services are rendered, and expenses are reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Revenue Recognition

General

On January 1, 2019, the Company adopted the new revenue Accounting Standard Codification 606 (ASC 606) to all contracts using the modified retrospective method. The cumulative initial effect of applying the new revenue standard was immaterial and consequently did not record an adjustment to the opening balance of retained earnings.

A contract with a customer exists only when the parties to the contract have approved it and are committed to perform their respective obligations, the Company can identify each party's rights regarding the distinct goods or services to be transferred ("performance obligations"), the Company can determine the transaction price for the goods or services to be transferred, the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded in the amount of consideration to which the Company expects to be entitled in exchange for performance obligations upon transfer of control to the customer, excluding amounts collected on behalf of other third parties and sales taxes if applicable.

The amount of consideration to which the Company expects to be entitled varies as a result of rebates, chargebacks, returns and other sales reserves and allowances ("SR&A") that the Company offers to its customers and their customers, as well as the occurrence or nonoccurrence of future events, including milestone events. A minimum amount of variable

consideration is recorded by the Company concurrently with the satisfaction of performance obligations to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimates of variable consideration are based on historical experience and the specific terms in the individual agreements (which the Company believes approximates expected value). Rebates and chargebacks are the largest components of SR&A. For further description of SR&A components and how they are estimated, see "Variable Consideration" below.

Shipping and handling costs are recorded under Selling and Marketing expenses.

Nature of revenue streams

Most of the Company's contracts related to product sales include single performance obligation, which is to deliver products to customers based on the purchase orders received. Revenue from sales of goods, including sales to distributors is recognized when the customer obtains control of the product. This generally occurs when products are shipped and delivered to the customer and the Company has determined that physical possession, legal title and risk and rewards of ownership of the products are transferred to the customer and Company is entitles to payment. The amount of consideration the Company expects to be entitles includes invoice value, net of accruals for estimated variable considerations including but not limited to wholesalers chargeback, rebates, distribution service fees, returns and allowances, discount, incentives and other allowances.

Other revenues are primarily comprised of contract manufacturing services and other miscellaneous items. Revenue is recognized when the customer obtains control of the products. This generally occurs when products are shipped once the Company has a present right to payment and legal title and risk and rewards of ownership are obtained by the customer.

Contract assets and liabilities

Contract assets are mainly comprised of trade receivables net of allowance for doubtful debts, which includes amounts billed and currently due from customers.

Contract liabilities are mainly comprised of deferred revenues which were Nil as of December 31, 2019 and 2018.

Variable consideration

Variable consideration mainly includes SR&A, comprised of rebates (including Medicaid and other governmental program discounts), chargebacks, returns and other promotional (including shelf stock adjustments) items. All variable considerations except Medicaid and returns are netted against trade receivables.

The Company recognizes these provisions at the time of sale and adjusts them if the actual amounts differ from the estimated provisions. The following describes the nature of each deduction and how provisions are estimated:

Chargebacks

The Company has agreements with certain indirect customers, such as independent pharmacies, retail pharmacy chains, managed care organizations, hospitals, governmental agencies and pharmacy benefit managers, which establish contract prices for certain products. The indirect customers then independently select a wholesaler from which to purchase the products at these contracted prices. Alternatively, certain wholesalers may enter into agreements with indirect customers that establish contract pricing for certain products, which the wholesalers provide. Under either arrangement, The Company will provide credit to the wholesaler for any difference between the contracted price with the indirect party and the wholesaler's invoice price. Such credits are called chargebacks. The provision for chargebacks is based on expected sell-through levels by the wholesaler customers to indirect customers, as well as estimated wholesaler inventory levels at a given date.

Rebates, promotional programs and other sales allowances

This category includes rebate and other programs to assist in product sales. These programs generally provide that the customer receives credit directly related to the amount of purchases or credits upon the attainment of preestablished volumes. Also included in this category are prompt pay discounts, administrative fees and price adjustments to reflect decreases in the selling prices of products. Since these rebates and allowances are contractually agreed upon, they are estimated based on the specific terms in each agreement based on historical trends and expected sales. Externally obtained inventory levels are evaluated in relation to estimates made for rebates payable to indirect customers.

Medicaid and Other Governmental Rebates

Pharmaceutical manufacturers whose products are covered by the Medicaid, Medicare and other Government programs are required to provide a rebate to each state as a percentage of their average manufacturer's price for the products dispensed. Many states have also implemented supplemental rebate programs that obligate manufacturers to pay rebates in excess of those required under federal law. The Company estimates these rebates based on historical trends of rebates paid, as well as on changes in wholesaler inventory levels and increases or decreases in sales.

Shelf Stock Adjustments

The custom in the pharmaceutical industry is generally to grant customers a shelf stock adjustment based on the customers' existing inventory contemporaneously with decreases in the market price of the related product. The most significant of these relate to products for

which an exclusive or semi-exclusive period exists. Provisions for price reductions depend on future events, including price competition, new competitive launches and the level of customer inventories at the time of the price decline. The Company regularly monitors the competitive factors that influence the pricing of its products and customer inventory levels and adjust these estimates where appropriate.

Returns

Returns primarily relate to customer returns of expired products which, the customer has the right to return six months before and up to one year following the expiration date. Such returned products are destroyed, and credits and/or refunds are issued to the customer for the value of the returns. Accordingly, no returned assets are recorded in connection with those products. The returns provision is estimated by applying a historical return rate to the amounts of revenue estimated to be subject to returns. Revenue subject to returns is estimated based on the lag time from time of sale to date of return. The estimated lag time is developed by analyzing historical experience. Additionally, The Company considers specific factors, such as estimated levels of inventory in the distribution channel, product dating and expiration, size and maturity of launch, entrance of new competitors, changes in formularies and any changes to customer terms, for determining the overall expected levels of returns.

Accounts receivable balances in the Company's consolidated financial statements are presented net of SRA estimates. SRA balances in accounts receivable were $248,692,332 and $ 256,799,418 at December 31, 2019 and 2018, respectively. SRA balances within accounts payable and accrued expenses were $56,919,523 and $79,294,099 at December 31, 2019 and 2018, respectively.

The movements in the SRA reserve balances during the year ended December 31, 2019 are as follows (in million):

Balance as of December 31, 2018	$	**336.1**
Accrual to reduce gross sales to net sales		2,244.7
Payments and other		(2,275.2)
Balance as of December 31, 2019	**$**	**305.6**

The SRA accruals recorded to reduce gross product sales to net product sales were as follows ($ in millions) for the years ended December 31,

		2019		**2018**
Gross product sales	$	3,045.6	$	2,694.0
Accruals to reduce gross sales to net sales		(2,244.7)		(1,920.2)
Net product sales	**$**	**800.9**	**$**	**773.8**
Percentage of SRA accruals to gross sales		*73.70%*		*71.27 %*

The increase in SRA accruals was primarily due to increased competition and price reduction of key products in 2019.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade accounts receivable. The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

Concentration of credit risks with respect to accounts receivable is limited because of the credit worthiness of the Company's major customers. The majority of the Company's accounts receivable arise from product sales in the United States and are primarily due from drug wholesalers and retailers, distributors and pharmacy benefit managers. The Company monitors the financial performance and creditworthiness of its customers so that it can properly assess and respond to changes in their credit profile. Revenue from the Company's three major customers represented approximately 64% and 57% of the Company's net revenue for the years ended December 31, 2019 and 2018, respectively. Accounts receivable from the top three customers represented approximately 70% and 68% of total accounts receivable as of December 31, 2019 and 2018, respectively.

Cash and cash equivalents

The Company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents. The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk.

Accounts receivable

The Company extends credit to clients based upon management's assessment of their credit-worthiness on an unsecured basis. The Company provides an allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The Company does not expect to have write-offs or adjustments to accounts receivable which would have a material adverse effect on its financial position, liquidity or results of operations.

The allowances for uncollectible accounts as of December 31, 2019 and 2018 were $ 62,711 and $ 62,711, respectively.

The Company had entered into receivables purchase agreement with a bank to purchase the receivables of few customers. The limit of the said purchase agreement is $ 55,000,000. The discount rate for the outstanding purchase price is LIBOR plus a pre-determined margin. As of December 31, 2019 and 2018, the outstanding amount of $19,999,787 and $Nil respectively has been adjusted against receivable of the respective customers. The Bank has a first priority

security interest in and to any and all present and future Purchased Receivables and Collections, the Collection Account and the proceeds thereof to secure the repayment.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a moving weighted average basis. The Company establishes reserves for its inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or net realizable value, management considers such factors as the amount of inventory on hand; estimated time required to sell such inventory, remaining shelf life and current and expected market conditions, including level of competition. As of December 31, 2019 and 2018, provisions for the inventory reserves were $24,821,780 and $40,025,976, respectively.

Property and Equipment

Property and equipment are stated at cost. The Company provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 39.5 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets to expenses as incurred. Repairs and maintenance expenses during the years ended December 31, 2019 and 2018 were $490,712 and $336,669, respectively.

During the year the Company sold certain equipments with acquisition value of $ 5,203,640, accumulated depreciation of $ 4,021,484 and net book value of $ 1,182,156 for $ 530,000. Accordingly, loss of $ 652,156 on sale of these assets is recognized in Profit and Loss accounts for the year ended December 31, 2019.

During the current and previous period, the Subsidiary has undertaken purchase and installation of machinery and equipment at its facilities located in St. Louis. The total cost of all additions, both by the Company and the Subsidiary, for the periods ending December 31, 2019 and 2018 was $3,470,846 and $5,420,516 respectively.

Intangible assets

The Company amortize intangible assets with finite lives on a straight-line basis over their estimated useful lives. Intangible assets are reviewed annually for impairment or when events or circumstances indicate their carrying amount may not be recoverable. Based on the evaluation of intangible assets completed during the years ended December 31, 2019 and 2018, no impairment was recorded in 2019.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all

assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, accounts payable and accrued expenses and other liabilities.

Income taxes

Income taxes have been provided for using an assets and liability approach in which deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not "more-likely-than-not" that a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rate and laws.

The Company's effective tax rate is 21% for period ended December 31, 2019. The future effective income tax rate depends on various factors, such as the Company's income (loss) before taxes, tax legislation and the geographic composition of pre-tax income.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3) Property and Equipment

Consolidated property and equipment consisted of the following at December 31,

	2019	2018
Computer and Equipment	$ 1,393,772	$ 1,346,428
Furniture and Fixtures	1,896,185	2,022,746
Computer Software	5,190,139	3,928,229
Office Equipment	902,207	494,333
Leasehold Improvements	2,002,926	1,995,517

Vehicle	19,714	5,454
Machinery and Equipment	25,764,473	30,787,341
Lab Equipment	1,004,178	508,902
Buildings and Building Improvements	27,179,512	27,030,157
Land Improvements	249,632	249,632
Other Equipment and Fixtures	6,625,409	6,669,663
Land	3,308,930	3,308,930
Fixed Assets in progress	2,723,639	1,646,178
	78,260,716	79,993,510
Less: Accumulated Depreciation	29,357,327	28,351,825
Net Fixed Assets	$ 48,903,389	$ 51,641,685

Depreciation expenses during the years ended December 31, 2019 and 2018 were $ 5,026,985 and $ 4,999,215 respectively.

The property and equipment listed above were accounted in the books of the Company and Subsidiaries as follows:

	The Company	Nesher	ZyVet
Computer and Equipment	$ 348,707	$ 1,045,065	$ -
Furniture and Fixtures	385,461	1,510,724	-
Computer Software	3,709,458	1,480,681	-
Office Equipment	902,207	-	-
Leasehold Improvements	2,002,926	-	-
Vehicle	-	19,714	-
Machinery and Equipment	-	25,764,473	-
Lab Equipments	-	1,004,178	-
Buildings and Building Improvements	-	27,179,512	-
Land Improvements	-	249,632	-
Other Equipment and Fixtures	-	6,625,409	-
Land	-	3,308,930	-
Fixed Assets in progress	224,678	2,489,961	9,000
Gross Fixed Assets	7,573,437	70,678,279	9,000

Less: Accumulated Depreciation	3,270,290	26,087,037	-
Net Fixed Assets	$ 4,303,147	$ 44,591,242	$ 9,000

4) Intangible assets

Intangible assets consisted of the following at December 31,

	2019	2018
Product license	$ 1	$ 1,000,000
Logo	82,650	82,650
	82,651	1,082,650
Accumulated amortization	(21,130)	(997,402)
Total	$ 61,521	$ 85,248

During the year Intangible Asset for Product License have been written off and accordingly the Gross block and accumulated depreciation balance related to product license have been reduced in books of accounts.

Amortization expense during the years ended December 31, 2019 and 2018 were $ 23,727 and $ 37,395. Estimated amortization expenses for intangible assets for each of the next five years are as follows:

Period ending December 31,	
2020	$ 5,499
2021	5,499
2022	5,499
2023	5,499
Thereafter,	39,525
Total	$ 61,521

5) Other assets

Other current assets represent the amount that was paid in advance towards federal and state taxes. The balance in other assets includes loan and advances to Zydus Healthcare, and Viona Pharma, who are related party. The Company charges interest at arm's length rates on these loans given to related parties. Loan and advances outstanding were as follows for the years ended December 31,

	2019	2018
Zydus Healthcare	$ 2,500,000	$ 2,500,000
Zydus Noveltech	-	2,000,000
Viona Pharma	3,750,000	500,000
Total	$ 6,250,000	$ 5,000,000

6) Accounts payable

Accounts payable includes amounts due to Zydus Cadila, the parent Company. The balance due on December 31, 2019 and 2018 were $ 176,906,680 and $ 163,327,697 respectively.

Accounts payable includes amounts due to Zydus Worldwide DMCC. The balance due on December 31, 2019 and 2018 were $ 6,333,276 and $ 2,678,787 respectively.

7) Accrued expenses

Accrued expenses represent amounts accrued towards various expenses outstanding at the end of year. It also includes $ 56,919,523 and $ 79,294,099 respectively, for the years ended December 31, 2019 and 2018 towards Medicaid, Medicare, Tricare, Brand prescription fees, Product Returns, etc. accrued for different state and federal programs.

8) Short-Term Debt

i) Loan from Citibank

The Company has a sanctioned line of credit of $ 40,000,000 and foreign exchange line of $500,000 with Citibank. The interest rate on the advance is the Quoted Rate as agreed to by the bank and the Company. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ Nil and $ 20,000,000 respectively. Zydus Cadila has provided corporate guarantee for this loan.

ii) Loan from Bank of America

The Company has an uncommitted line of credit of $ 20,000,000 with Bank of America. The facility will bear interest at applicable LIBOR plus margin. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ 20,000,000 and $ 20,000,000, respectively, which is payable on demand. Zydus Cadila has provided corporate guarantee for this loan.

iii) Loan from Bank of the West

The Company has an uncommitted line of credit of $ 40,000,000 with Bank of the West. The

facility will bear interest at the applicable LIBOR plus margin. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ 40,000,000 and $ 40,000,000, respectively. Zydus Cadila has provided corporate guarantee for this loan.

iv) Loan from Bank of Tokyo

The Company has an uncommitted line of credit of $ 70,000,000 with Bank of Tokyo-Mitsubishi UFJ, LTD (BTMU). The facility will bear interest at the applicable LIBOR plus margin. For the years ended December 31, 2019 and 2018, the outstanding loan amounts were $ 20,000,000 and $ 30,000,000, respectively. Zydus Cadila has provided corporate guarantee for this loan.

v) Loan from Sentynl Therapeutics Inc.

The Company had entered in to short-term loan agreement for $150,000,000 with related party Sentynl Therapeutics Inc. For the years ended December 31, 2019 and 2018 the outstanding loan amount was $33,500,000 and $85,000,000, respectively. The Company has paid interest at the applicable LIBOR plus applicable margin.

vi) Loan from JP Morgan Chase

The Company has an uncommitted line of credit of $ 30,000,000 with J P Morgan Chase. The facility will bear interest at applicable LIBOR plus margin. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ 30,000,000 and $ Nil, respectively, which is payable on demand. Zydus Cadila has provided corporate guarantee for this loan.

9) Long-Term Debt

i) Loan from Bank of Tokyo-Mitsubishi UFJ, LTD. (BTMU)

The Company had entered into a Term Loan agreement with BTMU to avail credit facility of $50,000,000. The Company was to pay interest to the bank on the outstanding amount at a rate equal to Libor plus applicable margin. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ Nil and $ 33,500,000, respectively. Zydus Cadila provided corporate guarantee for this loan.

ii) Loan from JP Morgan Chase

The Company has entered into long term loan of $ 20,000,000 with J P Morgan Chase. The facility will bear interest at applicable LIBOR plus margin. For the years ended December 31, 2019 and 2018 the outstanding loan amounts were $ 20,000,000 and $ Nil, respectively, which is payable as per the schedule given below. Zydus Cadila has provided corporate guarantee for this loan.

Year	Amount
2022	$ 6,600,000
2023	6,600,000
2024	6,800,000
Term loan	**$ 20,000,000**

10) Employee Benefit Plan

The Company participates in a savings plan under section 401(k) of the Internal Revenue Code (Code) covering all eligible employees. The plan provides that the Company can make matching contributions, which is equivalent to the employee's contributions subject to a maximum of 5% of the gross pay of the employee subject to Federal limits. All qualifying matching contributions are 100% vested at the completion of five years of service by an employee and are subject to certain withdrawal restrictions. For the years ended December 31, 2019 and 2018, the Company's contribution to the plan, were $874,737 and $940,140 respectively.

The Company has a deferred compensation plan in which certain key employees are eligible to participate. The plan allows each participant to accrue deferred compensation equal to their share, as further defined in the plan agreement, of annual net revenue growth measured against previous year annual net revenue. For example, the computation of deferred compensation for the year 2019 is based on the growth in annual net revenue for 2019 compared with 2018. The deferred liability for each participant vests equally over five-year period on December 31st each year and vested amount is paid out at the end of the following year. The participant must be employed at the Company in order to be eligible for vesting and subsequent payment. If the participants employment is terminated any unvested amounts are forfeited. The Company may have an exception to this rule at its sole discretion. The Company accounts for the deferred compensation asset separately from the liability.

Deferred compensation payment for each of the next five years are expected to be as follows:

Period ending December 31,

2020	$ 1,545,770
2021	1,082,270
2022	944,270
2023	479,532
2024	154,500
Total	**$ 4,206,342**

11) Contingent Liability

The Company has guaranteed a severance package covering three to six months of annual salary to some of its employees for the years 2019 and 2018, in the event the Company terminates employment for reason other than cause and in case of voluntary termination of employment due to significant and adverse change to; title, current salary, mandatory relocation or change in management reporting structure. The contingent liabilities for the years ended December 31, 2019 and 2018 were approximately $ 1,640,821 and $ 1,503,320, respectively.

12) Related Party Transactions

a) For the years ended December 31, 2019 and 2018, purchases of $ 506,786,750 and $ 538,475,901 respectively were made from Zydus Cadila, the parent Company. The Company and its subsidiaries have paid towards various expenses on behalf of Zydus Cadila during the years ended December 31, 2019 and 2018. The Company has been reimbursed a net amount of $28,541,778 and $20,618,680 by Zydus Cadila for the years ended December 31, 2019 and 2018, respectively.

b) For the years ended December 31, 2019 and 2018, the Company has paid fees of $2,451,820 and $2,192,568 respectively to Zydus Cadila, the parent Company towards the Corporate Guarantee given to Citibank NA, Bank of the West, Bank of America N.A, J P Morgan Chase Bank N.A. and Bank of Tokyo-Mitsubishi UFJ, LTD.

c) For the years ended December 31, 2019 and 2018, a sum of $ 265,000 and $ 375,000 respectively were paid to Mahadev Management Inc. for management consultancy services rendered to the Company. Mr. Mahendra Patel, Director of the Company owns 50% interest in Mahadev Management Inc.

d) For the years ended December 31, 2019 and 2018, the Company has paid lease rental of $ 435,030 and $375,405 respectively to Zydus Healthcare and also received interest income of $150,000 and $150,000 for both the years from Zydus Healthcare on the loan provided to them. The Company has also paid a net amount of $5,550 in regard to various other expenses incurred for and by Zydus Healthcare.

e) For the years ended December 31, 2019 and 2018, the Company paid interest of $856,782 and $1,685,355 respectively to Sentynl Therapeutics Inc. (Sentynl) a related party on the short-term loan. During the year ended 2019 and 2018, Sentynl paid $108,858 and $ 81,519 respectively towards various expenses incurred by the Company on behalf of Sentynl.

f) Nesher entered into a product development agreement with Sentynl Therapeutics Inc. a related party. Under the terms and condition of the development agreement, Nesher is expected to receive future milestone and stability payments. During the years ended December 31, 2019 and 2018, Nesher recognized income totaling $405,681 and $503,445 towards product

development activities. For the years ended 2019, sales of $1,000,385 were made to Sentynl by Nesher. As of December 31, 2019, Nesher has balance receivable of $135,000, as of December 31, 2018 the balance receivable was $ 17,500.

g) During the years ended December 31, 2109 and 2018, the Company purchased finished products of $1,539,133 and $986,117 from related party Hercon Pharmaceuticals LLC (Hercon). During the years ended December 31, 2019 and 2018, Hercon paid $4,025 and $2,204 towards reimbursement of various expenses incurred by the Company and its subsidiaries.

h) For the years ended December 31, 2019 and 2018, purchases of $19,822,439 and $8,425,896 were made from Zydus World Wide Dubai ('Zydus Dubai'), a related party. During the years ended December 31, 2019 and 2018, Zydus Dubai paid $65,303 and $13,909 respectively towards reimbursement of various expenses.

i) For the year ended December 31, 2019 and 2018, purchases of $2,020,539 and $ NIL respectively were made from Zydus Technologies Limited, a related party.

j) For the year ended December 31, 2019 and 2018, interest amount of $23,823 and $ 17,667 respectively was received from Zydus Noveltech Inc., a related party on the short-term loan.

k) For the years ended December 31, 2019 and 2018, interest amount of $54,428 and $2,210 respectively were received from Viona Pharmaceuticals Inc. (Viona), a related party on the short-term loan. The Company has been reimbursed a net amount of $13,197 and $29,493 by Viona for the years ended December 31, 2019 and 2018, respectively for the various expenses incurred by or for Viona.

13) Research and Developmental Expenses

Research and development costs are expensed as incurred. Nesher is conducting its own research and product development activities. Nesher has plans to develop, manufacture and market various products. Nesher has spent $4,077,196 and $5,947,467 on research and development for the years ended December 31, 2019 and 2018, respectively.

14) Product Liability

Accruals for product liability claims if any are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. From time to time the Company is subject to claims and law suits arising in the ordinary course of business, including patent, product liability and other litigation. In determining whether liabilities should be recorded for pending claims, the Company assesses the allegations made and the likelihood that it will be able to defend against the claim successfully. The Company records provisions to the extent it concludes that a contingent liability is probable, and the amount thereof is estimable. Because litigation

outcomes and contingencies are unpredictable, and because excessive verdicts can occur, these assessments involve complex judgments about future events and can rely heavily on estimates and assumptions. The Company is involved in product liability lawsuits related to alleged personal injuries arising out of use of product distributed by the Company. The Company believes that it has meritorious defenses to the lawsuit and is vigorously defending itself with respect to this matter. For the years ended December 31, 2019 and 2018, no accruals for product liability were made. Zydus Cadila, the parent Company reimburses product liability related expenses incurred by the Company in case of any claims on products sourced from them.

15) Legal Settlements and Proceedings

The Company is involved in, or has been involved in, legal proceedings that arise from the normal course of business. The Company cannot predict the timing or outcome of these claims and other proceedings. Currently, the Company is not involved in any arbitration and/or other legal proceedings that it expects to have a material effect on the business, financial condition, results of operations or liquidity of the Company. All legal cost is expensed as incurred.

Government Investigations and Litigation Relating to Generic Products Pricing

1) A qui tam case was brought against the Company in the U.S. District Court of the Eastern District of Texas for alleged 'false and misleading" price for its prescription drugs, thereby causing State and Federal government to pay inflated reimbursements to participating pharmacies in the Medicaid program. Following the transfer of the case to the District of New Jersey, the case entered fact discovery. In October 2018, the parties agreed to mediation. On April 30, 2019, the parties reached an agreement to settle all remaining claims in the case. Following approval by the U.S. Department of Justice, the Court entered an order dismissing all remaining claims on July 17, 2019.

2) Two putative class action cases were brought against the Company and other pharmaceutical companies ("Defendants") on behalf of putative classes of third-party payers and individual consumers in December 2015 (a federal and state case). In the complaints, plaintiff allege that Defendants reported "false" prices for their prescription drugs in violation of Pennsylvania law. The state case was stayed pending resolution of the federal case. The federal case claims were dismissed in September 2017. We are currently waiting to see if the plaintiff moves the state case forward. The Company believes that it has meritorious defense to the lawsuit.

3) In late 2016, a union health and welfare fund filed two actions against the Company and other generic drug companies in the U.S. District Court for the Eastern District of Pennsylvania. These actions alleged conspiracies to fix prices or allocate markets for two drugs (divalproex and pravastatin) in violation of federal and state antitrust laws. Subsequently, these and the other actions detailed below have been coordinated in a multi-district litigation in the Eastern District of Pennsylvania. Ultimately, putative classes of direct purchasers, end payors, and indirect resellers each filed multiple

actions in which the Company is named as one of several defendants: (i) an action alleging a conspiracy to fix prices or allocate markets for pravastatin, (ii) an action to fix prices or allocate markets for divalproex, and (iii) an action alleging both a conspiracy to fix prices or allocate markets for a third drug (acetazolamide) as well as an "overarching," industry-wide conspiracy. In June 2018, Connecticut and other states filed a complaint against the Company and other defendants alleging a number of individual-drug conspiracies (including acetazolamide for the Company) as well as an "overarching" conspiracy. Several opt-out plaintiffs have filed complaint as well, and the claims in these complaints track the claims outlined above. In May 2019, Connecticut and other states filed a second complaint against the Company and other defendants. That complaint alleges a number of individual-drug conspiracies (including eight drugs for the Company) as well as an "overarching" conspiracy. Beginning in October 2019, putative classes of direct purchases, indirect resellers, and end payors as well as several opt-out plaintiffs and a group of New York counties filed additional complaints against the Company and other defendants with substantially similar claims. In October 2019, the Court entered a case management order setting a preliminary schedule and the cases are now proceeding through fact discovery. The Company believes it has meritorious defenses to these lawsuits.

16) Income Tax

The Company accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Management evaluates all available evidence about future taxable income and other possible sources of realization of deferred tax assets. A valuation allowance is established to reduce deferred tax assets to an amount that represents management's best estimate of the amount of such deferred tax assets that more likely than not will be realized. To the extent the Company establishes a valuation allowance or increased the allowance in any given period, an expense is recognized within the provision for income taxes in the statement of income.

The Company recognizes the tax benefit from uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters as other expense in the statement of income. Based on management's evaluations, there are no uncertain tax positions requiring recognition as of the date of these financial statements.

Income tax expense (benefit) was computed as follows for the years ended December 31,

	2019	2018
Federal income tax	$ 1,476,268	$ 8,697,834
State income tax	307,253	1,790,182
Total income taxes, current provision	1,783,521	10,488,016
Deferred income taxes (benefit)	2,447,763	(2,317,660)
Credit for research expenses	(535,253)	(846,293)
Total income taxes	$ 3,696,031	$ 7,324,063

The deferred tax assets (liabilities) consist of the following at December 31,

	2019	2018
Property and equipment	$ (4,130,554)	$ (4,023,025)
Sales accruals and other items	19,672,326	22,012,561
Total deferred income taxes	$ 15,541,772	$ 17,989,536

The Company's provision for income taxes differs from applying the statutory U.S. federal income tax rate to income before income taxes. The primary differences result from different State income tax effective rates that were used in the accrual for the income provision for financial statement purposes versus the actual rate realized on the income tax returns. The Company files its income tax returns on a calendar year basis.

The Company files income tax returns in the U.S. federal jurisdiction, and various State jurisdictions. The Company is generally no longer subject to U.S. Federal, State and local examinations by tax authorities for the years before 2017. There are no on-going open period income tax audits with any Federal, State and/or local tax authorities.

17) Supply and Distribution Agreement

The Company has entered into a supply and distribution agreement with Zydus Cadila, its parent Company. Zydus Cadila has appointed the Company as its exclusive distributor in US territory to sell, warehouse and distribute the products, either directly or through its sub-distributors. The agreement also records the entire understanding between the parties in respect of development, approvals (regulatory), manufacture, quality control, and liabilities of the parties in respect of claims from third parties and or as between the parties for pre-manufacturing and post-manufacturing defects and operations. The agreement also sets the parameter for determining the price, which shall be reviewed periodically, to enable the Company to earn return on an arm's length basis for the distribution functions that it performs, having regard to its assets utilized, and risks undertaken.

18) New Accounting Pronouncements

i) In August 2018, the FASB issued ASU 2018-13 which modifies the disclosure requirements for recurring and nonrecurring fair value measurements, primarily those surrounding Level 3 fair value measurements and transfers between Level 1 and Level 2. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within that reporting period. The Company is currently evaluating the new guidance and does not expect it to have an impact on its consolidated financial statements.

ii) In August 2018, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*". This ASU removed the following disclosure requirements: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; and (3) the valuation processes for Level 3 fair value measurements. Additionally, this update added the following disclosure requirements: (1) the changes in unrealized gains and losses for the period included in other comprehensive income and loss for recurring Level 3 fair value measurements held at the end of the reporting period; (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. ASU No. 2018-13 will be effective for fiscal years beginning after December 15, 2019 with early adoption permitted.

iii) In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*. Under the new standard, goodwill impairment would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. This ASU eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This update is effective for annual periods beginning after December 15, 2019, and interim periods within those periods. Early adoption is permitted for interim or annual goodwill impairment test performed on testing dates after January 1, 2017.

19) Commitments

The Company has entered into an operating lease for its office facility and equipment lease expiring through March 2023. Nesher has entered into operating leases for its manufacturing and warehousing requirements, leases expiring through June 2019 and not renewed further.

The future minimum rental payments under the lease agreement for the years ended December 31,

	2019	2018
2019	$ -	$ 383,530
2020	435,030	89,631
2021	435,030	-
2022	435,030	-
2023	108,757	-
Total Commitments	$ 1,413,847	$ 473,161

For the years ended December 31, 2019 and 2018, rent expenses were $506,585 and $514,642 respectively.

Contingencies

The Company is involved in product liabilities, government investigation and other legal proceedings that arise from time to time in the ordinary course of business. The Company records accruals for these types of contingencies to the extent that the Company determines their occurrence is probable and that the related liabilities are estimable. When accruing these costs, the Company will recognize an accrual of best estimable amount based on the data and knowledge available.

20) Subsequent events

The Company has evaluated subsequent events through April 15, 2020, the date, which the financial statements were available to be issued. No reportable subsequent events have occurred through April 15, 2020, which would have a significant effect on the financial statements as of December 31, 2019, except as otherwise disclosed.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what will be the financial impact to the Company. To date, the Company has not experienced any consequences or loss of business which will materially impact the financial conditions of the Company.