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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 JUNE 30, 2020
or

☐ **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 001-36509

AMPHASTAR PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**33-0702205**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11570 6th Street **Rancho Cucamonga, CA**	**91730**
(Address of principal executive offices)	**(zip code)**

(909) 980-9484
(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	AMPH	The NASDAQ Stock Market LLC

The number of shares outstanding of the registrant's common stock as of August 3, 2020 was 47,485,546.

AMPHASTAR PHARMACEUTICALS, INC.
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FORM 10-Q FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2020

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains "forward-looking statements" that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "may," "might," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these identifying words. Forward-looking statements relate to future events or future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- our expectations regarding the sales and marketing of our products;
- our expectations regarding our manufacturing and production and the integrity of our supply chain for our products, including the risks associated with our single source suppliers;
- the impact of the COVID-19 pandemic and related responses of business and governments to the pandemic on our operations and personnel, and on commercial activity and demand across our business operations and results of operations;
- interruptions to our manufacturing and production as a result of natural catastrophic events or other causes beyond our control such as power disruptions or widespread disease outbreaks, such as the COVID-19 pandemic;
- global, national and local economic and market conditions, specifically with respect to geopolitical uncertainty, and the COVID-19 pandemic;
- the timing and likelihood of U.S. Food and Drug Administration, or FDA, approvals and regulatory actions on our product candidates, manufacturing activities and product marketing activities;
- our ability to advance product candidates in our platforms into successful and completed clinical trials and our subsequent ability to successfully commercialize our product candidates;
- our ability to compete in the development and marketing of our products and product candidates;
- our expectations regarding the business expansion plans for our Chinese subsidiary, ANP;
- the potential for adverse application of environmental, health and safety and other laws and regulations on our operations;
- our expectations for market acceptance of our new products and proprietary drug delivery technologies, as well as those of our active pharmaceutical ingredient, or API, customers;
- the potential for our marketed products to be withdrawn due to patient adverse events or deaths, or if we fail to secure FDA approval for products subject to the Prescription Drug Wrap-Up program;
- our expectations in obtaining insurance coverage and adequate reimbursement for our products from third-party payers;
- the amount of price concessions or exclusion of suppliers adversely affecting our business;
- our ability to establish and maintain intellectual property protection for our products and our ability to successfully defend our intellectual property in cases of alleged infringement;
- the implementation of our business strategies, product development strategies and technology utilization;
- the potential for exposure to product liability claims;
- future acquisitions, divestitures or investments, including the anticipated benefits of such acquisitions, divestitures or investments;
- our ability to expand internationally;
- economic and industry trends and trend analysis;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- the impact of trade tariffs, export or import restrictions, or other trade barriers;
- the impact of Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate including the potential for drug price controls;
- the impact of global and domestic tax reforms, including the Tax Cuts and Jobs Act of 2017, or the Tax Act, as amended by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act;
- the timing for completion and the validation of the new construction at our ANP and Amphastar facilities;
- the timing and extent of share buybacks; and
- our financial performance expectations, including our expectations regarding our backlog, revenue, cost of revenue, gross profit or gross margin, operating expenses, including changes in research and development, sales and marketing and general and administrative expenses, and our ability to achieve and maintain future profitability.

You should read this Quarterly Report and the documents that we reference elsewhere in this Quarterly Report completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. In particular, the extent of COVID-19's impact on our business will depend on several factors, including the severity, duration and extent of the pandemic, as well as actions taken by governments, businesses,

and consumers in response to the pandemic, all of which continue to evolve and remain uncertain at this time. We discuss many of these risks and uncertainties in greater detail in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2019, particularly in Item 1A. “Risk Factors.” These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report regardless of the time of delivery of this Quarterly Report, and such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report.

Unless expressly indicated or the context requires otherwise, references in this Quarterly Report to “Amphastar,” “the Company,” “we,” “our,” and “us” refer to Amphastar Pharmaceuticals, Inc. and our subsidiaries.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 87,388	$ 73,685
Restricted cash	1,865	1,865
Short-term investments	11,101	11,675
Restricted short-term investments	2,200	2,290
Accounts receivable, net	49,862	45,376
Inventories	104,726	110,501
Income tax refunds and deposits	682	311
Prepaid expenses and other assets	8,997	9,538
Total current assets	266,821	255,241
Property, plant, and equipment, net	238,236	233,856
Finance lease right-of-use assets	774	887
Operating lease right-of-use assets	17,086	18,805
Goodwill and intangible assets, net	40,271	41,153
Other assets	12,635	11,156
Deferred tax assets	24,235	25,873
Total assets	$ 600,058	$ 586,971
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 75,385	$ 77,051
Income taxes payable	2,345	2,042
Current portion of long-term debt	12,075	7,741
Current portion of operating lease liabilities	3,481	3,175
Total current liabilities	93,286	90,009
Long-term reserve for income tax liabilities	3,425	3,425
Long-term debt, net of current portion	34,622	39,394
Long-term operating lease liabilities, net of current portion	14,530	16,315
Deferred tax liabilities	760	867
Other long-term liabilities	10,998	9,433
Total liabilities	157,621	159,443
Commitments and contingencies		
Stockholders’ equity:		
Preferred stock: par value $0.0001; 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock: par value $0.0001; 300,000,000 shares authorized; 54,372,275 and 47,494,909 shares issued and outstanding as of June 30, 2020 and 52,495,483 and 46,576,968 shares issued and outstanding as of December 31, 2019, respectively	5	5
Additional paid-in capital	396,841	367,305
Retained earnings	120,127	116,370
Accumulated other comprehensive loss	(5,173)	(4,687)
Treasury stock	(114,119)	(97,627)
Total Amphastar Pharmaceuticals, Inc. stockholders’ equity	397,681	381,366
Non-controlling interests	44,756	46,162
Total equity	442,437	427,528
Total liabilities and stockholders’ equity	$ 600,058	$ 586,971

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net revenues	$ 85,806	$ 79,047	$ 170,494	$ 158,837
Cost of revenues	52,629	46,660	100,494	95,547
Gross profit	33,177	32,387	70,000	63,290
Operating expenses:				
Selling, distribution, and marketing	4,026	2,992	7,320	6,133
General and administrative	15,924	12,426	26,670	28,753
Research and development	16,149	15,996	31,452	30,603
Total operating expenses	36,099	31,414	65,442	65,489
(Loss) Income from operations	(2,922)	973	4,558	(2,199)
Non-operating income (expenses):				
Interest income	198	143	351	291
Interest expense	(35)	(24)	(111)	(54)
Other income (expenses), net	1,255	60,001	(497)	59,422
Total non-operating income (expenses), net	1,418	60,120	(257)	59,659
(Loss) Income before income taxes	(1,504)	61,093	4,301	57,460
Income tax (benefit) provision	(75)	14,173	2,205	12,694
Net (loss) income	$ (1,429)	$ 46,920	$ 2,096	$ 44,766
Net loss attributable to non-controlling interests	$ (1,237)	$ (867)	$ (1,661)	$ (3,889)
Net (loss) income attributable to Amphastar Pharmaceuticals, Inc.	$ (192)	$ 47,787	$ 3,757	$ 48,655
Net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders:				
Basic	$ (0.00)	$ 1.01	$ 0.08	$ 1.04
Diluted	$ (0.00)	$ 0.96	$ 0.08	$ 0.97
Weighted-average shares used to compute net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders:				
Basic	46,753	47,107	46,581	46,925
Diluted	46,753	49,894	48,458	50,155

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net (loss) income attributable to Amphastar Pharmaceuticals, Inc.	$ (192)	$ 47,787	$ 3,757	$ 48,655
Other comprehensive income (loss) income attributable to Amphastar Pharmaceuticals, Inc., net of income taxes				
Foreign currency translation adjustment	288	(97)	(486)	(210)
Total other comprehensive income (loss) income attributable to Amphastar Pharmaceuticals, Inc.	288	(97)	(486)	(210)
Total comprehensive income attributable to Amphastar Pharmaceuticals, Inc.	$ 96	$ 47,690	$ 3,271	$ 48,445

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in thousands, except share data)

	Common Stock					Treasury Stock				
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive loss	Shares	Amount	Total Amphastar Stockholders' Equity	Non-controlling Interest	Total
Balance as of December 31, 2019	52,495,483	$ 5	$ 367,305	$ 116,370	$ (4,687)	(5,918,515)	$ (97,627)	$ 381,366	$ 46,162	$ 427,528
Net income attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	3,949	—	—	—	3,949	—	3,949
Other comprehensive loss attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	—	(774)	—	—	(774)	—	(774)
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	—	(424)	(424)
Purchase of treasury stock	—	—	—	—	—	(647,246)	(10,950)	(10,950)	—	(10,950)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(84)	—	—	6,873	84	—	—	—
Issuance of common stock in connection with the Company's equity plans	369,508	—	(1,238)	—	—	—	—	(1,238)	—	(1,238)
Share-based compensation expense	—	—	5,161	—	—	—	—	5,161	121	5,282
Balance as of March 31, 2020	52,864,991	$ 5	$ 371,144	$ 120,319	$ (5,461)	(6,558,888)	$ (108,493)	$ 377,514	$ 45,859	$ 423,373
Net loss attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	(192)	—	—	—	(192)	—	(192)
Other comprehensive income attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	—	288	—	—	288	—	288
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	—	(1,237)	(1,237)
Purchase of treasury stock	—	—	—	—	—	(329,391)	(5,756)	(5,756)	—	(5,756)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(130)	—	—	10,913	130	—	—	—
Issuance of common stock in connection with the Company's equity plans	1,507,284	—	19,448	—	—	—	—	19,448	—	19,448
Share-based compensation expense	—	—	6,379	—	—	—	—	6,379	134	6,513
Balance as of June 30, 2020	54,372,275	$ 5	396,841	$ 120,127	$ (5,173)	(6,877,366)	$ (114,119)	$ 397,681	$ 44,756	$ 442,437

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive loss	Treasury Stock		Total Amphastar Stockholders' Equity	Non-controlling Interest	Total
	Shares	Amount				Shares	Amount			
Balance as of December 31, 2018	51,438,675	$ 5	$ 344,434	$ 67,485	$ (4,013)	(4,807,557)	$ (75,476)	$ 332,435	$ 31,924	$ 364,359
Beginning balance adjustment as a result of the adoption of new accounting standards	—	—	—	(54)	—	—	—	(54)	—	(54)
Net income attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	868	—	—	—	868	—	868
Other comprehensive loss attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	—	(113)	—	—	(113)	—	(113)
Proceeds from the private placement of ANP	—	—	2,588	—	—	—	—	2,588	16,378	18,966
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	—	(3,022)	(3,022)
Purchase of treasury stock	—	—	—	—	—	(145,479)	(3,015)	(3,015)	—	(3,015)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(98)	—	—	8,334	98	—	—	—
Issuance of common stock in connection with the Company's equity plans	604,651	—	(2,397)	—	—	—	—	(2,397)	—	(2,397)
Share-based compensation expense	—	—	4,674	—	—	—	—	4,674	—	4,674
Balance as of March 31, 2019	52,043,326	$ 5	$ 349,201	$ 68,299	$ (4,126)	(4,944,702)	$ (78,393)	$ 334,986	$ 45,280	$ 380,266
Net income attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	47,787	—	—	—	47,787	—	47,787
Other comprehensive loss attributable to Amphastar Pharmaceuticals, Inc.	—	—	—	—	(97)	—	—	(97)	—	(97)
Net loss attributable to non-controlling interest	—	—	—	—	—	—	—	—	(867)	(867)
Purchase of treasury stock	—	—	—	—	—	(50,980)	(1,073)	(1,073)	—	(1,073)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(7)	—	—	597	7	—	—	—
Issuance of common stock in connection with the Company's equity plans	169,434	—	2,240	—	—	—	—	2,240	—	2,240
Share-based compensation expense	—	—	4,002	—	—	—	—	4,002	30	4,032
Balance as of June 30, 2019	52,212,760	$ 5	$ 355,436	$ 116,086	$ (4,223)	(4,995,085)	$ (79,459)	$ 387,845	$ 44,443	$ 432,288

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2020	**2019**
Cash Flows From Operating Activities:		
Net income	$ 2,096	$ 44,766
Reconciliation to net cash provided by operating activities:		
Loss on impairment and disposal of assets	30	850
Depreciation of property, plant, and equipment	9,531	8,311
Amortization of product rights, trademarks, and patents	509	526
Operating lease right-of-use asset amortization	1,700	1,390
Share-based compensation expense	11,795	8,706
Changes in deferred taxes, net	1,638	9,872
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,454)	1,700
Inventories	5,760	(30,012)
Prepaid expenses and other assets	541	(1,221)
Income tax refunds, deposits, and payables, net	(78)	1,784
Operating lease liabilities	(1,565)	(1,297)
Accounts payable and accrued liabilities	4,063	2,738
Net cash provided by operating activities	31,566	48,113
Cash Flows From Investing Activities:		
Purchases and construction of property, plant, and equipment	(18,895)	(24,467)
Purchase of short-term investments	669	—
Payment of deposits and other assets	(562)	(86)
Net cash used in investing activities	(18,788)	(24,553)
Cash Flows From Financing Activities:		
Proceeds from the private placement of ANP	—	18,298
Proceeds from equity plans, net of withholding tax payments	18,210	(157)
Purchase of treasury stock	(16,706)	(4,088)
Proceeds from borrowing under lines of credit	705	—
Repayments under lines of credit	—	(347)
Proceeds from issuance of long-term debt	3,067	—
Principal payments on long-term debt	(4,269)	(3,219)
Net cash provided by financing activities	1,007	10,487
Effect of exchange rate changes on cash	(82)	(11)
Net increase in cash, cash equivalents, and restricted cash	13,703	34,036
Cash, cash equivalents, and restricted cash at beginning of period	75,550	88,202
Cash, cash equivalents, and restricted cash at end of period	$ 89,253	$ 122,238
Noncash Investing and Financing Activities:		
Capital expenditure included in accounts payable	$ 9,662	$ 6,631
Operating lease right-of-use assets	$ —	$ 7,671
Equipment acquired under finance leases	$ 61	$ 61
Supplemental Disclosures of Cash Flow Information:		
Interest paid, net of capitalized interest	$ 1,119	$ 1,277
Income taxes paid	$ 662	$ 1,147

See Accompanying Notes to Condensed Consolidated Financial Statements.

Note 1. General

Amphastar Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, hereinafter referred to as the "Company") is a specialty pharmaceutical company that develops, manufactures, markets, and sells generic and proprietary injectable, inhalation, and intranasal products, including products with high technical barriers to market entry. Additionally, the Company sells insulin active pharmaceutical ingredient, or API, products. Most of the Company's products are used in hospital or urgent care clinical settings and are primarily contracted and distributed through group purchasing organizations and drug wholesalers. The Company's insulin API products are sold to other pharmaceutical companies for use in their own products and are being used by the Company in the development of injectable finished pharmaceutical products. The Company's inhalation product, Primatene® Mist, is primarily distributed through drug retailers.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2019 and the notes thereto as filed with the Securities and Exchange Commission, or SEC, in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles, or GAAP, have been condensed or omitted from the accompanying condensed consolidated financial statements. The accompanying year-end condensed consolidated balance sheet was derived from the audited financial statements. The accompanying interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the Company's consolidated financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. The Company's results of operations, comprehensive income (loss) and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and are prepared in accordance with United States generally accepted accounting principles, or GAAP. All intercompany activity has been eliminated in the preparation of the condensed consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments necessary to present fairly the consolidated financial position, results of operations, and cash flows of the Company.

The Company's subsidiaries include: (1) International Medication Systems, Limited, or IMS, (2) Armstrong Pharmaceuticals, Inc., or Armstrong, (3) Amphastar Nanjing Pharmaceuticals Inc., or ANP, (4) Nanjing Letop Biological Technology Co., Ltd., or Letop, (5) Nanjing Hanxin Pharmaceutical Technology Co., Ltd., or Hanxin, (6) Nanjing Hanxin Biomedical Testing Service Co., Ltd., or Hanxin Biomedical, (7) Nanjing Baixin Trading Co. Ltd., or Baixin, (8) Amphastar France Pharmaceuticals, S.A.S., or AFP, (9) Amphastar UK Ltd., or AUK, and (10) International Medication Systems (UK) Limited, or IMS UK.

In July 2018, the Company's Chinese subsidiary, ANP, completed a private placement of its common equity interest to accredited investors for aggregate gross proceeds of approximately $57 million, a portion of which was received in 2019. The Company has retained approximately 58% of the equity interest in ANP following the private placement and continues to consolidate the financial results of ANP with the Company's results of operations. ANP's net income after July 2, 2018, was attributed to the Company in accordance with the Company's equity interest of approximately 58% in ANP.

COVID-19 Pandemic

The Company is subject to risks and uncertainties as a result of the novel coronavirus pandemic, or COVID-19. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict, as the response to the pandemic is in its initial stages and information is rapidly evolving. The Company considered the impact of COVID-19 on the assumptions and estimates used to determine the results reported and asset valuations as of June 30, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, or COVID-19, as a pandemic, which continues to spread throughout the world, including locations where the Company operates, such as the United States, China and France. The Company has been actively monitoring the COVID-19 pandemic and its impact globally. In late January 2020, China implemented extensive curfews and travel restrictions to control the outbreak, and started easing these restrictions in March. Our business operations in China experienced a temporary disruption but resumed full operation in February 2020. In March 2020, France also implemented a stay-at-home order limiting movement and restricting travel, however, the Company was deemed to be an essential business and was not impacted by the restrictions. In March 2020, the Governors of the States of California and Massachusetts declared a health emergency and issued orders to close all nonessential business; as a specialty pharmaceutical company, the Company was deemed to be an essential businesses. In June 2020, some but not all of the restrictions were lifted in China, France, and states where the Company operates, and most businesses were allowed to reopen. All of the Company's production facilities continued to operate during the quarter as they had prior to the COVID-19 pandemic with very little change, other than for enhanced safety measures intended to prevent the spread of the virus.

It is not possible at this time to estimate the complete impact that COVID-19 could have on the Company's business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted. Infections may resurge or become more widespread and the limitation on the Company's ability to travel and timely sell and distribute its products, as well as any closures or supply disruptions, may be extended for longer periods of time, all of which would have a negative impact on the Company's business, financial condition and operating results. The Company will continue to monitor the impact of COVID-19 on all aspects of its business.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The principal accounting estimates include: determination of allowances for credit losses, allowance for discounts, provision for chargebacks and rebates, provision for product returns, adjustment of inventory to their net realizable values, impairment of long-lived and intangible assets and goodwill, workers' compensation liabilities, litigation reserves, stock price volatilities for share-based compensation expense, valuation allowances for deferred tax assets, and liabilities for uncertain income tax positions.

Foreign Currency

The functional currency of the Company, its domestic subsidiaries, its Chinese subsidiary, ANP, and its U.K. subsidiary, AUK, is the USD. ANP maintains its books of record in Chinese yuan. These books are remeasured into the functional currency of USD using the current or historical exchange rates. The resulting currency remeasurement adjustments and other transactional foreign currency exchange gains and losses are reflected in the Company's condensed consolidated statements of operations.

The Company's French subsidiary, AFP, maintains its book of record in euros. ANP's Chinese subsidiaries maintain their books of record in Chinese yuan. AUK's subsidiary, IMS UK, maintains its book of record in British pounds. These local currencies have been determined to be the subsidiaries' respective functional currencies. These books of record are translated into USD using average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the

equity transactions. Translation adjustments are reflected in stockholders' equity and are included as a component of other accumulated comprehensive income (loss). The unrealized gains or losses of intercompany foreign currency transactions that are of a long-term investment nature are reported in other accumulated comprehensive income (loss). The unrealized gains or losses of intercompany foreign currency transactions that are of a long-term investment nature for the three months ended June 30, 2020, was $0.7 million gain and an immaterial loss for the six months ended June 30, 2020. For the three and six months ended June 30, 2019, the unrealized gains or losses of intercompany foreign currency transactions that are of a long-term investment nature was $0.4 million gain and $0.2 million loss, respectively.

Comprehensive Income (Loss)

For the three and six months ended June 30, 2020 and 2019, the Company included its foreign currency translation gain or loss as part of its comprehensive income (loss). There was no material income tax (benefit) expense allocated to other comprehensive income (loss) for the three and six months ended June 30, 2020 and 2019.

Advertising Expense

In connection with the launch of Primatene® Mist, in July 2019, the Company began to incur advertising expenses. Advertising expenses are recorded as incurred, except for expenses related to the development of a major commercial or media campaign, which are expensed in the period in which the commercial or campaign is first presented, and are reflected as a component of selling, distribution, and marketing in the Company's condensed consolidated statement of operations. For the three and six months ended June 30, 2020, advertising expenses were $1.4 million and $2.4 million, respectively.

Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, restricted cash and short-term investments, accounts receivable, accounts payable, accrued expenses, and short-term borrowings approximate fair value due to the short maturity of these items. The majority of the Company's long-term obligations consist of variable rate debt, and their carrying value approximates fair value as the stated borrowing rates are comparable to rates currently offered to the Company for instruments with similar maturities. The Company at times enters into fixed interest rate swap contracts to exchange the variable interest rates for fixed interest rates without the exchange of the underlying notional debt amounts. Such interest rate swap contracts are recorded at their fair values.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and highly liquid investments purchased with original maturities of three months or less.

Short-Term Investments

Short-term investments as of June 30, 2020 and December 31, 2019 consisted of certificates of deposit and investment grade corporate bonds with original expiration dates within 12 months.

Restricted Cash

Restricted cash is collateral required for the Company to guarantee certain vendor payments in France. As of June 30, 2020 and December 31, 2019, the restricted cash balance was $1.9 million.

Restricted Short-Term Investments

Restricted short-term investments consist of certificates of deposit that are collateral for standby letter of credit to qualify for workers' compensation self-insurance. The certificates of deposit have original maturities greater than three months.

As of June 30, 2020 and December 31, 2019, the balance of restricted short-term investments was $2.2 million and $2.3 million, respectively.

Deferred Income Taxes

The Company utilizes the liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates. A valuation allowance is recorded when it is more likely than not that the deferred tax assets will not be realized.

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, No. 2019-12 *Simplifying the Accounting for Income Taxes (Topic 740)*, which simplifies various aspects related to accounting for income taxes. The amendment also improves consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The guidance is effective for the Company's interim and annual reporting periods during the year ended December 31, 2021, with early adoption permitted, including in any interim period. The Company is currently evaluating the impact that the adoption of this guidance will have on its condensed consolidated financial statements and related disclosures.

In April 2020, the FASB issued ASU No. 2020-04 *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The Company is currently evaluating the impact that the adoption of this guidance will have on its condensed consolidated financial statements and related disclosures.

Note 3. Revenue Recognition

In accordance with Accounting Standard Codification, or ASC, 606 *Revenue from Contacts with Customers*, revenue is recognized at the time that the Company's customers obtain control of the promised goods.

Generally, revenue is recognized at the time of product delivery to the Company's customers. In some cases, revenue is recognized at the time of shipment when stipulated by the terms of the sale agreements.

The consideration the Company receives in exchange for its goods or services is only recognized when it is probable that a significant reversal will not occur. The consideration to which the Company expects to be entitled includes a stated list price, less various forms of variable consideration. The Company makes significant estimates for related variable consideration at the point of sale, including chargebacks, rebates, product returns, other discounts and allowances.

Provisions for estimated chargebacks, rebates, discounts, product returns and credit losses are made at the time of sale and are analyzed and adjusted, if necessary, at each balance sheet date.

Revenues derived from contract manufacturing services are recognized when third-party products are shipped to customers, and after the customer has accepted test samples of the products to be shipped.

The Company's accounting policy is to review each agreement involving contract development and manufacturing services to determine if there are multiple revenue-generating activities that constitute more than one unit of accounting. Revenues are recognized for each unit of accounting based on revenue recognition criteria relevant to that unit. The Company does not have any revenue arrangements with multiple performance obligations.

Provision for Chargebacks and Rebates

The provision for chargebacks and rebates is a significant estimate used in the recognition of revenue. Wholesaler chargebacks relate to sales terms under which the Company agrees to reimburse wholesalers for differences between the gross sales prices at which the Company sells its products to wholesalers and the actual prices of such products that wholesalers resell under the Company's various contractual arrangements with third parties such as hospitals and group purchasing organizations in the United States. Rebates include primarily amounts paid to retailers, payers, and providers in the United States, including those paid to state Medicaid programs, and are based on contractual arrangements or statutory requirements. The Company estimates chargebacks and rebates using the expected value method at the time of sale to wholesalers based on wholesaler inventory stocking levels, historic chargeback and rebate rates, and current contract pricing.

The provision for chargebacks and rebates is reflected as a component of net revenues. The following table is an analysis of the chargeback and rebate provision:

	Six Months Ended June 30,	
	2020	2019
	(in thousands)	
Beginning balance	$ 21,644	$ 22,423
Provision for chargebacks and rebates	69,424	58,001
Credits and payments issued to third parties	(72,625)	(61,704)
Ending balance	$ 18,443	$ 18,720

Changes in the chargeback provision from period to period are primarily dependent on the Company's sales to its wholesalers, the level of inventory held by wholesalers, and the wholesalers' customer mix. Changes in the rebate provision from period to period are primarily dependent on retailer's and other indirect customers' purchases. The approach that the Company uses to estimate chargebacks has been consistently applied for all periods presented. Variations in estimates have been historically small. The Company continually monitors the provision for chargebacks and rebates and makes adjustments when it believes that the actual chargebacks and rebates may differ from the estimates. The settlement of chargebacks and rebates generally occurs within 30 days to 60 days after the sale to wholesalers. Accounts receivable and/or accounts payable and accrued liabilities are reduced and/or increased by the chargebacks and rebate amounts depending on whether the Company has the right to offset with the customer. Of the provision for chargebacks and rebates as of June 30, 2020 and December 31, 2019, $14.1 million and $15.4 million were included in accounts receivable, net, on the condensed consolidated balance sheets, respectively. The remaining provision as of June 30, 2020 and December 31, 2019 of $4.3 million and $6.2 million, respectively, were included in accounts payable and accrued liabilities.

Accrual for Product Returns

The Company offers most customers the right to return qualified excess or expired inventory for partial credit; however, API product sales are generally non-returnable. The Company's product returns primarily consist of the returns of expired products from sales made in prior periods. Returned products cannot be resold. At the time product revenue is recognized, the Company records an accrual for product returns estimated using the expected value method. The accrual is based, in part, upon the historical relationship of product returns to sales and customer contract terms. The Company also assesses other factors that could affect product returns including market conditions, product obsolescence, and the introduction of new competition. Although these factors do not normally give the Company's customers the right to return products outside of the regular return policy, the Company realizes that such factors could ultimately lead to increased returns. The Company analyzes these situations on a case-by-case basis and makes adjustments to the product return reserve as appropriate.

The provision for product returns is reflected as a component of net revenues. The following table is an analysis of the product return liability:

	Six Months Ended June 30,	
	2020	2019
	(in thousands)	
Beginning balance	$ 10,339	$ 8,030
Provision for product returns	6,208	3,654
Credits issued to third parties	(3,989)	(2,243)
Ending balance	$ 12,558	$ 9,441

Of the provision of product returns as of June 30, 2020 and December 31, 2019, $8.3 million and $7.1 million, respectively, were included in accounts payable and accrued liabilities on the condensed consolidated balance sheets. The remaining provision as of June 30, 2020 and December 31, 2019, of $4.3 million and $3.2 million, respectively, were included in other long-term liabilities. For the six months ended June 30, 2020 and 2019, the Company's aggregate product return rate was 1.3% and 1.5% of qualified sales, respectively.

Note 4. (Loss) Income per Share Attributable to Amphastar Pharmaceuticals, Inc. Shareholders

Basic net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders is calculated based upon the weighted-average number of shares outstanding during the period. Diluted net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders gives effect to all potential dilutive shares outstanding during the period, such as stock options, non-vested restricted stock units and shares issuable under the Company's Employee Stock Purchase Plan, or ESPP and the reallocation of net income attributable to non-controlling interest from the assumed dilutive effect of stock options issued under the 2018 ANP Equity Incentive Plan, or the 2018 Plan.

As the Company reported a net loss for the three months ended June 30, 2020, the diluted net loss per share attributable to Amphastar Pharmaceuticals, Inc. shareholders, as reported, equals the basic net loss per share attributable to Amphastar Pharmaceuticals, Inc. shareholders since the effect of the assumed exercise of stock options, vesting of non-vested RSUs, and issuance of common shares under the Company's ESPP are anti-dilutive. Total stock options, non-vested RSUs, and shares issuable under the Company's ESPP excluded from the three months ended June 30, 2020 net loss per share were 8,887,036 stock options, 1,176,479 non-vested RSUs, and 60,386 shares issuable under the ESPP.

For the six months ended June 30, 2020, options to purchase 1,928,773 shares of stock, with a weighted-average exercise price of $20.84 per share, and the reallocation of net income attributable to non-controlling interest were excluded in the computation of diluted net income per common share attributable to Amphastar Pharmaceuticals, Inc.'s shareholders because the effect would be anti-dilutive.

For the three and six months ended June 30, 2019, options to purchase 783,001 and 762,937 shares of stock, respectively, with a weighted-average exercise price of $21.98 per share and $22.00 per share, respectively, and the reallocation of net income attributable to non-controlling interest were excluded in the computation of diluted net income per common share attributable to Amphastar Pharmaceuticals, Inc.'s shareholders because the effect would be anti-dilutive.

The following table provides the calculation of basic and diluted net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders for each of the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Basic and dilutive numerator:				
Net (loss) income attributable to Amphastar Pharmaceuticals, Inc.	$ (192)	$ 47,787	$ 3,757	$ 48,655
Denominator:				
Weighted-average shares outstanding — basic	46,753	47,107	46,581	46,925
Net effect of dilutive securities:				
Incremental shares from equity awards	—	2,787	1,877	3,230
Weighted-average shares outstanding — diluted	46,753	49,894	48,458	50,155
Net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders — basic	$ (0.00)	$ 1.01	$ 0.08	$ 1.04
Net (loss) income per share attributable to Amphastar Pharmaceuticals, Inc. shareholders — diluted	$ (0.00)	$ 0.96	$ 0.08	$ 0.97

Note 5. Segment Reporting

The Company's business is the development, manufacture, and marketing of pharmaceutical products. The Company has identified two reporting segments that each report to the Chief Operating Decision Maker, or CODM, as defined in ASC 280, Segment Reporting. The Company's performance is assessed and resources are allocated by the CODM based on the following two reportable segments:

- Finished pharmaceutical products
- API

The finished pharmaceutical products segment manufactures, markets and distributes Primatene® Mist, enoxaparin, naloxone, phytonadione, lidocaine, epinephrine, as well as various other critical and non-critical care drugs. The API segment manufactures and distributes recombinant human insulin API and porcine insulin API for external customers and internal product development.

Selected financial information by reporting segment is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Net revenues:				
Finished pharmaceutical products	$ 80,935	$ 73,735	$ 162,233	$ 148,274
API	4,871	5,312	8,261	10,563
Total net revenues	85,806	79,047	170,494	158,837
Gross profit:				
Finished pharmaceutical products	35,437	34,540	74,247	66,852
API	(2,260)	(2,153)	(4,247)	(3,562)
Total gross profit	33,177	32,387	70,000	63,290
Operating expenses	36,099	31,414	65,442	65,489
(Loss) income from operations	(2,922)	973	4,558	(2,199)
Non-operating expense	1,418	60,120	(257)	59,659
(Loss) income before income taxes	$ (1,504)	$ 61,093	$ 4,301	$ 57,460

The Company manages its business segments to the gross profit level and manages its operating and other costs on a company-wide basis. 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.

The amount of net revenues in the finished pharmaceutical product segment is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Finished pharmaceutical products net revenues:				
Primatene® Mist	$ 12,468	$ 2,512	$ 25,345	$ 5,409
Phytonadione	10,689	12,441	21,718	22,561
Enoxaparin	10,218	9,838	19,386	24,322
Lidocaine	7,608	10,082	18,265	22,061
Naloxone	8,723	7,833	17,598	15,197
Epinephrine	6,957	3,139	10,947	5,818
Other finished pharmaceutical products	24,272	27,890	48,974	52,906
Total finished pharmaceutical products net revenues	$ 80,935	$ 73,735	$ 162,233	$ 148,274

The amount of depreciation and amortization expense included in cost of revenue, by reporting segments, is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Depreciation and amortization expense				
Finished pharmaceutical products	$ 1,453	$ 1,371	$ 2,917	$ 2,721
API	575	290	1,157	575
Total depreciation and amortization expense	$ 2,028	$ 1,661	$ 4,074	$ 3,296

Net revenues and carrying values of long-lived assets of enterprises by geographic regions are as follows:

	Net Revenue				Long-Lived Assets	
	Three Months Ended June 30,		Six Months Ended June 30,		June 30,	December 31,
	2020	2019	2020	2019	2020	2019
	(in thousands)					
United States	$ 81,898	$ 74,781	$ 162,963	$ 151,238	$ 106,301	$ 108,399
China	295	984	523	984	81,951	79,846
France	3,613	3,282	7,008	6,615	49,984	45,611
Total	$ 85,806	$ 79,047	$ 170,494	$ 158,837	$ 238,236	$ 233,856

Note 6. Customer and Supplier Concentration

Customer Concentrations

Three large wholesale drug distributors, AmerisourceBergen Corporation, or AmerisourceBergen, Cardinal Health, Inc., or Cardinal, and McKesson Corporation, or McKesson, are all distributors of the Company's products as well as suppliers of a broad range of health care products. The Company considers these three customers to be its major customers, as each individually, and these customers collectively, represented a significant percentage of the Company's net revenue for the three and six months ended June 30, 2020 and 2019, and accounts receivable as of June 30, 2020 and December 31, 2019, respectively. The following table provides accounts receivable and net revenue information for these major customers:

	% of Total Accounts Receivable		% of Net Revenue			
			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2020	December 31, 2019	2020	2019	2020	2019
AmerisourceBergen	9 %	13 %	23 %	25 %	23 %	23 %
McKesson	22 %	34 %	23 %	25 %	23 %	27 %
Cardinal Health	22 %	17 %	19 %	21 %	19 %	23 %

Supplier Concentrations

The Company depends on suppliers for raw materials, APIs, and other components that are subject to stringent FDA requirements. Some of these materials may only be available from one or a limited number of sources. Establishing additional or replacement suppliers for these materials may take a substantial period of time, as suppliers must be approved by the FDA. Furthermore, a significant portion of raw materials may only be available from foreign sources. If the Company is unable to secure, on a timely basis, sufficient quantities of the materials it depends on to manufacture and

market its products, it could have a materially adverse effect on the Company's business, financial condition, and results of operations.

Note 7. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (an exit price). These standards also establish a hierarchy that prioritizes observable and unobservable inputs used in measuring fair value of an asset or liability, as described below:

- *Level 1* – Inputs to measure fair value are based on quoted prices (unadjusted) in active markets on identical assets or liabilities;

- *Level 2* – Inputs to measure fair value are based on the following: a) quoted prices in active markets on similar assets or liabilities, b) quoted prices for identical or similar instruments in inactive markets, or c) observable (other than quoted prices) or collaborated observable market data used in a pricing model from which the fair value is derived; and

- *Level 3* – Inputs to measure fair value are unobservable and the assets or liabilities have little, if any, market activity; these inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities based on best information available in the circumstances.

As of June 30, 2020, cash equivalents include money market accounts. Short-term investments consist of certificates of deposit as well as investment-grade corporate bonds with original expiration dates within 12 months. The certificates of deposit are carried at amortized cost in the Company's condensed consolidated balance sheet, which approximates their fair value determined based on Level 2 inputs. The corporate bonds are classified as held-to-maturity and are carried at amortized cost net of an allowance for credit losses, which approximates their fair value determined based on Level 2 inputs. The restrictions on restricted cash and short-term investments have a negligible effect on the fair value of these financial assets.

The fair value of the Company's financial assets and liabilities measured on a recurring basis as of June 30, 2020 and December 31, 2019, are as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
		(in thousands)		
Cash equivalents - money market	$ 62,525	$ 62,525	$ —	$ —
Restricted cash - money market	1,865	1,865	—	—
Short-term investments - certificates of deposit	9,079	—	9,079	—
Restricted short-term investments - certificates of deposit	2,200	—	2,200	—
Corporate bonds	2,010	—	2,010	—
Fair value measurement as of June 30, 2020	$ 77,679	$ 64,390	$ 13,289	$ —
Cash equivalents - money market	$ 29,521	$ 29,521	$ —	$ —
Restricted cash - money market	1,865	1,865	—	—
Short-term investments - certificates of deposit	8,867	—	8,867	—
Restricted short-term investments - certificates of deposit	2,290	—	2,290	—
Corporate bonds	2,789	—	2,789	—
Fair value measurement as of December 31, 2019	$ 45,332	$ 31,386	$ 13,946	$ —

The Company does not hold any Level 3 instruments that are measured at fair value on a recurring basis.

Nonfinancial assets and liabilities are not measured at fair value on a recurring basis but are subject to fair value adjustments in certain circumstances. These items primarily include long-lived assets, goodwill, and intangible assets for which the fair value of assets is determined as part of the related impairment test. As of June 30, 2020 and December 31, 2019, there were no adjustments to fair value for nonfinancial assets or liabilities.

Note 8. Investments

A summary of the Company's investments that are classified as held-to-maturity is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
Corporate bonds	$ 2,005	$ 5	$ —	$ 2,010
Total investments as of June 30, 2020	$ 2,005	$ 5	$ —	$ 2,010
Corporate bonds	$ 2,790	$ —	$ (1)	$ 2,789
Total investments as of December 31, 2019	$ 2,790	$ —	$ (1)	$ 2,789

The Company believes that the unrealized gains and losses disclosed above were primarily driven by interest rate change rather than by unfavorable changes in the credit ratings associated with these securities and as a result, the Company continues to expect to collect the principal and interest due on its debt securities that have an amortized cost in excess of fair value. At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, noting neither a significant deterioration since purchase nor any other factors that would indicate a material credit loss.

The Company measures expected credit losses on held-to-maturity investments on a collective basis. All the Company's held-to-maturity investments were considered to be one pool. The estimate for credit losses considers historical loss information that is adjusted for current conditions and reasonable and supportable forecasts. Expected credit losses on held-to-maturity investments were not material to the condensed consolidated financial statements.

Note 9. Goodwill and Intangible Assets

The table below shows the weighted-average life, original cost, accumulated amortization, and net book value by major intangible asset classification:

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
IMS (UK) international product rights	10	$ 8,625	$ 3,378	$ 5,247
Patents	12	486	276	210
Land-use rights	39	2,540	584	1,956
Subtotal	12	11,651	4,238	7,413
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,633	—	3,633
Subtotal	*	32,858	—	32,858
As of June 30, 2020	*	$ 44,509	$ 4,238	$ 40,271

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
IMS (UK) international product rights	10	$ 9,226	$ 3,152	$ 6,074
Patents	12	486	255	231
Land-use rights	39	2,540	551	1,989
Other intangible assets	4	69	69	—
Subtotal	12	12,321	4,027	8,294
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,634	—	3,634
Subtotal	*	32,859	—	32,859
As of December 31, 2019	*	$ 45,180	$ 4,027	$ 41,153

* Intangible assets with indefinite lives have an indeterminable average life.

Goodwill

The changes in the carrying amounts of goodwill were as follows:

	June 30, 2020	December 31, 2019
	(in thousands)	
Beginning balance	$ 3,634	$ 3,951
Currency translation	(1)	(317)
Ending balance	$ 3,633	$ 3,634

Primatene® Trademark

In January 2009, the Company acquired the exclusive rights to the trademark, domain name, website and domestic marketing, distribution and selling rights related to Primatene® Mist, an over-the-counter bronchodilator product, recorded at the allocated fair value of $29.2 million, which is its carrying value as of June 30, 2020.

The trademark was determined to have an indefinite life. In determining its indefinite life, the Company considered the following: the expected use of the intangible; the longevity of the brand; the legal, regulatory and contractual provisions that affect their maximum useful life; the Company's ability to renew or extend the asset's legal or contractual life without substantial costs; effects of the regulatory environment; expected changes in distribution channels; maintenance expenditures required to obtain the expected future cash flows from the asset; and considerations for obsolescence, demand, competition and other economic factors.

Note 10. Inventories

Inventories consist of the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Raw materials and supplies	$ 50,657	$ 59,233
Work in process	39,169	35,548
Finished goods	14,900	15,720
Total inventories	$ 104,726	$ 110,501

Charges totaling $8.1 million and $10.2 million were included in the cost of revenues in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2020, respectively, to adjust the Company's inventory and related firm inventory purchase commitments to their net realizable value. For the three and six months ended June 30, 2019, charges totaling $2.5 million and $5.7 million were included in the cost of revenues, respectively, to adjust the Company's inventory and related firm inventory purchase commitments to their net realizable value.

Note 11. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Buildings	$ 119,648	$ 117,928
Leasehold improvements	29,510	29,531
Land	7,604	7,603
Machinery and equipment	174,308	164,802
Furniture, fixtures, and automobiles	24,787	22,043
Construction in progress	55,832	56,354
Total property, plant, and equipment	411,689	398,261
Less accumulated depreciation	(173,453)	(164,405)
Total property, plant, and equipment, net	$ 238,236	$ 233,856

Note 12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Accrued customer fees and rebates	$ 9,049	$ 9,633
Accrued payroll and related benefits	23,134	21,872
Accrued product returns, current portion	8,326	7,126
Accrued loss on firm purchase commitments	5,520	3,352
Other accrued liabilities	7,648	10,007
Total accrued liabilities	53,677	51,990
Accounts payable	21,708	25,061
Total accounts payable and accrued liabilities	$ 75,385	$ 77,051

Note 13. Debt

Debt consists of the following:

	June 30, 2020	December 31, 2019
	(in thousands)	
Loans with East West Bank		
Line of credit facility due December 2020	$ —	$ —
Mortgage payable due February 2021	3,354	3,401
Equipment loan due June 2021	1,224	1,837
Equipment loan due December 2022	5,000	6,000
Equipment loan due February 2024	6,084	3,570
Mortgage payable due October 2026	3,367	3,400
Mortgage payable due June 2027	8,586	8,659
Loans with Cathay Bank		
Line of credit facility due May 2022	—	—
Acquisition loan due June 2024	9,833	10,928
Mortgage payable due August 2027	7,361	7,452
Loans with Seine-Normandie Water Agency		
French government loan due June 2020	—	28
French government loan due July 2021	118	114
French government loans due December 2026	380	374
Loan with China Everbright Bank		
Line of credit facility due June 2021	707	—
Payment Obligation to Merck	—	561
Equipment under Finance Leases	683	811
Total debt	46,697	47,135
Less current portion of long-term debt	12,075	7,741
Long-term debt, net of current portion	$ 34,622	$ 39,394

As of June 30, 2020, the fair value of the loans listed above approximated their carrying amount. The interest rate used in the fair value estimation was determined to be a Level 2 input. For certain loans with East West Bank, the Company has entered into fixed interest rate swap contracts to exchange the variable interest rates for fixed interest rates over the life of certain debt instruments without the exchange of the underlying notional debt amount. The interest rate swap contracts do not qualify for hedge accounting and are recorded at fair value based on Level 2 inputs. These swap contracts were all in a liability position with an aggregate fair value of $1.2 million and $0.4 million as of June 30, 2020 and December 31, 2019, respectively. The change in fair value is recorded in other income (expense) in the Company’s condensed consolidated statement of operations.

Loans with Cathay Bank

Line of Credit Facility—Due May 2022

In June 2020, the Company amended the $20.0 million revolving line of credit facility. The amendment was effective in June 2020. Under the amended line of credit facility, the maturity date was extended to May 2022, and bears a variable interest rate at the prime rate as published by *The Wall Street Journal*, with a minimum interest rate of 3.75%. As of June 30, 2020, the Company did not have any amounts outstanding under this facility.

Loan with China Everbright Bank

Line of Credit Facility – Due June 2021

In June 2020, the Company entered into a line of credit facility for $0.7 million. The loan bears interest at a fixed rate of 4.05%. Interest payments are due quarterly and repayment of the principle amount is due in June 2021. As of June 30, 2020, the Company had $0.7 million outstanding under this loan.

Credit Agreement with China Merchant Bank

In March 2020, the Company entered into a credit agreement with China Merchant Bank. The credit agreement allows the Company to borrow up to $14.0 million secured by buildings and land use rights held by ANP. The interest rate and other terms will be determined at the time of the borrowing, depending on the type of loan requested. The credit period is for 36 months and expires in March 2023. No amounts have been borrowed under this credit agreement as of June 30, 2020.

Covenants

At June 30, 2020 and December 31, 2019, the Company was in compliance with its debt covenants.

Note 14. Income Taxes

The following table sets forth the Company's income tax (benefit) provision for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
(Loss) income before taxes	$ (1,504)	$ 61,093	$ 4,301	$ 57,460
Income tax (benefit) provision	(75)	14,173	2,205	12,694
Net (loss) income	$ (1,429)	$ 46,920	$ 2,096	$ 44,766
Income tax (benefit) provision as a percentage of (loss) income before income taxes	5.0 %	23.2 %	51.3 %	22.1 %

The change in the Company's effective tax rate for the three and six months ended June 30, 2020, was primarily due to differences in pre-tax (loss) income positions, nondeductible executive severance compensation, and timing of discrete tax items.

CARES Act

The Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, became law on March 27, 2020. It provides additional economic stimulus to address the impact of the COVID-19 pandemic. The Company does not expect there to be any significant benefit to its income tax provision as a result of the CARES Act, and will continue to closely

monitor the impact of the COVID-19 pandemic, as well as any effects that may result from the CARES Act or future legislation.

Valuation Allowance

In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Ultimately, the realization of deferred tax assets depends on the existence of future taxable income. Management considers sources of taxable income such as income in prior carryback periods, future reversal of existing deferred taxable temporary differences, tax-planning strategies, and projected future taxable income.

The Company continues to record a full valuation allowance on AFP's income tax benefits and will continue to do so until AFP generates sufficient taxable income to realize its deferred income tax assets

For purposes of computing its annual effective tax rate, the Company did not benefit from its losses in the states where it files separately. This increased the Company's income tax benefit by an immaterial amount during the three months ended June 30, 2020 and increased its income tax provision $0.2 million for the six months ended June 30, 2020.

Note 15. Stockholders' Equity

Share Buyback Program

Pursuant to the Company's existing share buyback program, the Company purchased 329,391 and 976,106 shares of its common stock during the three and six months ended June 30, 2020, for total consideration of $5.8 million and $16.7 million, respectively. The Company purchased 50,980 and 196,459 shares of its common stock during the three and six months ended June 30, 2019, for total consideration of $1.1 million and $4.1 million, respectively.

In August 2020, the Company's Board of Directors authorized an increase of $20.0 million to the Company's share buyback program, which is expected to continue for an indefinite period of time. The primary goal of the program is to offset dilution created by the Company's equity compensation programs.

Purchases are made through open market and private block transactions pursuant to Rule 10b5-1 plans, privately negotiated transactions or other means as determined by the Company's management and in accordance with the requirements of the SEC and applicable laws. The timing and actual number of treasury share purchases will depend on a variety of factors including price, corporate and regulatory requirements, and other conditions. These treasury share purchases are accounted for under the cost method and are included as a component of treasury stock in the Company's condensed consolidated balance sheets.

2015 Equity Incentive Plan

As of June 30, 2020, the Company reserved an aggregate of 6,353,582 shares of common stock for future issuance under the 2015 Equity Incentive Plan, or the 2015 Plan, including 1,164,425 shares that were reserved in January 2020 pursuant to the evergreen provision in the 2015 Plan.

2014 Employee Stock Purchase Plan

As of June 30, 2020, the Company has issued 738,780 shares of common stock under the ESPP, and 1,261,220 shares of its common stock remains available for issuance under the ESPP.

During the three months ended June 30, 2020, the Company issued 79,245 shares at a weighted-average purchase price of $15.84 per share under the ESPP. For the three and six months ended June 30, 2020, the Company recorded ESPP, expense of $0.3 million and $0.4 million, respectively. For the three and six months ended June 30, 2019, the Company

recorded ESPP expense of $0.2 million and $0.3 million, respectively.

Share-Based Award Activity and Balances (excluding the ANP Equity Plan)

The Company accounts for share-based compensation payments in accordance with ASC 718, which requires measurement and recognition of compensation expense at fair value for all share-based payment awards made to employees and directors. Under these standards, the fair value of option awards and the option components of the Employee Stock Purchase Plan awards are estimated at the grant date using the Black-Scholes option-pricing model. The fair value of RSUs is estimated at the grant date using the Company's common share price. The portion that is ultimately expected to vest is amortized and recognized in compensation expense on a straight-line basis over the requisite service period, generally from the grant date to the vesting date.

The weighted-averages for key assumptions used in determining the fair value of options granted during the three and six months ended June 30, 2020 and 2019, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Average volatility	44.0 %	43.4 %	43.1 %	42.5 %
Risk-free interest rate	0.5 %	2.0 %	0.8 %	2.4 %
Weighted-average expected life in years	4.9	5.0	5.7	5.7
Dividend yield rate	— %	— %	— %	— %

A summary of option activity for the six months ended June 30, 2020, is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[1] (in thousands)
Outstanding as of December 31, 2019	9,763,485	$ 15.26		
Options granted	1,789,254	13.52		
Options exercised	(1,473,323)	14.22		
Options cancelled	(84,203)	16.53		
Options expired	(1,108,177)	16.45		
Outstanding as of June 30, 2020	8,887,036	$ 14.92	5.65	$ 66,980
Exercisable as of June 30, 2020	6,029,545	$ 14.31	4.41	$ 49,123

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the estimated fair value of the Company's common stock for those awards that have an exercise price below the estimated fair value at June 30, 2020.

For the three and six months ended June 30, 2020, the Company recorded an expense of $2.6 million and $5.2 million, respectively, related to stock options granted. For the three and six months ended June 30, 2019, the Company recorded an expense of $1.8 million and $4.2 million, respectively, related to stock options granted under all plans.

In April 2020, Jason Shandell resigned from his position as the Company's President and General Counsel and as a member of the Company's board of directors. In connection with his resignation, the Company and Mr. Shandell entered into a separation agreement. As part of the separation agreement, the Company agreed to accelerate 80% of his unvested stock options and extended the expiration date of certain vested stock option awards. As a result of this modification, the Company incurred an expense of $0.7 million, which is included as part of share-based compensation expense within general and administration expenses in the condensed consolidated statement of operations during the three and six months ended June 30, 2020.

Information relating to option grants and exercises is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands, except per share data)			
Weighted-average grant date fair value per option share	$ 7.15	$ 8.17	$ 5.48	$ 8.46
Intrinsic value of options exercised	6,486	452	6,974	5,822
Cash received from options exercised	19,088	1,108	20,339	5,047
Total fair value of the options vested during the year	2,411	388	9,844	7,502

A summary of the status of the Company's non-vested options as of June 30, 2020, and changes during the six months ended June 30, 2020, is presented below:

	Options	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2019	2,747,133	$ 6.99
Options granted	1,789,254	5.48
Options vested	(1,594,693)	6.17
Options forfeited	(84,203)	7.13
Non-vested as of June 30, 2020	2,857,491	6.50

As of June 30, 2020, there was $14.6 million of total unrecognized compensation cost, net of forfeitures, related to non-vested stock option based compensation arrangements granted. The cost is expected to be recognized over a weighted-average period of 2.5 years and will be adjusted for future changes in estimated forfeitures.

Restricted Stock Units

The Company grants restricted stock units, or RSUs, to certain employees and members of the Board of Directors with a vesting period of up to five years. The grantee receives one share of common stock at a specified future date for each RSU awarded. The RSUs may not be sold or otherwise transferred until certificates of common stock have been issued, recorded, and delivered to the participant. The RSUs do not have any voting or dividend rights prior to the issuance of certificates of the underlying common stock. The share-based expense associated with these grants was based on the Company's common stock fair value at the time of grant and is amortized over the requisite service period, which generally is the vesting period using the straight-line method. During the three and six months ended June 30, 2020, the Company recorded a total expense of $3.6 million and $6.0 million, respectively, related to RSU awards granted. During the three and six months ended June 30, 2019, the Company recorded expenses of $2.0 million and $4.1 million, respectively, related to RSU awards granted.

As part of the separation agreement with Mr. Shandell, the Company agreed to accelerate the vesting of 80% of his RSU awards. As a result of this modification, the Company incurred an expense of $1.6 million, which is included as part of share-based compensation within general and administrative expenses in the condensed consolidated statement of operations during the three and six months ended June 30, 2020.

As of June 30, 2020, there was $15.9 million of total unrecognized compensation cost, net of forfeitures, related to non-vested RSU-based compensation arrangements granted. The cost is expected to be recognized over a weighted-average period of 2.5 years and will be adjusted for future changes in estimated forfeitures.

Information relating to RSU grants and deliveries is as follows:

	Total RSUs Issued	Total Fair Market Value of RSUs Issued as Compensation[1] (in thousands)
RSUs outstanding at December 31, 2019	1,099,496	
RSUs granted	727,746	$ 9,811
RSUs forfeited	(35,792)	
RSUs vested[2]	(614,971)	
RSUs outstanding at June 30, 2020	1,176,479	

(1) The total fair market value is derived from the number of RSUs granted times the stock price on the date of grant.
(2) Of the vested RSUs, 235,053 shares of common stock were surrendered to fulfill tax withholding obligations.

The 2018 ANP Equity Incentive Plan

In December 2018, ANP's board of directors approved the 2018 Plan, which is set to expire in December 2023. The 2018 Plan permits the grant of stock options and other equity awards in ANP shares to ANP employees. As of June 30, 2020, ANP has issued 2,433,445 stock options and issued 3,648,932 stock options in 2019, to its employees under the 2018 Plan. As of June 30, 2020, the number of stock options outstanding was 5,918,777. The options vest over a period of approximately four years and have up to a 10 year contractual term. For the three and six months ended June 30, 2020, the Company recorded expense of $0.2 million and $0.3 million related to stock options issued by ANP under the 2018 Plan, respectively. For the three and six months ended June 30, 2019, the Company recorded an immaterial amount of expense related to stock options issued by ANP under the 2018 Plan.

The Company recorded the aggregated share-based compensation expense in the consolidated statement of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in thousands)			
Cost of revenues	$ 970	$ 959	$ 2,329	$ 2,238
Operating expenses:				
Selling, distribution, and marketing	123	95	230	189
General and administrative	5,052	2,648	8,271	5,439
Research and development	368	330	965	840
Total share-based compensation	$ 6,513	$ 4,032	$ 11,795	$ 8,706

Note 16. Employee Benefits

401(k) Plan

The Company has a defined contribution 401(k) plan, or the Plan, whereby eligible employees voluntarily contribute up to a defined percentage of their annual compensation. The Company matches contributions at a rate of 50% on the first 6% of employee contributions, and pays the administrative costs of the Plan. Total employer contributions for the three and six months ended June 30, 2020 were approximately $0.5 million and $1.0 million, respectively, compared to the prior year expense of $0.4 million and $0.7 million for the three and six months ended June 30, 2019, respectively.

Defined Benefit Pension Plan

The Company's subsidiary, AFP, has an obligation associated with a defined-benefit plan for its eligible employees. This plan provides benefits to the employees from the date of retirement and is based on the employee's length of time employed by the Company. The calculation is based on a statistical calculation combining a number of factors that include the employee's age, length of service, and AFP employee turnover rate.

The liability under the plan is based on a discount rate of 0.9% as of June 30, 2020 and December 31, 2019, respectively. The liability is included in accrued liabilities in the accompanying condensed consolidated balance sheets. The plan is currently unfunded, and the benefit obligation under the plan was $2.5 million and $2.4 million at June 30, 2020 and December 31, 2019, respectively. The Company recorded an immaterial amount of expense under the plan for the three and six months ended June 30, 2020 and 2019.

Deferred Compensation Plan

In December 2019, the Company established a non-qualified deferred compensation plan. The deferred compensation plan allows certain eligible participants to defer a portion of their cash compensation and provides a matching contribution at the discretion of the Company. The plan's obligations are payable upon retirement, termination of employment and/or certain other times in a lump-sum distribution or in installments, as elected by the participant in accordance with the plan. Participants can allocate their deferred compensation amongst various investment options with earnings accruing to the participant. The Company has established a Rabbi Trust to fund the plan obligations and to hold the plan assets. Eligible participants began contributing to the plan in January 2020. As of June 30, 2020, the plan assets and liabilities were valued at approximately $0.5 million.

Note 17. Commitments and Contingencies

Purchase Commitments

As of June 30, 2020, the Company has entered into commitments to purchase equipment and raw materials for an aggregate amount of approximately $50.0 million. The Company anticipates that most of these commitments with remaining terms in excess of one year will be fulfilled by the end of 2021.

In accordance with certain agreements between ANP and the Chinese government, in January 2010 and November 2012, the Company acquired certain land-use rights for $1.2 million and $1.3 million, respectively. As required by these agreements, the Company committed to spend approximately $15.0 million in the related land development, which primarily includes the construction of fixed assets according to a specific timetable. As of June 30, 2020, the Company has spent $14.9 million on such construction. The Company anticipates that this spending commitment will be met by the end of 2020.

Note 18. Litigation

Momenta/Sandoz Enoxaparin Patent and Antitrust Litigation

In September 2011, Momenta Pharmaceuticals, Inc., or Momenta, a Boston based pharmaceutical company, and Sandoz Inc., or Sandoz, the generic division of Novartis, initiated litigation against the Company for alleged patent infringement of two patents related to testing methods for batch release of enoxaparin, which the Company refers to as the "'886 patent" and the "'466 patent." The lawsuit was filed in the United States District Court for the District of Massachusetts, or the Massachusetts District Court.

On September 17, 2015, the Company initiated an antitrust lawsuit by filing a complaint in the California District Court against Momenta and Sandoz, or the Defendants. The Company's complaint generally asserted that Defendants had

engaged in certain types of illegal, monopolistic, and anticompetitive conduct giving rise to various causes of action against them. This lawsuit was subsequently transferred to the Massachusetts District Court.

On May 20, 2019, the Company and the Plaintiffs entered into a Settlement Agreement to fully settle the patent litigation and antitrust litigation. The Settlement Agreement was contingent upon the District Court's granting a Joint Motion to Vacate the Patent Judgment and thereafter, the Plaintiffs' payment of $59.9 million to the Company. On June 18, 2019, the parties filed a Joint Motion to Vacate the Patent Judgment with the District Court, and on the same day, the District Court granted such motion. Accordingly, on June 19, 2019, the parties filed Joint Stipulations with the District Court to dismiss the patent litigation and the antitrust litigation, each of which is self-executing and effective upon filing pursuant to the Federal Rules of Civil Procedure 41(a)(1)(A)(ii). Furthermore, on June 26, 2019, the Federal Circuit issued an Order and a Mandate dismissing the appeal of the patent litigation. On June 27, 2019, pursuant to the Settlement Agreement, the Plaintiffs paid the Company $59.9 million. The Company is not entitled to future rights or royalties related to this settlement.

False Claims Act Litigation

In January 2009, the Company filed a qui tam complaint in the U.S. District Court for the Central District of California, or the California District Court, alleging that Aventis Pharma S.A., or Aventis, through its acquisition of a patent through false and misleading statements to the U.S. Patent and Trademark Office, as well as through false and misleading statements to the FDA, overcharged the federal and state governments for its Lovenox® product.

On May 11, 2017, the Company's lawsuit against Aventis was dismissed for lack of jurisdiction. On July 14, 2017, Aventis filed an application with the District Court for entitlement to attorneys' fees and expenses. On November 20, 2017, the District Court issued its order granting Aventis' application for fees, stating that it would refer the matter to a magistrate judge for a report and recommendation regarding the amount of the award to be made.

On February 12, 2019, the District Court approved of the parties' consent for the Magistrate Judge to conduct all further proceedings in this matter at the district court level, including determining the amount of attorneys' fees to be awarded and entering a final judgment. The Magistrate Judge held a hearing on the Application on May 8, 2019, and indicated that a written opinion on this Application for Fees and Expenses would be forthcoming. The Magistrate Judge's written opinion on this Application for Fees and Expenses has not been issued yet. The Company intends to continue to vigorously defend against any imposition of attorneys' fees and expenses in this case.

Epinephrine (0.1 mg/mL) Patent Litigation

On June 28, 2018, Belcher Pharmaceuticals, LLC, or Belcher initiated a lawsuit in the United States District Court for the District of Delaware by filing a complaint against IMS for infringement of U.S. Patent No. 9,283,197 (the "197 Patent") with regard to IMS's New Drug Application No. 211363, filed under 21 U.S.C. § 355(b)(2) of the Hatch-Waxman Act, for FDA approval to manufacture and sell 0.1 mg/mL epinephrine injections. On July 3, 2019, Parties filed a Joint Stipulation to stay the litigation pending the Court's ruling on the outcome of Belcher's trial with Hospira. On August 19, 2019, the judge signed the order staying the litigation pending the Court's ruling on the outcome of Belcher's trial with Hospira because it involves the same '197 Patent as the Company's litigation. On March 31, 2020, the Court in Belcher's trial with Hospira issued its ruling in favor of Hospira and invalidated the '197 Patent based on obviousness and the '197 Patent is unenforceable due to inequitable conduct, and accordingly, the Court entered Final Judgment in favor of Hospira on April 3, 2020. Belcher filed a notice of appeal on only the inequitable conduct rulings from Final Judgment in favor of Hospira on May 4, 2020, and therefore, the '197 Patent is still invalid based on obviousness. On May 21, 2020, the Court entered an Order dismissing, with prejudice, the Company's patent lawsuit with Belcher.

Vasopressin (20 units/mL) Patent Litigation

On December 20, 2018, Par Pharmaceutical, Inc., Par Sterile Products, LLC and Endo Par Innovation Company (collectively, "Par") initiated a patent lawsuit by filing a Complaint against the Company in the United States District

Court for the District of Delaware for infringement of U.S. Patent Nos. 9,375,478 ("the '478 Patent"), 9,687,526 ("the '526 Patent"), 9,744,209 ("the '209 Patent"), 9,744,239 ("the '239 Patent"), 9,750,785 ("the '785 Patent") and 9,937,223 ("the '223 Patent") (collectively, "Par Patents") with regard to the Company's Abbreviated New Drug Application No. 211,857 for FDA approval to manufacture and sell Vasopressin (20 units/ mL). The Company filed its Answer to this Complaint on February 19, 2019. On April 18, 2019, the Court held a scheduling conference and entered a Scheduling Order.

On September 27, 2019, the Court entered a Revised Scheduling Order that consolidates the Company's vasopressin patent lawsuit with two other vasopressin patent lawsuits filed by Par in the same Court, Par v. Amneal Pharmaceuticals GMBH et al., and Par v. American Regent, Inc. (collectively, the "Consolidated Vasopressin Patent Lawsuit"). In the Revised Scheduling Order, trial is still scheduled for January 2021 and the Company's 30-month FDA stay is maintained at May 21, 2021. On the same day, the Court entered a Protective Order on the Consolidated Vasopressin Patent Lawsuits. On December 9, 2019, the Court entered a Second Revised Scheduling Order to include Fresenius Kabi USA, LCC as part of the Consolidated Vasopressin Patent Lawsuit, with trial still scheduled for January 11, 2021 and the Company's 30-month FDA stay still maintained at May 21, 2021. On May 21, 2020, the Court entered a Consent Judgment between Par and American Regent, Inc., and thus, American Regent, Inc. is no longer part of the Consolidated Vasopressin Patent Lawsuit. The Company intends to vigorously defend this patent lawsuit.

Regadenoson (0.4 mg/5 mL, 0.08 mg/mL) Patent Litigation

On February 25, 2020, Astellas US LLC, Astellas Pharma US, Inc., and Gilead Sciences, Inc. (collectively, "Astellas-Gilead") initiated a patent lawsuit by filing a Complaint in the United States District Court for the District of Delaware against IMS for infringement of U.S. Patent Nos. 8,106,183 (the "'183 patent"), RE47,301 (the "'301 patent"), and 8,524,883 (the "'883 patent") (collectively, "Astellas-Gilead Patents") with regard to IMS's Abbreviated New Drug Application No. 214,252 for FDA approval to manufacture and sell 0.4 mg/5 mL (0.08 mg/mL) intravenous solution of Regadenoson. On March 4, 2020, IMS filed its Answer to the Complaint and its Counterclaims. On March 30, 2020, the Court issued an Order allowing the Company to join the consolidated litigation in which five other generic Regadenoson ANDA filers are currently pending. In the consolidated litigation, trial is currently scheduled for June 14, 2021. The Company's 30-month FDA stay expires August 10, 2022. The Company intends to vigorously defend this patent lawsuit.

Employment Litigation

a. Raquel Brenes

On September 11, 2019, a former employee, Raquel Brenes, ("Brenes"), initiated an employment litigation against IMS et al. by filing a Complaint having individual and class action claims for alleged violations of various California labor laws pertaining to wage and hour, and other state laws. This Complaint was filed in the Superior Court of California, Los Angeles County. On September 18, 2019, Brenes filed a First Amended Complaint maintaining the individual and class action claims. On January 21, 2020, Brenes filed a Second Amended Complaint that alleges only Private Attorney General Act, or PAGA, claims and omitted the individual and class action claims. On February 24, 2020, IMS filed an Answer to the Second Amended Complaint. On February 14, 2020, Brenes filed another Complaint against IMS in the Superior Court of California alleging various individual claims relating to disability discrimination and retaliation. The parties have agreed to reschedule the August 21, 2020 mediation to a later date due to the recent change in our Company's outside labor counsel. The Company intends to vigorously defend this employment litigation.

b. Robert Navarrette

On April 7, 2020, a former employee, Robert Navarrette ("Navarrette"), filed a PAGA lawsuit against IMS and Amphastar Pharmaceuticals, Inc. in the Superior Court of California, Los Angeles County. In this PAGA lawsuit, Navarrette alleges various wage and hour claims. Navarrette has agreed to mediate this PAGA lawsuit, along with Brenes' PAGA lawsuit. The parties are currently evaluating mediators and their availability for this mediation. The Company intends to vigorously defend this employment litigation.

c. Priscilla Ramirez

On April 10, 2020, ex-employee Priscilla Ramirez provided written notice to Amphastar Pharmaceuticals, Inc. that she intends to file a PAGA lawsuit for alleged violations of various California labor laws pertaining to wage and hour. On May 29, 2020, Ramirez filed this PAGA lawsuit against the Company. On August 4, 2020, Ramirez served this PAGA lawsuit on our Company. The Company intends to vigorously defend this lawsuit.

Other Litigation

The Company is also subject to various other claims and lawsuits from time to time arising in the ordinary course of business.

The Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the opinion of management, the ultimate resolution of any such matters is not expected to have a material adverse effect on its financial position, results of operations, or cash flows; however, the results of litigation and claims are inherently unpredictable and the Company's view of these matters may change in the future. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the "Condensed Consolidated Financial Statements" and the related notes thereto included in this Quarterly Report on Form 10-Q, or Quarterly Report. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under the "Special Note About Forward-Looking Statements," above and described in greater detail elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2019, particularly in Item 1A. "Risk Factors".

Overview

We are a specialty pharmaceutical company that focuses primarily on developing, manufacturing, marketing and selling technically challenging generic and proprietary injectable, inhalation and intranasal products as well as insulin API products. We currently manufacture and sell over 20 products.

We are currently developing a portfolio of 14 generic abbreviated new drug applications, or ANDAs, three biosimilar insulin product candidates and four proprietary product candidates, which are in various stages of development and target a variety of indications. Five ANDAs and one NDA are currently on file with the FDA.

Our largest products by net revenues currently include Primatene® Mist, phytonadione, enoxaparin sodium injection, lidocaine jelly sterile solution, and naloxone hydrochloride injection. In July 2019, we began a national digital, radio, and television campaign for our over-the-counter product Primatene® Mist, which will continue throughout 2020. During the second quarter of 2020, we launched our Epinephrine Injection, USP 30mg/30mL Multiple Dose Vial product.

To complement our internal growth and expertise, we have made several strategic acquisitions of companies, products and technologies. These acquisitions collectively have strengthened our core injectable and inhalation product technology infrastructure by providing additional manufacturing, marketing, and research and development capabilities including the ability to manufacture raw materials, API and other components for our products.

Included in these acquisitions are marketing authorizations for 33 products in the UK, Ireland, Australia, and New Zealand, representing 11 different injectable chemical entities from UCB Pharma GmbH. We are in the process of transferring the manufacturing of these products to our facilities in California, which will require approvals from the UK Medicines and Healthcare products Regulatory Agency before we can relaunch the products.

In July 2018, our Chinese subsidiary, ANP, completed a private placement of its common equity interest and received approximately $56.3 million of cash proceeds. We have retained approximately 58% of the equity interest in ANP following the private placement. ANP's net income or loss after July 2, 2018, is attributed to us in accordance with our equity interest of approximately 58% in ANP.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, or COVID-19, as a pandemic, which continues to spread throughout the world, including locations where we operate, such as the United States, China and France. We have been actively monitoring the COVID-19 pandemic and its impact globally. In late January 2020, China implemented extensive curfews and travel restrictions to control the outbreak, and started easing these restrictions in March. Our business operations in China experienced a temporary disruption but resumed full operations in February 2020. In March 2020, France also implemented a stay-at-home order limiting movement and restricting travel, however, we were deemed to be an essential business and was not impacted by the restrictions. In

March 2020, the Governors of the States of California and Massachusetts declared a health emergency and issued orders to close all nonessential businesses; as a specialty pharmaceutical company we were deemed to be an essential business. In June 2020, some of the restrictions were eased or lifted. Currently, our production facilities in all of our locations continue to operate as they had prior to the COVID-19 pandemic with very little change, other than for enhanced safety measures intended to prevent the spread of the virus.

The COVID-19 pandemic led to an increase in sales of Primatene® Mist and some hospital products due to "pantry loading" towards the end of the first quarter and early into the second quarter of 2020. We also noticed a decline in demand for certain products such as Cortrosyn® and lidocaine jelly which are frequently used in elective procedures.

It is not possible at this time to estimate the complete impact that COVID-19 could have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted. Infections may resurge or become more widespread and the limitation on our ability to travel and timely sell and distribute our products, as well as any closures or supply disruptions, may be extended for longer periods of time, all of which would have a negative impact on our business, financial condition and operating results. We will continue to monitor the impact of COVID-19 on all aspects of our business.

The COVID-19 pandemic has and will continue to adversely affect global economies and financial markets, resulting in an economic downturn that could affect demand for our products and impact our operating results. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the continued global economic impact of the pandemic. We cannot anticipate all of the ways in which health epidemics such as COVID-19 could adversely impact our business. See the Risk Factors section for further discussion of the possible impact of the COVID-19 pandemic on our business.

Business Segments

As of June 30, 2020, our performance is assessed and resources are allocated based on the following two reportable segments: (1) finished pharmaceutical products and (2) API products. The finished pharmaceutical products segment manufactures, markets, and distributes Primatene® Mist, enoxaparin, naloxone, phytonadione, lidocaine, epinephrine, as well as various other critical and non-critical care drugs. The API segment manufactures and distributes RHI API and porcine insulin API for external customers and internal product development. Information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. Factors used to identify our segments include markets, customers and products.

For more information regarding our segments, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Segment Reporting."

Results of Operations

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

Net revenues

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Net revenues				
Finished pharmaceutical products	$ 80,935	$ 73,735	$ 7,200	10 %
API	4,871	5,312	(441)	(8)%
Total net revenues	$ 85,806	$ 79,047	$ 6,759	9 %
Cost of revenues				
Finished pharmaceutical products	$ 45,498	$ 39,195	$ 6,303	16 %
API	7,131	7,465	(334)	(4)%
Total cost of revenues	$ 52,629	$ 46,660	$ 5,969	13 %
Gross profit	$ 33,177	$ 32,387	$ 790	2 %
as % of net revenues	*39 %*	*41 %*		

The increase in net revenues of finished pharmaceutical products for the three months ended June 30, 2020 was due to the following changes:

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Finished pharmaceutical products net revenues				
Primatene® Mist	$ 12,468	$ 2,512	$ 9,956	396 %
Phytonadione	10,689	12,441	(1,752)	(14)%
Enoxaparin	10,218	9,838	380	4 %
Naloxone	8,723	7,833	890	11 %
Lidocaine	7,608	10,082	(2,474)	(25)%
Epinephrine	6,957	3,139	3,818	122 %
Other finished pharmaceutical products	24,272	27,890	(3,618)	(13)%
Total finished pharmaceutical products net revenues	$ 80,935	$ 73,735	$ 7,200	10 %

The increase in sales of Primatene® Mist in the second quarter of 2020 is a result of the continued success of our nationwide digital, television and radio campaign, which will continue throughout 2020, as well as a short-term increase due to “pantry loading” in response to the COVID-19 pandemic in April. Sales of naloxone increased during the quarter primarily due to higher unit volumes. During the second quarter of 2020, we launched our newly approved epinephrine injection, USP 30mg/30mL multiple dose vial, which had sales of $2.6 million, and we saw an increase in demand for our epinephrine pre-filled syringes. We experienced lower demand for certain products, which are frequently used in elective procedures, including lidocaine and some products such as Cortrosyn® which are included in other finished pharmaceutical products. We attribute these declines in products used in elective procedures to a nationwide decline in these procedures by hospitals and individuals in response to the COVID-19 pandemic. These declines were partially offset by a $2.4 million increase in sales of sodium bicarbonate, included in other finished pharmaceutical products, as we were able to utilize the new production line approved earlier in the year to meet strong market demand.

We anticipate that the sales of naloxone and enoxaparin will continue to fluctuate in the future as a result of competition.

Sales of API decreased primarily due to the timing of customer purchases.

We anticipate that sales of API will continue to fluctuate and may decrease due to the inherent uncertainties related to sales to MannKind Corporation pursuant to a supply agreement with them. In addition, most of our API sales are denominated in euros, and the fluctuation in the value of the euros versus the U.S. dollar has had, and will continue to have, an impact on API sales revenues in the near term.

A significant portion of our customer shipments in any period relate to orders received and shipped in the same period, generally resulting in low product backlog relative to total shipments at any time. We had no significant backlog as of June 30, 2020. Historically, our backlog has not been a meaningful indicator in any given period of our ability to achieve any particular level of overall revenue or financial performance.

Gross margins

The decrease in gross margins during the three months ended June 30, 2020, primarily relates to inventory reserves, including a $3.6 million reserve for crude heparin purchases and commitments at ANP. This was partially offset by an increase in sales of Primatene® Mist and the recent launch of epinephrine injection multiple dose vial, both of which are higher margin products.

The cost of heparin, which is the starting material for enoxaparin, has increased and is expected to increase further, putting downward pressure on our gross margins. However, we believe that this trend will be offset by sales of our higher-margin products, such as isoproterenol, epinephrine multi dose vials, and Primatene® Mist. Additionally, we have not seen any supply disruption due to the COVID-19 pandemic at this time, but we are carefully monitoring our supply chain for any potential problems.

Selling, distribution and marketing, and general and administrative

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Selling, distribution, and marketing	$ 4,026	$ 2,992	$ 1,034	35 %
General and administrative	$ 15,924	$ 12,426	$ 3,498	28 %

The increase in selling, distribution, and marketing expenses was primarily due to marketing and distribution expenses related to Primatene® Mist, including the cost of a national digital, television and radio marketing campaign which began in July 2019. The increase in general and administrative expense primarily relates to the separation agreement entered into with a former executive. In connection with the separation agreement, we incurred an expense of $4.9 million relating to cash compensation and share-based compensation expense.

We expect that selling, distribution and marketing expenses will increase due to the increase in marketing expenditures for Primatene® Mist. Legal fees may fluctuate due to the timing of patent challenges and other litigation matters.

Research and development

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Salaries and personnel-related expenses	$ 6,682	$ 6,237	$ 445	7 %
Pre-launch inventory	—	143	(143)	(100)%
Clinical trials	1,429	1,530	(101)	(7)%
FDA fees	45	104	(59)	(57)%
Testing, operating and lab supplies	3,343	3,878	(535)	(14)%
Depreciation	2,459	2,147	312	15 %
Other expenses	2,191	1,957	234	12 %
Total research and development expenses	$ 16,149	$ 15,996	$ 153	1 %

Research and development costs consist primarily of costs associated with the research and development of our product candidates including the cost of developing APIs. We expense research and development costs as incurred.

We have made, and expect to continue to make, substantial investments in research and development to expand our product portfolio and grow our business. We expect that research and development expenses will increase on an annual basis due to increased clinical trial costs related to our biosimilar and inhalation product candidates. These expenditures will include costs of APIs developed internally as well as APIs purchased externally, the cost of purchasing reference listed drugs and the costs of performing the clinical trials. As we undertake new and challenging research and development projects, we anticipate that the associated costs will increase significantly over the next several quarters and years. Some of our ongoing clinical trials have experienced short-term interruptions in the recruitment of patients due to the COVID-19 pandemic, as hospitals prioritize their resources towards the COVID-19 pandemic and governments impose travel restrictions. These conditions may in turn delay spending and delay the results of these trials.

Other income (expenses), net

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Other income (expenses), net	$ 1,255	$ 60,001	$ (58,746)	NM

In June 2019, we recognized a gain of $59.9 million relating to our settlement of the enoxaparin patent and antitrust litigation with Momenta Pharmaceuticals, Inc. and Sandoz Inc. For more information regarding litigation matters, see “Part I – Item 1. Financial Statements –Notes to Condensed Consolidated Financial Statements – Litigation.”

Income tax provision

	Three Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Income tax provision (benefit)	$ (75)	$ 14,173	$ (14,248)	NM
Effective tax rate	*5 %*	*23 %*		

The difference in income tax provision (benefit) was primarily due to differences in pre-tax income (loss) positions and nondeductible executive severance compensation.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Net revenues

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Net revenues				
Finished pharmaceutical products	$ 162,233	$ 148,274	$ 13,959	9 %
API	8,261	10,563	(2,302)	(22)%
Total net revenues	$ 170,494	$ 158,837	$ 11,657	7 %
Cost of revenues				
Finished pharmaceutical products	$ 87,986	$ 81,422	$ 6,564	8 %
API	12,508	14,125	(1,617)	(11)%
Total cost of revenues	$ 100,494	$ 95,547	$ 4,947	5 %
Gross profit	$ 70,000	$ 63,290	$ 6,710	11 %
as % of net revenues	*41 %*	*40 %*		

The increase in net revenues of the finished pharmaceutical products for the six months ended June 30, 2020, was due to the following changes:

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
		(in thousands)		
Finished pharmaceutical products net revenues				
Primatene® Mist	$ 25,345	$ 5,409	$ 19,936	369 %
Phytonadione	21,718	22,561	(843)	(4)%
Enoxaparin	19,386	24,322	(4,936)	(20)%
Lidocaine	18,265	22,061	(3,796)	(17)%
Naloxone	17,598	15,197	2,401	16 %
Epinephrine	10,947	5,818	5,129	88 %
Other finished pharmaceutical products	48,974	52,906	(3,932)	(7)%
Total finished pharmaceutical products net revenues	$ 162,233	$ 148,274	$ 13,959	9 %

The increase in sales of Primatene® Mist is a result of the continued success of our nationwide digital, television and radio campaign, which will continue throughout 2020, as well as a short-term increase due to “pantry loading” in March and April 2020, in response to the COVID-19 pandemic. The increase in epinephrine was primarily due to an increase in unit volumes relating to the launch of our epinephrine injection, USP 30mg/30mL multiple dose vial product. Sales of naloxone increased primarily due to an increase in unit volume. The decrease in sales of enoxaparin relates to a decrease in unit volume of $7.0 million, which was partially offset by an increase in average selling price. We experienced lower demand for certain products, which are frequently used in elective procedures, including lidocaine and some products such as Cortrosyn® which are included in other finished pharmaceutical products. We attribute these declines in products used in elective procedures to a nationwide decline in these procedures by hospitals and individuals in response to the COVID-19 pandemic. These declines were partially offset by a $3.9 million increase in sales of sodium bicarbonate, included in other finished pharmaceutical products, as we were able to utilize the new production line approved earlier in the year to meet strong market demand.

We anticipate that the sales of naloxone and enoxaparin will continue to fluctuate in the future as a result of competition.

Sales of API decreased primarily due to the timing of customer purchases.

We anticipate that sales of API will continue to fluctuate and may decrease due to the inherent uncertainties related to sales to MannKind Corporation pursuant to a supply agreement with them. In addition, most of our API sales are denominated in euros, and the fluctuation in the value of the euros versus the U.S. dollar has had, and will continue to have, an impact on API sales revenues in the near term.

Gross margins

The increase in sales of Primatene® Mist and the recent launch of epinephrine injection multiple dose vial, which are both higher margin products, helped increase our gross margins for the six months ended June 30, 2020. Gross margins for Primatene® Mist were magnified by the use of API and components which were expensed to pre-launch inventory in prior years. These trends were partially offset by inventory reserves, including a $3.6 million reserve for crude heparin purchases and commitments at ANP.

The cost of heparin, which is the starting material for enoxaparin, has increased and is expected to increase further, putting downward pressure on our gross margins. However, we believe that this trend will be offset by sales of our higher-margin products, such as isoproterenol, Primatene® Mist, and epinephrine multi dose vials, which were launched over the past few years. Additionally, we have not seen any supply disruption due to the COVID-19 pandemic at this time, but we are carefully monitoring for any potential problems.

Selling, distribution and marketing, and general and administrative

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Selling, distribution, and marketing	$ 7,320	$ 6,133	$ 1,187	19 %
General and administrative	$ 26,670	$ 28,753	$ (2,083)	(7)%

The increase in selling, distribution, and marketing expenses was primarily due to marketing and distribution expenses related to Primatene® Mist, including the cost of a national digital, television and radio marketing campaign which began in July 2019. The decrease in general and administrative expense was primarily due a decrease in legal expenses as a result of the enoxaparin patent and antitrust litigation settlement reached in the second quarter of 2019. This was partially offset by an expense of $4.9 million relating to cash compensation and share-based compensation expense in connection with a separation agreement with a former executive during the second quarter of 2020.

For more information regarding litigation matters, see “Part I – Item 1. Financial Statements –Notes to Condensed Consolidated Financial Statements – Litigation.”

We expect that selling, distribution and marketing expenses will increase due to the increase in marketing expenditures for Primatene® Mist. Legal fees may fluctuate due to the timing of patent challenges and other litigation matters.

Research and development

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Salaries and personnel-related expenses	$ 12,902	$ 12,642	$ 260	2 %
Pre-launch inventory	(10)	158	(168)	(106)%
Clinical trials	3,884	3,233	651	20 %
FDA fees	89	404	(315)	(78)%
Testing, operating and lab supplies	6,031	6,450	(419)	(6)%
Depreciation	4,807	4,275	532	12 %
Other expenses	3,749	3,441	308	9 %
Total research and development expenses	$ 31,452	$ 30,603	$ 849	3 %

Research and development costs consist primarily of costs associated with the research and development of our product candidates. We expense research and development costs as incurred.

Clinical trial expense increased due to external studies related to our generic product pipeline, primarily for our inhalation ANDAs and our insulin biosimilar programs.

We have made, and expect to continue to make, substantial investments in research and development to expand our product portfolio and grow our business. We expect that research and development expenses will increase on an annual basis due to increased clinical trial costs related to our biosimilar and inhalation product candidates. These expenditures will include costs of APIs developed internally as well as APIs purchased externally, the cost of purchasing reference listed drugs and the costs of performing the clinical trials. As we undertake new and challenging research and development projects, we anticipate that the associated costs will increase significantly over the next several quarters and years. Some of our ongoing clinical trials have experienced short term interruptions in the recruitment of patients due to the COVID-19 pandemic, as hospitals prioritize their resources towards the COVID-19 pandemic and governments impose travel restrictions. These conditions may in turn delay spending and delay the results of these trials.

Other income (expenses), net

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Other (expenses) income, net	$ (497)	$ 59,422	$ (59,919)	NM

In June 2019, we recognized a gain of $59.9 million relating to our settlement of the enoxaparin patent and antitrust litigation with Momenta Pharmaceuticals, Inc. and Sandoz Inc. For more information regarding litigation matters, see “Part I – Item 1. Financial Statements –Notes to Condensed Consolidated Financial Statements – Litigation.”

Income tax provision

	Six Months Ended June 30,		Change	
	2020	2019	Dollars	%
	(in thousands)			
Income tax provision	$ 2,205	$ 12,694	$ (10,489)	NM
Effective tax rate	*51 %*	*22 %*		

The difference in income tax provision was primarily due to differences in pre-tax income positions, nondeductible executive severance compensation, and timing of discrete tax items.

Liquidity and Capital Resources

Cash Requirements and Sources

We need capital resources to maintain and expand our business. We expect our cash requirements to increase significantly in the foreseeable future as we sponsor clinical trials for, seek regulatory approvals of, and develop, manufacture and market our current development-stage product candidates and pursue strategic acquisitions of businesses or assets. Our future capital expenditures include projects to upgrade, expand, and improve our manufacturing facilities in the United States, China, and France. Our cash obligations include the principal and interest payments due on our existing loans and lease payments, as described below and throughout this Quarterly Report.

As of June 30, 2020, our foreign subsidiaries collectively held $14.2 million in cash and cash equivalents. Cash or cash equivalents held at foreign subsidiaries are not available to fund the parent company’s operations in the United States. We believe that our cash reserves, operating cash flows, and borrowing availability under our credit facilities will be sufficient to fund our operations for at least the next 12 months. We expect additional cash flows to be generated in the longer term from future product introductions, although there can be no assurance as to the receipt of regulatory approval for any product candidates that we are developing or the timing of any product introductions, which could be lengthy or ultimately unsuccessful.

We maintain a shelf registration statement on Form S-3 pursuant to which we may, from time to time, sell up to an aggregate of $250 million of our common stock, preferred stock, depositary shares, warrants, units, or debt securities. If we require or elect to seek additional capital through debt or equity financing in the future, we may not be able to raise capital on terms acceptable to us or at all. To the extent we raise additional capital through the sale of equity or convertible debt securities, the issuance of such securities will result in dilution to our stockholders. If we are required and unable to raise additional capital when desired, our business, operating results and financial condition may be adversely affected.

Working capital increased by $8.3 million to $173.5 million at June 30, 2020, compared to $165.2 million at December 31, 2019.

Cash Flows from Operations

The following table summarizes our cash flows used in operating, investing, and financing activities for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30, 2020	2019
	(in thousands)	
Statement of Cash Flow Data:		
Net cash provided by (used in)		
Operating activities	$ 31,566	$ 48,113
Investing activities	(18,788)	(24,553)
Financing activities	1,007	10,487
Effect of exchange rate changes on cash	(82)	(11)
Net increase in cash, cash equivalents, and restricted cash	$ 13,703	$ 34,036

Sources and Use of Cash

Operating Activities

Net cash provided by operating activities was $31.6 million for the six months ended June 30, 2020, which included net income of $2.1 million. Non-cash items were primarily comprised of $10.0 million of depreciation and amortization, and $11.8 million of share-based compensation expense.

Additionally, for the six months ended June 30, 2020, there was a net cash inflow from changes in operating assets and liabilities of $4.3 million, which resulted from a decrease in inventory and an increase in accounts payable and accrued liabilities, which was partially offset by an increase in accounts receivable. The increase in accounts receivable was due to the timing of sales. Accounts payable and accrued liabilities decreased primarily due to the timing of payments.

Net cash provided by operating activities was $48.1 million for the six months ended June 30, 2019, which included net income of $44.8 million. Non-cash items were primarily comprised of $8.8 million of depreciation and amortization, and $8.7 million of share-based compensation expense. Additionally, there was a net cash outflow from changes in operating assets and liabilities of $15.0 million which resulted from the increase in accounts receivable and inventory partially offset by an increase in accounts payable and accrued liabilities. The increase in accounts receivable was due to the timing of sales in the quarter. The increase in inventory was partially due to increased purchases of raw materials and production of finished goods resulting in a net increase of $24.9 million of enoxaparin and a net increase of $6.3 million of Primatene® Mist inventory. These trends were partially offset by a decrease in API at AFP. Tax related items increased as a result of the receipt of the $59.9 million relating to the litigation settlement with Momenta Pharmaceuticals, Inc. and Sandoz Inc. Accounts payable and accrued liabilities increased primarily due to the timing of payments.

Investing Activities

Net cash used in investing activities was $18.8 million for the six months ended June 30, 2020, primarily as a result of $18.9 million in purchases of property, plant, and equipment, which included $3.3 million incurred in the United States, $2.2 million in France, and $13.4 million in China.

Net cash used in investing activities was $24.6 million for the six months ended June 30, 2019, primarily as a result of $24.5 million in purchases of property, plant, and equipment, which included $6.0 million incurred in the United States, $4.3 million in France, and $14.2 million in China.

Financing Activities

Net cash provided by financing activities was $1.0 million for the six months ended June 30, 2020, primarily as a result of $18.2 million in net proceeds from the settlement of share-based compensation awards under our equity plans offset by $16.7 million used to purchase treasury stock. Additionally, we received $3.8 million from borrowings on our lines of credit, of which $3.1 million was converted into an equipment loan during the year. We also made $4.3 million in principal payments on our long-term debt.

Net cash provided by financing activities was $10.5 million for the six months ended June 30, 2019, primarily as a result of the receipt of $18.3 million for ANP private placement, which was partially offset by $4.1 million used to purchase treasury stock, and $0.2 million of net proceeds used to settle share-based compensation awards under our equity plans. Additionally, we made $3.6 million in principal payments on our long-term debt and lines of credit.

Indebtedness

For more information regarding our outstanding indebtedness, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Debt”.

Contractual Obligations

There have been no material changes outside the ordinary course of our business in the contractual obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, except that our outstanding debt obligations have changed as follows:

	June 30, 2020	December 31, 2019	Change
		(in thousands)	
Short-term debt and current portion of long-term debt	$ 12,075	$ 7,741	$ 4,334
Long-term debt	34,622	39,394	(4,772)
Total debt	$ 46,697	$ 47,135	$ (438)

As of June 30, 2020, we had $49.0 million in unused borrowing capacity under revolving lines of credit with Cathay Bank, East West Bank, and China Merchant Bank.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the notes to the financial statements. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions. A summary of our critical accounting policies is presented in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2019.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Summary of Significant Accounting Policies”.

Off-Balance Sheet Arrangements

We do not have any relationships or financial partnerships with unconsolidated entities, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Government Regulation

Our products and facilities are subject to regulation by a number of federal and state governmental agencies. The FDA, in particular, maintains oversight of the formulation, manufacture, distribution, packaging, and labeling of all of our products. The Drug Enforcement Administration, or DEA, maintains oversight over our products that are considered controlled substances.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Except for the broad effects of the COVID-19 pandemic as a result of its negative impact on the global economy and financial markets, there have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2019. We are exposed to market risk in the ordinary course of business. Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings. We are exposed to market risk for changes in the market values of our investments (Investment Risk), the impact of interest rate changes (Interest Rate Risk), and the impact of foreign currency exchange changes (Foreign Currency Exchange Risk).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, our principal executive and principal financial officers, respectively, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective (a) to ensure that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) to include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management overriding of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Litigation.”

ITEM 1A. RISK FACTORS

Except as noted below, there were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 16, 2020.

Our business may be adversely affected by the current COVID-19 pandemic or other epidemics.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, or COVID-19, as a pandemic, which continues to spread throughout the world, including locations where we operate, such as the United States, China and France. We have been actively monitoring the COVID-19 pandemic and its impact globally. In late January 2020, China implemented extensive curfews and travel restrictions to control the outbreak, and started easing these restrictions in March. In March 2020, France also implemented a stay-at-home order limiting movement and restricting travel. In March 2020, the Governors of the States of California and Massachusetts declared a health emergency and issued orders to close all nonessential businesses. As a specialty pharmaceutical company we are deemed to be an essential business. Since then, the government in the United States, China and France, have re-opened and re-imposed restrictions on travel and business as the pandemic recedes and grows.

This contagious disease outbreak has continued to spread across the globe and is impacting worldwide economic activity and financial markets. The COVID-19 pandemic may disrupt the operations of our customers, suppliers and partners for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows. Disruptions to our manufacturing partners and suppliers could result in disruption to the production of our products and failure to satisfy demand. More generally, the outbreak of COVID-19 could adversely affect economies and financial markets globally and nationally, potentially leading to an economic downturn, which could decrease spending and adversely affect demand for our products and harm our business and results of operations. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future. Specifically, difficult macroeconomic conditions, increased and prolonged unemployment or a decline in business confidence as a result of the COVID-19 pandemic, could have a continuing adverse effect on the demand for some of our products. The degree of impact of the COVID-19 pandemic on our business will depend on several factors, such as the duration and the extent of the pandemic, as well as actions taken by governments, businesses, and consumers in response to the pandemic, all of which continue to evolve and remain uncertain at this time.

In addition, some of our ongoing clinical trials have experienced short-term interruptions in the recruitment of patients due to the COVID-19 pandemic, as hospitals prioritize their resources toward the COVID-19 pandemic and governments impose travel restrictions. These conditions may in turn delay spending and delay the results of these trials.

It is not possible at this time to estimate the complete impact that the COVID-19 pandemic could have on our business, as the impact will depend on future developments, which are highly uncertain and cannot be predicted. Infections may resurge or become more widespread and the limitation on our ability to travel and timely sell and distribute our products, as well as any closures or supply disruptions, may be extended for longer periods of time, all of which would have a negative impact on our business, financial condition and operating results. We will continue to monitor the impact of the COVID-19 pandemic on all aspects of our business.

Because a portion of our manufacturing takes place in China, a significant disruption in the construction or operation of our manufacturing facility in China, political unrest in China, tariffs, impact of outbreaks of health epidemics, such as the COVID-19 pandemic, or changes in social, political, trade, health, economic, environmental, or climate-related conditions or in laws, regulations and policies governing foreign trade could materially and adversely affect our business, financial condition and results of operations.

We currently manufacture the starting material for Amphadase® and enoxaparin as well as the APIs for isoproterenol and nitroprusside at our manufacturing facility in China, and we plan to use this facility to manufacture several of the APIs for products in our pipeline. Additionally, we intend to continue to invest in the expansion of this manufacturing facility. Our manufacturing facility and operations in China involve significant risks, including:

- disruptions in the construction of the manufacturing facility;
- interruptions to our operations in China or the inability of our manufacturing facility to produce adequate quantities of raw materials or APIs to meet our needs as a result of natural catastrophic events or other causes beyond our control such as power disruptions or widespread disease outbreaks, including the recent outbreaks that impact animal-derived products, such as the importation of pig-derived crude heparin from countries impacted by the African swine flu, and outbreak of the COVID-19 pandemic, which has resulted in and may in the future result in, business closures, transportation restrictions, import and export complications, and otherwise cause shortages in the supply of raw materials or cause disruptions in our manufacturing capability;
- product supply disruptions and increased costs as a result of heightened exposure to changes in the policies of the Chinese government, political unrest or unstable economic conditions in China;
- the imposition of tariffs or other trade barriers as a result of changes in social, political, and economic conditions or in laws, regulations, and policies governing foreign trade, including the tariffs previously implemented and additional tariffs that have been proposed by the U.S. government on various imports from China and by the Chinese government on certain U.S. goods, the scope and duration of which, if implemented, remain uncertain;
- the nationalization or other expropriation of private enterprises or intellectual property by the Chinese government, which could result in the total loss of our investment in China; and
- interruptions to our manufacturing or business operations resulting from geo-political actions, including war and terrorism, natural disasters including earthquakes, typhoons, floods, and fires, or outbreaks of health epidemics such as coronavirus, or outbreaks in livestock or animals that impact or restrict importation, use, or distribution of animal-derived products.

Any of these matters could materially and adversely affect our business and results of operations. These interruptions or failures could impair our ability to operate our business, impede the commercialization of our product candidates or delay the introduction of new products, impact our product quality, or impair our competitive position.

We are actively monitoring and assessing the potential impact of the COVID-19 pandemic. This includes evaluating the impact on our employees, suppliers, and logistics providers as well as evaluating governmental actions being taken to curtail the spread of the virus. While the Chinese government has been relaxing work restrictions, at this time, it is unclear if the Chinese government will reinstate restrictions or if further restrictions will be put into place by the government. In addition, many countries have placed significant bans on travel to and from China, with many countries and airlines suspending flights to and from mainland China. Any material adverse effect on our employees, suppliers, and logistics providers could have a material adverse effect on our manufacturing operations in China or the supply of raw materials or APIs originating from China.

Our business and operations would be impacted in the event of system breach or failure.

We, our collaborators, third-party providers, distributors, customers and other contractors utilize information technology systems and networks to transmit, store and otherwise process electronic data in connection with our business activities.

This includes our clinical data and business proprietary information, Electronic Data Interchange, or EDI, on purchase orders, invoices, chargebacks, etc. We, and others on our behalf, also collect and process certain personal data, including about our personnel, business partners, and others, which may be subject to applicable data protection laws and regulations. We, and others on our behalf, rely on complex information technology systems, including Internet-based systems, to transmit, store and otherwise process such data in support of our supply chain processes, operations, and communications. Despite our implementation of security measures to protect the confidentiality, integrity, and availability of the systems and data within our control from various threats (e.g., cyber-attack, insider threat, accidental disclosure, intellectual property theft and economic espionage, natural disaster, war, terrorism, telecommunications and electrical outage), risks remain.

Potential legal (regulatory or contractual), financial, operational, and reputational harm may arise from the accidental or unlawful destruction, damage, loss, unavailability, alteration, impairment, misuse, unauthorized disclosure of, or unauthorized access to (i) our data, which is transmitted, stored or otherwise processed by us or by collaborators, third-party providers, distributors and other contractors on our behalf (a "data security incident"); and (ii) the systems upon which we rely for our operations (an "other event"). For example:

- The accidental or unlawful loss, unavailability or alteration of clinical trial data from completed or ongoing clinical trials for any of our product candidates could result in delays in our development and regulatory approval efforts as well as significantly increase our costs to recover or reproduce the data.

- The size and complexity of our systems may make them potentially vulnerable to breakdown or interruption, whether due to computer viruses or other causes, which may result in the loss of key information or the impairment of production and other supply chain processes, adversely affecting our business.

- Any data security incident or other event, either on its own or as a pattern, may require costly response and remediation efforts, trigger litigation or adverse regulatory action arising from or related to such an incident or event, and result in significant additional expense to implement further data protection measures. Integrating the systems and data of any acquired entity may in some cases further increase these risks due to unforeseen threats and vulnerabilities.

- Similarly, any data security incident or other event experienced by our collaborators, third-party providers, distributors and other contractors may hinder our product development, supply chain, other business operations, or our regulatory and contractual obligations to others, and could also give rise to litigation or adverse regulatory action.

Subsequent to the first quarter of 2020, we were subject to a cyber-event that resulted in a temporary disruption to some of our internal computer systems. At this time, we are still evaluating the impact to the business.

There can be no assurance that we will be successful in preventing data security incidents or other events nor that we will be successful in mitigating their effects, despite the implementation of security measures for systems and data within our control. Similarly, there can be no assurance that our collaborators, third-party providers, distributors and other contractors will be successful in protecting our data on their systems or in protecting other systems upon which we may rely. Any such data security incident or other event could have a material adverse effect on our business and prospects.

Some of our products are marketed without FDA approval and may be subject to enforcement actions by the FDA.

Some of our prescription products are marketed without FDA approval. These products, like many other prescription drugs on the market that the FDA have not been formally evaluated as being effective, contain active ingredients that were first marketed prior to the enactment of the Federal Food, Drug, and Cosmetic Act, or FFDCA. The FDA has assessed these products in a program known as the "Prescription Drug Wrap-Up" and has stated that these drugs cannot be lawfully marketed unless they comply with certain "grandfather" exceptions to the definition of "new drug" in the FFDCA. These exceptions have been strictly construed by FDA and by the courts, and the FDA has stated that it is unlikely that any of the unapproved prescription drugs on the market, including certain of our drugs, qualify for the exceptions. At any time, the FDA may require that some or all of our unapproved prescription drugs be submitted for approval and may direct us to recall these products and/or cease marketing the products until they are approved. The

FDA may also take enforcement actions based on our marketing of these unapproved products, including but not limited to the issuance of an untitled letter or a warning letter, and a judicial action seeking an injunction, product seizure and/or civil or criminal penalties. The enforcement posture could change at any time and our ability to market such drugs could terminate with little or no notice. Moreover, if our competitors seek and obtain approval and market FDA-approved prescription products that compete against our unapproved prescription products, we would be subject to a higher likelihood that the FDA may seek to take action against our unapproved products. Such competitors have brought and may bring claims against us alleging unfair competition or related claims.

As a result of our meetings with the FDA in 2009, we decided to discontinue all of our products that were subject to the Prescription Drug Wrap-Up program, with the exception of epinephrine in vial form. These products were all produced at our subsidiary, IMS. During the third quarter of 2010, the FDA requested that we reintroduce several of the withdrawn products to help address a national drug shortage, while we prepared and filed applications for approval of the products. Between August and October, 2010, we reintroduced atropine, morphine, dextrose, and epinephrine prefilled syringes.

In February 2017, the FDA requested that we discontinue the manufacturing and distribution of our epinephrine injection, USP vial product, which had been marketed under the “grandfather” exception to the FDA’s “Prescription Drug Wrap-Up program”. We discontinued selling this product in the second quarter of 2017. In April 2020, the FDA granted approval of our Epinephrine Injection USP 30mg/30mL Multiple Dose Vial, and we launched the product in May 2020.

For the years ended December 31, 2019, 2018, and 2017, we recorded net revenues of $39.3 million, $26.4 million, and $22.0 million, respectively, from our unapproved products. For the six months ended June 30, 2020 and 2019, we recorded net revenues of $21.7 million and $18.7 million, respectively, from our unapproved products. Our unapproved products currently on the market include: atropine, morphine, dextrose and epinephrine prefilled syringes. We have filed three ANDAs and one NDA with respect to our remaining unapproved products in order to mitigate all risk associated with the marketing of unapproved drug products. Prior to the approval of our ANDA and NDA submissions, we continue to operate in compliance with the FDA Compliance Policy Guide, CPG Sec. 440.100 Marketed New Drugs Without Approved NDAs and ANDAs.

Some provisions of our charter documents and Delaware law may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws, as well as provisions of the Delaware General Corporation Law, or the DGCL, could depress the trading price of our common stock by making it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions include:

- authorizing the issuance of “blank check” preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval;
- prohibiting stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of our stockholders;
- eliminating the ability of stockholders to call a special meeting of stockholders;
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted upon at stockholder meetings;
- establishing a classified Board of Directors, whereby only one-third of the members of our Board of Directors are elected at one time; and
- providing that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board of Directors, which is responsible for appointing the members of our management. Furthermore, our amended and restated certificate of incorporation provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a breach of fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders; (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation, or our amended and restated bylaws; or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. This provision is not intended to apply to actions arising under the Securities Act or the Exchange Act, or any claim for which the federal courts have exclusive jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision. This exclusive-forum provision may discourage lawsuits against us or our directors, officers, and employees. In addition, we are subject to Section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with an interested stockholder for a period of three years following the date on which the stockholder became an interested stockholder, unless such transactions are approved by our Board of Directors. This provision could delay or prevent a change of control, whether or not it is desired by or beneficial to our stockholders, which could also affect the price that some investors are willing to pay for our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of our common stock:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 – April 30, 2020	150,646	$ 15.68	150,646	—
May 1 – May 31, 2020	96,785	18.04	96,785	—
June 1 – June 30, 2020	81,960	19.99	81,960	—

(1) During the second quarter of 2020, we repurchased shares of our common stock as part of the share buyback program authorized by our Board of Directors on November 4, 2019. As of June 30, 2020, $5.1 million remained available under such program. In August 2020, our Board of Directors authorized an increase of $20.0 million to our share buyback program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1+	Separation Agreement and General Release of Claims by and between the Company and Jason Shandell dated as of April 13, 2020
10.2	Eighth Modification to the Revolving Line of Credit Agreement, dated June 15, 2020, between Amphastar Pharmaceuticals, Inc. and Armstrong Pharmaceuticals, Inc. and Cathay Bank in the principal sum of $20,000,000.
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1#	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive File (formatted as Inline XBRL and contained in Exhibit 101)

The information in Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act (including this Report), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

* Portions of this exhibit (indicated by asterisks) have been redacted in compliance with Regulation S-K Item 601(b)(10).

\+ Indicates a management contract or compensatory plan or arrangement.

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.

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)
By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2020

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)
By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 7, 2020

SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS

This Separation Agreement and General Release of Claims ("Agreement") is freely entered into by Jason Shandell ("Shandell"), and Amphastar Pharmaceuticals, Inc. (the "Company"). (All of the parties are referred to herein collectively as the "parties".)

RECITALS

WHEREAS, Shandell and the Company entered into that certain employment agreement dated May 19, 2014 (the "Employment Agreement");

WHEREAS, Shandell resigned from the Company effective April 10, 2020 (the "Separation Date"); and

WHEREAS, Shandell and the Company desire to settle and dispose of fully and completely any and all existing or potential disputes, claims and demands arising out of, or attributable to Shandell's termination of employment and his employment relationship with the Company, including all allegations and claims alleged or which could have been alleged by Shandell against the Company or the other Released Parties (defined below) or any of them, and any other claims whatsoever that Shandell had, has or may have against the Company or the other Released Parties, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties as follows:

AGREEMENT

A. CONSIDERATION

1. This Agreement is executed by Shandell in consideration of the Company's agreement to compensate him, as set forth in Appendix A, (the "Consideration"). The parties agree to promptly execute any documentation necessary to facilitate the payment or provision of any of the Consideration to Shandell, and shall cooperate in good faith in that regard.

Shandell agrees that the Consideration satisfies in full any obligation or claimed obligation under the Employment Agreement. Shandell understands that he will only receive the Consideration if this Agreement becomes irrevocable by its terms and following the Effective Date of this Agreement (as defined Paragraph B.2(d)). Effective as of the Separation Date, Shandell is deemed to have resigned from all positions, offices, and directorships he held with the Company or any affiliate, subsidiary or parent thereof.

B. GENERAL RELEASE OF CLAIMS

1. Shandell, on behalf of himself, his spouse, heirs, family members, estate, executors, administrators, attorneys, successors and assigns, hereby forever releases, acquits, discharges and holds harmless the Company and each of its parent companies, subsidiaries, affiliates, divisions and related-entities, and each of their respective shareholders, employees, administrators, attorneys, directors, trustees, trusts, banks, independent contractors, insurers, investors, managers, members, officers, operating companies, owners, partners, principals, agents,

benefit plans and fiduciaries and administrators of benefit plans, and each of their respective predecessors, successors and assigns, past, present, and future (collectively, the "Released Parties"), from any and all claims, charges, rights, demands, actions, obligations, liability, suits, debts, charges, complaints, promises, agreements, controversies, damages, expenses (including attorneys' fees and costs actually incurred), and causes of action, whether asserted or unasserted, whether known or unknown, that Shandell now has, may have or ever has had against the Company or the Released Parties, or any of them, arising from any act, event or omission that has occurred up to and including the date Shandell executes this Agreement, including but not limited to all claims arising from or in any way connected with or relating to:

(a) all claims arising from or relating in any way to Shandell's employment or service relationship with and/or the termination of his employment or service relationship from the Company;

(b) all claims under each of the following statutes, including but not limited to, Title VII of the Civil Rights Act of 1964, as amended by the Civil Rights Act of 1991; the Civil Rights Act of 1866; Executive Order 11246; the Family Medical Leave Act; the Health Insurance Portability and Accountability Act of 1996; the Employee Retirement Income Security Act of 1974; the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act; the Genetic Information Nondiscrimination Act of 2008; the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended; the Worker Adjustment and Retraining Notification Act ("WARN") and CAL WARN; the Equal Pay Act; California Fair Pay Act; the National Labor Relations Act; the Occupational Safety and Health Act ("OSHA") and Cal OSHA; the Fair Labor Standards Act; the Rehabilitation Act of 1973; the Pregnancy Discrimination Act; the Genetic Information Nondiscrimination Act of 2008; the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended; the Americans with Disabilities Act of 1990 and subsequent amendments; the California Government and Business & Professions Codes; the California Family Rights Act; the United States and California Constitutions; the Private Attorneys General Act of 2004; the California Fair Employment and Housing Act; the California Industrial Welfare Commission (Wage) Orders; California common law; and the California Labor Code including Section 132a and Section 4553;

(c) all claims for or under any federal, state or local law, statute, regulation or common law, including claims for employment discrimination, wrongful termination, harassment, and/or retaliation including based on sex, gender, pregnancy, disability, health condition, race, requesting a statutorily protected leave or accommodation, engaging in any protected conduct and/or based on any other protected characteristic; failure to accommodate, denial of accommodation, and/or failure to engage in the interactive process; claims for breach of contract (express or implied), promissory estoppel, and interference with contract; claims for, fraud, tort, conversion, whistleblowing and/or violation of public policy; claims for personal injury, intentional or negligent infliction of emotional distress, negligence, defamation, assault, battery and/or invasion of privacy; claims for wages, bonuses, commissions, overtime, meal and rest periods, on call pay, pay in lieu of notice, reporting time pay, penalties and/or any other wage-related claims, premiums and penalties; claims under any plan, program or agreement, including any benefit, retirement, equity, incentive or severance plan of the Company or the Released Parties; claims for attorneys' fees, costs, damages, interest, and/or penalties; and claims for any wrongdoing whatsoever under any theory now or hereinafter recognized; and

(d) all claims arising under the Employment Agreement.

2. ADEA (Age) Waiver: Shandell acknowledges and agrees that he is hereby waiving and releasing any age claims or rights he may have under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"). In connection with this ADEA release, he agrees that (i) he is hereby entering into this ADEA waiver knowingly and voluntarily, (ii) the ADEA waiver does not apply to any rights or claims that may arise under the ADEA after the date he executes this Agreement, (iii) the consideration given for the release of the ADEA claims is in addition to anything of value to which he was already entitled, and (iv) he has been advised by this writing that:

(a) he should consult with an attorney prior to executing this Agreement;

(b) he has twenty-one (21) days from receipt of this Agreement to consider whether to execute this Agreement and release any age claim under the ADEA. If Shandell chooses to execute this Agreement before the 21-day period has elapsed, he does so knowingly and voluntarily;

(c) he has seven (7) days following his execution of this Agreement to revoke his acceptance by notifying in writing, Dan Dischner, Associate Vice President of Human Resources, 11570 6th Street, Rancho Cucamonga, CA 91730, DanD@amphastar.com, of this fact within the seven (7) day period; and

(d) the effective date of this Agreement as used herein shall be the eighth day following the date Shandell signs and returns it assuming he has not delivered revocation pursuant to clause (c) herein, at which time, this Agreement will be irrevocable (the "Effective Date").

3. Shandell understands, agrees, and expressly acknowledges that this Agreement is a full and final release of the Company and the Released Parties to include, without limitations, all claims described in this Paragraph B, whether known and unknown, suspected or unsuspected, and this Agreement contemplates the extinction of all such claims, including claims for attorneys' fees and costs. Shandell is hereby advised of California Civil Code Section 1542, which provides, "**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."** Shandell knowingly and expressly waives any and all rights or benefits which he has, had or may have against the Company and Released Parties pursuant to Section 1542 or any similar law. Shandell is aware that he may hereafter discover claims or facts in addition to or different from those he now knows or believes to exist with respect to the subject matter of this Agreement which if known to him now may have affected his decision to enter into this Agreement; however, Shandell hereby settles and releases all of the claims which he had, has or may have against the Company and the other Released Parties notwithstanding such additional or different facts.

C. NON-DISPARAGEMENT

1. Shandell acknowledges and agrees that he will continue to be bound by Sections 8 and Sections 9 of the Employment Agreement (Confidential Information and Nonsolicitation Covenant).

The parties mutually agree not to make or cause any other person or entity to make, any disparaging statements or generate any publicity whatsoever about Shandell, the Company or the Released Parties, or any of them, to any person, entity, the press, subsequent or current employers, in any form on social media, or to any former or current employees, consultants, customers or suppliers of the Company except: (a) if the Company is required by law to publicly disclose this Agreement, such as in an SEC filing, and (b) in a Company press release to announce that Shandell has stepped down as President, General Counsel, and member of the Board of Directors, and that Mr. Shandell and the Company have mutually agreed that now is the right time to transition and to consolidate the Company's leadership structure (the "Press Release Announcement"). This includes oral or written statements including statements that place Shandell, the Company or any of the Released Parties in a negative light. The Company's obligations under this Paragraph C are limited to its (i) current directors and officers, and only for so long as they are directors and officers of the Company; and (ii) employees whose responsibilities include human resources, investor relations or public relations. By way of clarification, and not by way of limitation, the parties will not, or cause any other person or entity to, publish or post any negative or disparaging comments about Shandell, the Company or any of the Released Parties in any social media (*e.g.*, Facebook, Twitter, LinkedIn, Stocktwits, etc.), or to the press or in any media outlet, or in any other written or electronic communication whatsoever. If Shandell is asked about his separation from the Company, he will respond: The Company and I agreed that it was in the best interest of both parties to separate at this time. If the Company is asked about Shandell's separation, the Company will respond: Mr. Shandell has stepped down as President, General Counsel, and member of the Board of Directors. Mr. Shandell and the Company have mutually agreed that now is the right time to transition and to consolidate the Company's leadership structure. Further, Shandell agrees and acknowledges that the Company is required by law to publicly file this Agreement with the SEC in at least the Company's Quarterly Report on Form 10-Q for the quarter ending June 30, 2020, and to publicly disclose certain material terms of this Agreement in an 8-K filing. Additionally, Shandell agrees and acknowledges to the Press Release Announcement and that the Press Release Announcement is permissible.

2. Nothing in this Paragraph C prohibits either party from disclosing this Agreement or the facts and circumstances leading up to this Agreement if compelled to do so by court order or lawful subpoena or in connection with a dispute between Shandell and the Company concerning the matters contemplated herein.

3. Nothing in this Agreement (i) waives a party's right to testify in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or sexual harassment when the party has been required or requested to attend the proceeding pursuant to a court order, subpoena, or written request from an administrative agency or the legislature; (ii) prevents Shandell from making a report or disclosure of information that is protected under the whistleblower provisions of state or federal law or regulation to any self-regulatory organization, governmental agency, or legislative body; or (iii) restricts Shandell from initiating

communications directly with, responding to any inquiries from, providing testimony before, or from filing a claim with or assisting with an investigation of a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"). However, to the maximum extent permitted by law, Shandell is waiving his right to receive any individual monetary relief from the Company or any of the Released Parties resulting from such claims or conduct, regardless of whether Shandell or another party has filed them. This Agreement also does not limit Shandell's right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. Moreover, Shandell is hereby advised that federal law provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret where the disclosure is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; or (z) to an attorney and used in a court proceeding in connection with a lawsuit against the employer for retaliation for reporting a suspected violation of law if the information is filed under seal and not disclosed except pursuant to court order. *See* 18 U.S.C. § 1833(b)(1)-(2).

D. ENFORCEMENT AND BINDING NATURE

1. The parties agree that this Agreement is enforceable between the parties hereto. If any action or motion is brought to enforce this Agreement, the prevailing party in such action shall be entitled to reimbursement for reasonable costs, expenses and attorneys' fees incurred by it/him in such action or motion, except where prohibited by law.

2. This Agreement will be binding upon Shandell and the Company, and their respective heirs, executors, estates, administrators, assigns and successors.

3. The parties agree that the Released Parties set forth in Paragraph B are intended third party beneficiaries of this Agreement.

4. This Agreement will be governed by and construed in accordance with the laws of the State of California. This Agreement shall be given a fair and reasonable construction in accordance with the intentions of the parties as set forth in this Agreement and the parties hereto shall be deemed to have drafted this Agreement. The titles and headings used in this Agreement are for organizational purposes only and do not imply any rights or obligations to the parties.

5. The parties agree to pay their own costs, expenses, and attorneys' fees incurred in connection with the negotiation, drafting and execution of this Agreement, except as otherwise stated.

E. NO ADMISSION OF LIABILITY

This Agreement is not and cannot be used as evidence of, an admission of liability, or an admission of any violation of any law, rule, regulation or duty of any kind, by Shandell, the Company or any of the Released Parties.

F. CONFIDENTIAL INFORMATION AND RETURN OF COMPANY PROPERTY

Subject to the exclusions set forth above, Shandell agrees that he will continue to hold in strictest confidence, and never use, copy or disclose to any third party, any confidential or proprietary information of or relating to the Company or the Released Parties, which he learned, accessed, possessed, created, developed or used while employed by the Company. Shandell's signature below constitutes his certification under penalty of perjury that he has returned, or will return, to Dan Dischner, Associate Vice President of Human Resources, 11570 6th Street, Rancho Cucamonga, CA 91730, promptly after he executes and returns this Agreement (and by no later than the Effective Date of this Agreement), all documents and other items provided to Shandell by the Company, developed or obtained by Shandell in connection with his relationship with the Company, or otherwise belonging to the Company, including, but not limited to, any and all laptop computers, mobile phones (i.e., iPhone), hard drives, computing devices (e.g., iPad), and Company car. The Company agrees that per the discussion between Shandell and the Associate Vice President of Human Resources, the Company will promptly return Shandell's personal property and documents to the extent the Company can locate such personal property and documents after a reasonably diligent search. If such personal property and documents contains any Company property, including but not limited to, the Company's confidential or proprietary information, Shandell agrees to promptly destroy or delete such Company property.

G. COOPERATION

Shandell agrees that he will cooperate with the Company and/or the Released Parties and its or their counsel in connection with any investigation, administrative proceeding or litigation relating to any matter that occurred during his employment in which he was involved or about which he has knowledge. Unless required by law, court order or subpoena, Shandell agrees not to cooperate with or assist any other party that is not the Company and/or the Released Parties in any investigation, administrative proceeding or litigation relating to any matter that occurred during his employment in which he was involved or about which he has knowledge. Further, subject to the exclusions set forth in Paragraph C, Shandell agrees not to take, and shall not cause any other person or entity to take, any action that causes any harm, or any action that is reasonably foreseeable to cause any harm, to the Company or the Released Parties, including, but not limited to, any harm that causes monetary losses, business opportunity losses, regulatory delays or setbacks, and/or reputational harm.

H. ACKNOWLEDGMENTS AND WARRANTIES

1. Shandell declares that he knows and understands the contents of this Agreement; that he has had the opportunity to consult with an attorney of his choice prior to executing it; that he has executed it voluntarily and without coercion of any kind; that by executing this Agreement, he is relinquishing all claims he may have against the Company and the other

Released Parties as of the date of his execution of this Agreement; and that he has not relied on any representation or statement as an inducement to execute this Agreement unless said representation or statement is set forth in this Agreement.

2. Shandell represents and warrants that as of the date he executes this Agreement, he has not filed any charge or claim against the Company or the other Released Parties with any state or federal court, the Equal Employment Opportunity Commission, the Department of Fair Employment and Housing, the United States Department of Labor, or any other federal, state or local agency or entity relating to the Company or any of them. To the fullest extent permitted by law, Shandell agrees that he will not, on behalf of himself, or in cooperation or participation with any other person, including as a class member or representative, or other third party, file or in any manner voluntarily pursue or assist the pursuit of any claim, charge, complaint or action of any sort against the Company or the Released Parties including concerning any matter which was or could have been raised in connection with the claims released by him in this Agreement.

3. Shandell acknowledges and agrees that he has been paid any and all wages, bonuses, commissions, equity, paid time off, and other compensation, as applicable, due to him by the Company and the Released Parties for services performed, including under the Employment Agreement. Shandell agrees that if any claim for compensation or any form of wage is disputed by the parties, this Agreement fully settles and resolves such dispute. Shandell acknowledges that the Company has fully satisfied all of its obligations to Shandell under the Employment Agreement. Any other obligations the Company has to Shandell are set forth exclusively in and subject to the terms and conditions of this Agreement.

4. Shandell represents and warrants that he has not assigned or in any way conveyed, transferred, or encumbered all or any portion of the claims released in this Agreement.

I. D&O INSURANCE AND INDEMNIFICATION

Through at least the sixth anniversary of the Separation Date, the Company shall maintain coverage for Shandell as a named insured on all directors' and officers' insurance maintained by the Company for the benefit of its directors and officers on at least the same basis as all other covered individuals and provide Shandell with at least the same corporate indemnification as it provides to other senior executives and directors.

J. INTEGRATION, MODIFICATION, SEVERABILITY, EXECUTION

1. This Agreement constitutes the entire agreement between the parties with respect to the subject matter herein, and is the complete, final, and exclusive embodiment of the parties' agreement with respect to its subject matter. This Agreement supersedes all prior and/or contemporaneous oral and/or written agreements, representations, and understandings between the parties relating to the subject matter herein. No modification of or amendment to this Agreement, nor waiver of any rights under it, will be effective unless in writing and signed by Shandell and an authorized representative of the Company and specifically referring to this Agreement. Waiver of any provision of this Agreement by any party hereto will not constitute a waiver of any other provision of this Agreement.

2. If any provision of this Agreement is held to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force and effect without being impaired or invalidated in any way.

3. The Recitals to this Agreement are deemed contractual and incorporated herein by reference. The signature pages of this Agreement may be executed in counterparts, all of which will have the same force and effect as though they were the same original. The parties hereto agree that facsimile, PDF or electronic signatures shall be as effective as if originals.

IN WITNESS WHEREOF, the parties have voluntarily entered into this Confidential Settlement Agreement and General Release of Claims entered into as of the date set forth below and shall be effective and irrevocable as set forth herein.

DATED: 4/13, 2020

/s/ Jason Shandell
Jason Shandell

AMPHASTAR PHARMACEUTICALS, INC.

DATED: 4/13, 2020

By: **/s/ Dan Dischner**
By: Dan Dischner
Its: Associate Vice President of Human Resources

APPENDIX A

No.	Type	Agreed Terms
1	Base Salary	$1,536,000
2	Bonus	$889,376
	Total Cash (payable as lump-sum within 10 calendar days after Shandell returns a signed copy of this Agreement to the Company and does not revoke the Agreement)	**$2,425,376**
3	Company to purchase Shandell's investment interest in ANP (to be completed within ninety (90) calendar days after ANP 2020 Valuation).	at Fair Market Value
4a	Unvested LTI- RSU	Vest 80% of each RSU Grant that are Not Vested yet (within 10 calendar days after Shandell returns a signed copy of this Agreement to the Company and does not revoke the Agreement); Shandell still subject to current black-out period; Company will withhold shares (at the maximum statutory rates) in order to pay Shandell's applicable taxes upon vesting of the RSUs.
4b	Unvested LTI- Stock Options	Vest 80% of each Option Grant that are Not Vested yet (within 10 calendar days after Shandell returns a signed copy of this Agreement to the Company and does not revoke the Agreement); Shandell still subject to current black-out period; all of Shandell's Options shall remain exercisable for three (3) months following the Effective Date.
5	Health Insurance	36 months coverage from Separation Date

Loan No.: 2000017069-100

EIGHTH MODIFICATION AGREEMENT

THIS EIGHTH MODIFICATION AGREEMENT ("Modification") is dated as of this 15th day of June, 2020, by and among AMPHASTAR PHARMACEUTICALS, INC., a Delaware corporation ("Borrower") and ARMSTRONG PHARMACEUTICALS, INC., a Delaware corporation ("Guarantor"), on the one hand, and CATHAY BANK, a California banking corporation ("Lender"), on the other hand, with reference to the following facts:

W I T N E S S E T H:

A. Lender has heretofore extended a revolving line of credit in the original maximum principal amount of $20,000,000.00 ("Loan") to Borrower, which loan is evidenced by, among other things, that certain Revolving Loan and Security Agreement dated April 10, 2012, executed by Borrower and Lender (together with any amendment thereto and/or modification thereof, "Loan Agreement").

B. The Loan Agreement was previously amended by (i) that certain First Extension and Modification Agreement dated April 11, 2013, executed by Borrower and Lender ("First Modification"), (ii) that certain Second Extension and Modification Agreement dated April 28, 2014, executed by Borrower and Lender ("Second Modification"); (iii) that certain Third Modification Agreement dated December 31, 2014, executed by Borrower, Guarantor and Lender ("Third Modification"); (iv) that certain Fourth Modification Agreement dated June 23, 2016, executed by Borrower, Guarantor and Lender ("Fourth Modification"); and (v) that certain Fifth Modification Agreement dated December 27, 2017, executed by Borrower, Guarantor and Lender ("Fifth Modification"), (vi) that certain Sixth Modification Agreement dated July 11, 2018, executed by Borrower, Guarantor and Lender ("Sixth Modification") and (vii) that certain Seventh Modification Agreement dated December 26, 2018 ("Seventh Modification").

C. As an inducement to Lender to enter into the Second Modification, Guarantor executed and delivered to Lender that certain Continuing Guaranty dated April 28, 2014, pursuant to which, among other things, Guarantor guaranteed to Lender the payment and performance of any and all obligations of Borrower the Loan Agreement ("Guaranty").

D. The Loan Agreement, Guaranty and all other documents executed or delivered in connection therewith, and all modifications, extensions, and substitutions thereof (including, without limitation, the First Modification, Second Modification, Third Modification, Fourth Modification, Fifth Modification, Sixth Modification and Seventh Modification) are hereafter called the "Loan Documents." All terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Loan Agreement.

E. Borrower and Guarantor have now requested that Lender agree to (i) further extend the Maturity Date for Borrower Base Subline from May 31, 2020 to May 31, 2022, and (ii) make certain further modifications and/or changes to the terms of the Loan and the Loan Documents, as more particularly set forth herein. Lender is willing to do so subject to the terms and conditions of this Modification.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

AGREEMENT

1. Recitals. The Recitals are incorporated herein by this reference as are all exhibits. Borrower and Guarantor agree and acknowledge that the factual information recited above is true and correct.

2. Borrower and Guarantor Acknowledgment as to Obligations.

a. As of June 15, 2020, the outstanding principal balance of the Loan is $0.00. Notwithstanding that, as of June 15, 2020, there are no Advances outstanding under the Loan Agreement, Borrower and Guarantor acknowledge and agree that the Loan Agreement and the other Loan Documents (including, without limitation, any and all liens or security interests granted to Lender therein) remain in full force and effect, and in the event any Advances are made by Lender to Borrower under the Loan Agreement after June 15, 2020, Borrower shall be obligated for the repayment of the same, together with interest thereon, in accordance with the terms and conditions set forth in the Loan Agreement.

b. Borrower and Guarantor specifically acknowledge and confirm that they do not have any valid offset or defense to the obligations, indebtedness and liability under the Loan Documents.

3. Reaffirmation of Obligations. This Modification is, in part, a reaffirmation of the obligations, indebtedness and liability of Borrower and Guarantor to Lender as evidenced by the Loan Agreement, Guaranty and the other Loan Documents. Therefore, Borrower and Guarantor represent, warrant, acknowledge and agree that, except as specified herein, all of the terms and conditions of the Loan Documents are and shall remain in full force and effect, without waiver or modification of any kind whatsoever, and are ratified and confirmed in all respects.

4. Extension of Maturity Date for Borrowing Base Subline. The Maturity Date for Borrowing Base Subline is hereby extended from May 31, 2020 to May 31, 2022, at which time the entire principal balance under the Borrowing Base Subline plus all accrued and unpaid interest thereon is and shall be due and payable as provided under the Loan Documents.

5. Modification of Loan Agreement.

a. Subsection (t) of the definition of "Eligible Accounts" on page 4 of the Loan Agreement (as modified by Section 5.c. of the First Modification and by Section 5.c. of the Sixth Modification) is further hereby amended to read as follows:

> "(t) Accounts where the Account Debtor is McKesson Corporation, a Delaware corporation, or any affiliate or subsidiary thereof, and such Account(s) exceed(s), in the aggregate, forty percent (40%) of the aggregate Eligible Accounts Receivable."

b. Section 3.1(a) of the Loan Agreement (which was modified by Section 5.d. of the First Modification and by Section 5.d. of the Sixth Modification) is further hereby amended to read as follows:

> "(a) Each Advance shall bear interest at a per annum rate equal to the Prime Rate, but in no event less than three and three-quarters of one percent (3.75%) per annum, calculated on the basis of a 360-day year for the actual number of days elapsed."

c. Section 9.4(a) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

> "(a) Field audits of Borrower verifying Borrower's methodology and valuation of accounts receivable and inventory, performed by an agent designated by Lender, all to the satisfaction of Lender in its sole opinion judgment, shall be conducted pursuant to this Section 9.4. Borrower shall not be required to submit to any field audit if, but only if, during any Cycle (as hereinafter defined), all Advances under the Loan Documents are fully repaid (including, without limitation, all accrued and unpaid interest due in connection with such Advance) within ninety (90) consecutive calendar days of the date of such Advance. (For purposes hereof, 'Cycle" shall mean the twelve (12)-month period of time commencing on April 1 of any calendar year and ending on March 31 of the immediately succeeding calendar year.) If any Advance is not fully repaid under the terms of the Loan Documents (including, without limitation, all accrued and unpaid interest due in connection with such Advance) within ninety (90) consecutive calendar days of the date of such Advance, on or before June 30th of the calendar year following the end of the Cycle in which such Advance occurred, Borrower shall permit Lender, on ten (10) Business Days' prior notice, to conduct a field audit of Borrower as described herein."

d. Under Section 9.4(b) of the Loan Agreement, the last two sentences are hereby deleted and replaced with the following:

> "Lender will give Borrower at least ten (10) Business Days' prior written notice of field audits pursuant to Section 9.4(a) of this Agreement. Borrower shall reimburse Lender for any cost incurred for such field audits up to an aggregate maximum amount of $1,800.00 within any Cycle (as defined in Section 9.4(a))."

6. Borrower's and Guarantor's Representations and Warranties. Borrower and Guarantor hereby represent and warrant to Lender and covenant and agree with Lender as follows:

a. Borrower and Guarantor have full legal right, power and authority to enter into and perform this Modification. The execution and delivery of this Modification by Borrower and Guarantor, and the consummation by Borrower and Guarantor of the transactions contemplated hereby have been duly authorized by all necessary action by or on behalf of Borrower and Guarantor. This Modification is a valid and binding obligation of Borrower and Guarantor, enforceable against Borrower and Guarantor in accordance with its terms.

b. Neither the execution and delivery of this Modification by Borrower and Guarantor, nor the consummation by Borrower and Guarantor of the transactions contemplated hereby, conflicts with or constitutes a violation or a default under any law applicable to Borrower and Guarantor, or any contract, commitment, agreement, arrangement or restriction of any kind to which Borrower or Guarantor is a party, by which Borrower or Guarantor is bound or to which any of Borrower's or Guarantor's property or assets is subject.

c. There are no actions, suits or proceedings pending, or to the knowledge of Borrower or Guarantor, threatened against or affecting Borrower or Guarantor, in relation to its obligations to Lender or involving the validity and enforceability of this Modification, or any of the other Loan Documents or Additional Loan Documents (as hereinafter defined), as applicable, at law or in equity, or before or by any governmental agency, or which could have a material adverse effect on the financial condition, operations, properties, assets, liabilities or earnings of Borrower or Guarantor, or the ability of Borrower or Guarantor to perform its obligations to Lender.

d. Borrower and Guarantor hereby reaffirm and confirm that the representations and warranties of Borrower and Guarantor contained in the Loan Documents are true, correct and complete in all material respects as of the Reference Date of this Modification.

e. Borrower and Guarantor are in full and complete compliance with the terms, covenants, provisions and conditions of the Loan Agreement and the other Loan Documents to which they are a party.

f. All covenants, representations and warranties of herein are incorporated by reference and hereby made a part of the Loan Documents, as applicable.

7. Incorporation. The terms, conditions and provisions of this Modification are hereby incorporated in the Loan Agreement and other Loan Documents and shall have the same force and effect as if originally incorporated therein.

8. Conditions Precedent. The effectiveness of this Modification shall be expressly conditioned upon the following having occurred or Lender having received all of the following, in form and content satisfactory to Lender and its counsel, and suitable for filing or recording, as the case may be, as required, by no later than June 26, 2020:

a. This Modification, fully executed by Borrower and Guarantor;

b. Borrower shall pay to Lender, from Borrower's own funds, the sum of $20,000.00, as an extension fee, which shall be deemed fully earned by Lender and non-refundable to Borrower upon the execution of this Modification;

c. If required by Lender, a field audit of by an agent designated by Lender, all to the satisfaction of Lender in its sole opinion judgment, in accordance with Section 9.4 of the Loan Agreement (as modified herein) (the "Loan Renewal Field Audit").

d. Payment and/or reimbursement to Lender of the fees, costs and expenses (including, without limitation, attorneys' fees) incurred by Lender in connection with this Modification and the Loan Renewal Field Audit;

e. A fully executed copy of that certain Certificate of Incumbency of Guarantor, of or about the date of this Modification; and

f. Such additional assignments, agreements, certificates, reports, approvals, instruments, documents, subordination agreements, financing statements, consents and opinions as Lender may request, in its sole opinion and judgment, in connection with this Modification.

The documents and instruments referenced in this Section 9.a and 9.f, above, inclusive, are hereinafter referred to individually and collectively as the "Additional Loan Documents."

9. Successors and Assigns. This Modification shall be binding upon and inure to the benefit of Borrower and Guarantor and their respective successors and assigns, except that Borrower and Guarantor may not assign their rights hereunder or any interest therein without the prior written consent of Lender.

10. General Release of Lender.

a. Except as to the obligations imposed upon Lender, as provided herein, Borrower and Guarantor, on behalf of themselves, their respective successors and assigns, and each of them, do hereby forever relieve, release, acquit and discharge Lender and its predecessors, successors and assigns, and their respective past and present attorneys, accountants, insurers, representatives, affiliates, partners, subsidiaries, officers, employees, directors, and shareholders, and each of them (collectively, the "Released Parties"), from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs and expenses (including, but not limited to, attorneys' fees), damages, injuries, actions and causes of action, of whatever kind or nature, whether legal or equitable, known or unknown, suspected or unsuspected, contingent or fixed, which Borrower or Guarantor now owns or holds or has at any time heretofore owned or held or may at any time hereafter own or hold against the Released Parties, or any of them, by reason of any acts, facts, transactions or any circumstances whatsoever occurring or existing, including, but not limited to, those based upon, arising out of, appertaining to, or in connection with the Recitals above, the Loan, the facts pertaining to this Modification, any collateral heretofore granted to Lender or granted in connection herewith, or to any other obligations of Borrower and Guarantor to Lender, or the lending arrangements between Lender and Borrower and Guarantor.

b. As to the matters released herein, Borrower and Guarantor expressly waive any and all rights under Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

c. Borrower and Guarantor expressly waive and release any right or benefit which they have or may have under Section 1542 of the Civil Code of the State of California, and any similar law of any state, territory, commonwealth or possession of the United States, or the United States, to the full extent that they may waive all such rights and benefits pertaining to the matters released herein. In connection with such waiver and relinquishment, Borrower and Guarantor acknowledge that they are aware that they may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true. Nevertheless, it is the intention of Borrower and Guarantor, through this Modification, to fully, finally and forever release all such matters, and all claims relative thereto, which do now exist, may exist, or heretofore have existed. In furtherance of such intention, the release herein given shall be and remain in effect as a full and complete release of such matters notwithstanding the discovery or existence of any such additional or different claims or facts relative thereto.

d. Borrower and Guarantor are the sole and lawful owners of all right, title and interest in and to every claim and other matter which they purport to release herein, and they have not heretofore assigned or transferred, or purported to assign or transfer to any person or any entity claims or other matters herein released. Borrower and Guarantor shall indemnify, defend and hold Lender and each of the other Released Parties, and each of them, harmless from and against any claims, liabilities, actions, causes of action, demands, injuries, costs, and expenses (including, but not limited to, attorneys' fees), based upon or arising in connection with any such prior assignment or transfer, or any such purported assignment or transfer, or any claims or other matters released herein.

11. Revival of Obligation.

a. Borrower and Guarantor acknowledge and agree that in the event that the payment of money, this Modification, or the grant of collateral should for any reason subsequently be declared to be "fraudulent" within the meaning of any state, federal or foreign law relating to fraudulent conveyances, preferential or otherwise voidable or recoverable, in whole or in part, for any reason, under the United States Bankruptcy Code or any other federal, foreign or state law (collectively referred to herein as "Voidable Transfer"), and Lender is required to pay or restore any such Voidable Transfer, or any portion thereof, then as to that which is repaid or restored pursuant to any such Voidable Transfer (including all costs, expenses and attorneys' fees of Lender related thereto, including, without limitation, relief from stay or similar proceedings), the liability of Borrower and Guarantor shall automatically be revived, reinstated and restored to the extent thereof, and shall exist as though such Voidable Transfer had never been made to Lender.

b. Nothing set forth herein is an admission that such Voidable Transfer has occurred. Borrower and Guarantor expressly acknowledge that Lender may rely upon advice of counsel, and if so advised by counsel, may, in the exercise of Lender's sole opinion and

judgment, settle, without defending, any action to void any alleged Voidable Transfer, and that upon such settlement, Borrower and Guarantor shall again be liable for any deficiency resulting from such settlement as provided in this Modification.

c. As an additional inducement to and material consideration for Lender agreeing to the modifications provided in this Modification, agrees that in the event a Bankruptcy or Judicial Action (as hereinafter defined in this Section 11) is commenced which subjects Lender to any stay in the exercise of Lender's rights and remedies under the Loan Documents including, but not limited to, the automatic stay imposed by Section 362 of the United States Bankruptcy Code (individually and collectively, "Stay"), then Borrower and Guarantor irrevocably consent and agree that such Stay shall automatically be lifted and released against Lender, and Lender shall thereafter be entitled to exercise all of its rights and remedies against Borrower and/or Guarantor under the Loan Documents, subject, however, to the terms and conditions of this Modification. Borrower and Guarantor acknowledge that they are knowingly, voluntarily, and intentionally waiving their rights to any Stay and agree that the benefits provided to Borrower and Guarantor under the terms of this Modification are valuable consideration for such waiver. As used in this Section 11, the term "Bankruptcy or Judicial Action" shall mean any voluntary or involuntary case filed by or against Borrower and/or Guarantor, under the United States Bankruptcy Code, or any voluntary or involuntary petition in composition, readjustment, liquidation, or dissolution, or any state and federal bankruptcy law action filed by or against Borrower and/or Guarantor, any action where Borrower and/or Guarantor are adjudicated as bankrupt or insolvent, any action for dissolution of Borrower and/or Guarantor, or any action in furtherance of any of the foregoing, or any other action, case, or proceeding that has the effect of staying (or in which a stay is being obtained against) the enforcement by Lender of its rights and remedies under this Modification, or any of the Loan Documents.

12. No Joint Venture, Management and Control. Notwithstanding any provision of this Modification and/or of the Loan Documents:

a. Lender is not and shall not be construed to be a partner, joint venture, alter ego, manager, controlling person or other business associate or participant of any kind of Borrower, Guarantor or any other person;

b. Lender shall not be deemed responsible to perform or participate in any acts, omissions, or decisions of Borrower or Guarantor; and;

c. Borrower and Guarantor do not have any claims, causes of action or defenses to their obligations to Lender based on any allegations of management or control exercised by Lender. Borrower and Guarantor acknowledge and agree that Lender does not manage or control them in any way.

13. Miscellaneous.

a. Section headings used in this Modification are for convenience only and shall not affect the construction of this Modification.

b. This Modification may be executed in one or more counterparts but all of the counterparts shall constitute one agreement; provided, however, this Modification shall not be effective and enforceable unless and until it is executed by all parties hereto.

c. This Modification and the other documents and instruments executed in connection therewith constitute the product of the negotiation of the parties hereto and the enforcement hereof shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship hereof.

d. This Modification is not a novation, nor, except as expressly provided in this Modification, is it to be construed as a release or modification of any of the terms, conditions, warranties, waivers or rights set forth in the Loan Documents. Nothing contained in this Modification shall be deemed to constitute a waiver by Lender of any required performance by Borrower or Guarantor, of any default heretofore or hereafter occurring under or in connection with the other Loan Documents. In the event there is a conflict in any term, condition or provision of this Modification, on the one hand, and the Loan Agreement or any of the other Loan Documents, on the other hand, the terms, conditions and provisions of this Modification are to control.

e. Borrower and Guarantor hereby further represent and warrant as follows:

(1) Borrower and Guarantor have received, or have had the opportunity to receive, independent legal advice from attorneys of each of their choice with respect to the advisability of executing this Modification and prior to the execution of this Modification by Borrower and Guarantor, their attorneys reviewed this Modification and discussed this Modification with them and have made all desired changes;

(2) Except as expressly stated in this Modification, neither Lender nor any other person or entity has made any statement or representation to Borrower or Guarantor regarding facts relied upon by Borrower or Guarantor;

(3) Borrower and Guarantor do not rely upon any statement, representation or promise of Lender or any other person or entity in executing this Modification except as expressly stated in this Modification;

(4) The terms of this Modification are contractual and not a mere recital;

(5) This Modification has been carefully read by, the contents hereof are known and understood by, and it is signed freely by Borrower; and

(6) This Modification and the releases contained herein are intended to be final and binding against Borrower and Guarantor, and Borrower and Guarantor acknowledge that Lender is expressly relying on the finality of this Modification as a substantial, material factor inducing Lender's execution of this Modification.

f. **JUDICIAL REFERENCE** – The parties hereby agree that any claims, controversies, disputes, or questions of interpretation, whether legal or equitable, arising out of,

concerning or related to this Modification and all loan documents executed by Borrower and Guarantor shall be heard by a single referee by consensual general judicial reference pursuant to the provisions of California Code of Civil Procedure Sections 638 et seq., who shall determine all issues of fact or law and to report a statement of decision. The referee shall also have the power to hear and determine proceedings for ancillary relief, including, but not limited to, applications for attachment, issuance of injunctive relief, appointment of a receiver, and/or claim and delivery. The costs of the proceeding shall be borne equally by the parties to the dispute, subject to the discretion of the referee to allocate such costs based on a determination as to the prevailing party(ies) in the proceeding. ***By initialing below the parties acknowledge that they have read and understand the foregoing Judicial Reference provisions and understand that they are waiving their right to a jury trial.***

/s/ Rong Zhou	**/s/Jack Y. Zhang**	**/s/Kenneth Chan**
Guarantor's Initials	Borrower's Initials	Lender's Initials

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Modification on the date and year first written above.

BORROWER:

AMPHASTAR PHARMACEUTICALS, INC.,
a Delaware corporation

By: **/s/ Jack Y. Zhang**
Name: Jack Y. Zhang
Title: Chief Executive Officer and President

GUARANTOR:

ARMSTRONG PHARMACEUTICALS, INC.,
a Delaware corporation

By: **/s/ Rong Zhou**
Name: Rong Zhou
Title: President

LENDER:

CATHAY BANK,
a California banking corporation,

By: **/s/ Kenneth Chan**
Name: Kenneth Chan
Title: First Vice President

CORPORATE RESOLUTION TO BORROW
AND TO GRANT A SECURITY INTEREST

Borrower:	**Lender:**
AMPHASTAR PHARMACEUTICALS, INC. 11570 6th Street Rancho Cucamonga, California 91730	CATHAY BANK 9650 Flair Drive El Monte, California 91731

WHEREAS, AMPHASTAR PHARMACEUTICALS, INC., a Delaware corporation ("Corporation"), has heretofore obtained from CATHAY BANK, a California banking corporation ("Lender"), a revolving line of credit in the principal amount of $20,000,000.00 ("Loan") evidenced by, inter alia, that certain Revolving Loan and Security Agreement dated April 10, 2012 (together with any amendments or modifications thereof, the "Loan Agreement"), and it may in the future be in the best interests of the Corporation to receive certain other or additional financial accommodation from Lender, and to grant to Lender a security interest in such assets of the Corporation as, in the judgment of said Officer (as defined below), they determine appropriate or necessary.

NOW, THEREFORE, BE IT UNANIMOUSLY RESOLVED, that Jack Y.Zhang, as Chief Executive Officer and President of this Corporation (herein sometimes referred to as "said Officer"), be, and is hereby, authorized, directed and empowered, from time to time, acting alone, to act for and on behalf of and in the name of this Corporation as its corporate acts and deeds the following:

(a) To execute and deliver to Lender that certain Eighth Modification Agreement dated as of June 15, 2020 (the "Modification") and to perform all terms, provisions and conditions thereunder.

(b) To borrow money from Lender in such amounts and upon such terms as may be agreed upon between Lender and said Officer, to direct the disposition of the proceeds, and to execute and deliver or endorse documents, instruments and such related evidences of indebtedness, loan agreements, security agreements, financing statements, deeds of trust, riders, and of any renewals, extensions, or modifications of any such financial accommodation (including, without limitation, the Modification), whether in whole or in part thereof, whether now or hereafter existing, as may be required by Lender;

(c) To sell to, or discount, modify or rediscount with, Lender any and all negotiable instruments, contracts or instruments or evidences of debt at any time held by

this Corporation and to endorse, transfer and deliver the same together with guaranties of payment thereof or agreements to repurchase the same in favor of Lender, Lender hereby being authorized and directed to pay the proceeds of said sale, discount, modification or rediscount as directed by the endorsement thereon without inquiring into the circumstances of their issue or endorsement or the disposition of the proceeds;

(d) To grant, pledge, transfer, endorse, mortgage, assign, or hypothecate to Lender or deed in trust for Lender's benefit, any and all of the real or personal property of this Corporation (including, but not limited to, chattel mortgages, bills, instruments, documents, chattel paper, notes, money, deposit accounts, accounts, receivables, inventory, equipment, goods and general intangibles) as security for any monies borrowed from Lender or any liability incurred by this Corporation to Lender, whether matured or not matured, absolute or contingent, and wherever payable;

(e) To withdraw, receive and receipt for and to withdraw upon trust receipts on the responsibility and at the risk of this Corporation, and to sign orders for the withdrawal, substitution or exchange of any property pledged, assigned, transferred or otherwise held for this Corporation's account; such withdrawals, substitutions or exchanges may also be made by the bearer of any order, receipt or request so signed;

(f) To make, execute and deliver such documents, instruments, deeds of trust, riders, financing agreements, waivers, guaranties and agreements containing such provisions, covenants, recitals and agreements as may be required by Lender (which documents may contain restrictions on dividends or payments of indebtedness to officers);

(g) To perform or cause to be performed all further acts and to execute and deliver all further instruments which Lender may deem necessary to carry out the purposes of this resolution; and

(h) To direct Lender orally or by written instructions to disburse the proceeds of any loan in the name of the Corporation for any person, partnership, corporation or other legal entity, including, without limitation, said Officer.

UNANIMOUSLY RESOLVED FURTHER, that the authority hereby conferred shall be deemed retroactive and that this Corporation hereby ratifies and confirms the acts of its officers, agents or employees in heretofore obligating this Corporation to Lender together with any acts performed in relation thereto.

UNANIMOUSLY RESOLVED FURTHER, that at any time Lender may apply any money or property in its hands belonging to the Corporation to the payment of any indebtedness of the Corporation to Lender, whether due or not due.

UNANIMOUSLY RESOLVED FURTHER, that the Secretary of this Corporation is hereby authorized to execute, acknowledge and deliver a certified copy of this resolution to Lender and any other person or agency which may require copies of this

resolution and that the certification of the Secretary as to the above named officer will be binding on this Corporation.

UNANIMOUSLY RESOLVED FURTHER, that Lender is authorized to act upon this resolution until written notice of the revocation hereof by a resolution duly adopted by the Board of Directors of this Corporation is delivered to Lender, such revocation in no way to affect the obligations of this Corporation to Lender incurred pursuant to the terms of this resolution prior to receipt by Lender of such notice of revocation.

[CONTINUES ON NEXT PAGE.]

* *

I, Jacob Liawatidewi, Secretary of the Corporation, duly organized and existing under the laws of the State of Delaware, do hereby certify that the foregoing is a full, true and correct copy of a certain unanimous resolution of the Board of Directors of said Corporation, duly adopted by unanimous action by written consent in lieu of a meeting of the Board of Directors of said Corporation on the 15th day of June, 2020.

I further certify that said resolution is still in force and effect and has not been amended or revoked and that the specimen signature appearing below is the signature of the officer authorized to sign for this Corporation by virtue of said resolution.

AUTHORIZED SIGNATURE:

/s/ Jack Y. Zhang

Name: Jack Y. Zhang
Title: Chief Executive Officer and President

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary of said Corporation this 15th day of June, 2020.

/s/ Jacob Liawatidewi

Jacob Liawatidewi, Secretary

CORPORATE RESOLUTION TO GUARANTEE
(Armstrong Pharmaceuticals, Inc.**)**

Corporation:

ARMSTRONG PHARMACEUTICALS, INC.
11570 6th Street
Rancho Cucamonga, California 91730

Borrower:

AMPHASTAR PHARMACEUTICALS, INC.
11570 6th Street
Rancho Cucamonga, California 91730

Lender:

CATHAY BANK
9650 Flair Drive
El Monte, California 91731 Attention:
Ken Chan, First Vice President

WHEREAS, AMPHASTAR PHARMACEUTICALS, INC., a Delaware corporation ("Borrower"), has heretofore obtained from CATHAY BANK, a California banking corporation ("Lender"), a revolving line of credit in the principal amount of $20,000,000.00 ("Loan") evidenced by, inter alia, that certain Revolving Loan and Security Agreement dated April 10, 2012 (together with any amendments or modifications thereof, the "Loan Agreement"), and may in the future desire to obtain such other or additional loans, advances, and/or extensions of credit (including renewals, modifications and/or extensions of time to pay existing indebtedness) as Lender may be willing to make or extend to Borrower, and said Borrower may hereafter from time to time become indebted or further indebted to Lender; and

WHEREAS, the Board of Directors (the "Board") of ARMSTRONG PHARMACEUTICALS, INC., a Delaware corporation ("Corporation"), incorporated under the laws of the State of Delaware, has reviewed the terms and conditions of that certain Eighth Modification Agreement dated as of June 15, 2020 (the "Modification") and has determined that this Corporation will be benefited and its corporate purposes will be served and attained by Borrower's entry into the Modification in that this Corporation receives a substantial benefit from the support of Borrower, and as such, this Corporation desires and requests that Lender enter into the Modification with Borrower, on such terms and conditions, as Lender shall determine; and

WHEREAS, this Corporation has full authority to guarantee payment of such loans, advances and/or extensions of credit, and Lender requires that such payment be guaranteed by this Corporation;

NOW, THEREFORE, BE IT RESOLVED, that Rong Zhou, as President of this Corporation (herein sometimes referred to as "authorized officer"), be, and is hereby, authorized, directed and empowered, from time to time, acting alone, to act for and on behalf of and in the name of this Corporation as its corporate act and deed:

(a) To execute and deliver to Lender the Modification, and to perform all terms, provisions and conditions thereunder.

(b) To guarantee, from time to time and on such terms and conditions as Lender may require, payment of any or all of the indebtedness or obligations, present and/or future, of Borrower in favor of or held by Lender, which indebtedness or obligations are or shall be evidenced by a written instrument or agreement, regardless of the form thereof;

(c) To execute such form of guarantee or guarantees as Lender may require, and as security therefor to pledge, assign, mortgage, hypothecate or grant security interests in such assets of this Corporation as may be required and agreed upon between him or them and Lender and to execute and deliver one or more trust deeds, mortgages and/or security agreements of this Corporation covering such property owned by this Corporation as may be required by Lender, and also, from time to time to substitute for said property or any part thereof, other property to be held on like terms; said guarantees, pledges, trust deeds, mortgages and/or security agreements to contain such provisions and agreements as may be required by Lender; and

(d) To renew, modify or extend the said guarantee or guarantees in whole or in part, and/or to execute other or further guarantees and security instruments, from time to time; and Lender is authorized to at any time apply any money or property in its hands belonging to this Corporation to the payment of any secured or unsecured obligations including such guaranteed obligations of this Corporation to Lender, whether due or not, in the manner recited in the form of security instrument used by Lender.

RESOLVED FURTHER, that the authority hereby conferred shall be deemed retroactive and that this Corporation hereby ratifies and confirms the acts of its officers, agents or employees in heretofore obligating this Corporation to Lender together with any acts performed in relation thereto.

RESOLVED FURTHER, that the Secretary of this Corporation is hereby authorized to execute, acknowledge and deliver a certified copy of this resolution to Lender and any other person or agency which may require copies of this resolution and that the certification of the Secretary as to the above named officer will be binding on this Corporation.

RESOLVED FURTHER, that Lender is authorized to act upon this resolution until written notice of the revocation hereof by a resolution duly adopted by the Board of Directors of this Corporation is delivered to Lender, such revocation in no way to affect the obligations of this Corporation to Lender incurred pursuant to the terms of this resolution prior to receipt by Lender of such notice of revocation.

****

I, Jacob Liawatidewi, Secretary of this Corporation, certify that the foregoing is a true copy of resolutions duly and regularly adopted by the Board of Directors of this Corporation, by unanimous written consent without a meeting, and that the resolution has not been modified or rescinded, and that the resolution has not been modified or rescinded. I further certify that the signature appearing below is the genuine signature of the authorized officer.

AUTHORIZED SIGNATURE:

By: **/s/ Rong Zhou**
Name: Rong Zhou
Its: President

I further certify that said resolutions are still in force and effect and have not been amended or revoked and that the specimen signature appearing below is the signature of the officer authorized to sign for this Corporation by virtue of said resolutions.

IN WITNESS WHEREOF, I have hereunto set my hand as such Secretary of said Corporation this 15th day of June, 2020.

By: **/s/ Jacob Liawatidewi**
Name: Jacob Liawatidewi
Its: Secretary

Exhibit 31.1

Certification

I, Jack Y. Zhang, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Date: August 7, 2020

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification

I, William J. Peters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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.

Date: August 7, 2020

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the "Company"), hereby certifies, to the best of such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 7, 2020

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the "Company"), hereby certifies, to the best of such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2020 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: August 7, 2020

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.