EAGLE PHARMACEUTICALS, INC.
Form 10-Q
May 15, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014
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 001-36306

Eagle Pharmaceuticals, Inc.
(Exact Name of Registrant as Specified in its Charter)

| Delaware | 2834 | 20-8179278 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

50 Tice Boulevard, Suite 315
Woodcliff Lake, NJ 07677
(201) 326-5300
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

| Large accelerated filer o | Accelerated filer o | Non-accelerated filer x (Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

The number of shares outstanding of the registrant’s common stock as of May 12, 2014: 14,020,133 shares.

Eagle Pharmaceuticals, Inc.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, that involve risk and uncertainties. The words “may,” “will,” “plan,” “believe,” “expect,” “intend,” “anticipate,” “potential,” “should,” “estimate,” “predict,” “project,” similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those projected in the forward-looking statements.

These statements relate to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the success, cost and timing of our product development activities and clinical trials;
- our ability to obtain and maintain regulatory approval of our product candidates, and any related restrictions, limitations, and/or warnings in the label of an approved product candidate;
- our ability to obtain funding for our operations;
- our plans to research, develop and commercialize our product candidates;
- our ability to attract collaborators with development, regulatory and commercialization expertise;
- the size and growth potential of the markets for our product candidates, and our ability to serve those markets;
- our ability to successfully commercialize our product candidates;
- the rate and degree of market acceptance of our product candidates;
- our ability to develop sales and marketing capabilities, whether alone or with potential future collaborators;
- regulatory developments in the United States and foreign countries;
- the performance of our third-party suppliers and manufacturers;
- the success of competing drugs that are or become available;
- the loss of key scientific or management personnel;
- our expectations regarding the period during which we qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”);
- our use of the proceeds from the recent offering;
- the accuracy of our estimates regarding expenses, future revenues, capital requirements and needs for additional financing;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates; and
- our ability to prevent or minimize the effects of paragraph IV patent litigation.

In some cases, you can identify these statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expects,” “inter “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or the negative of those terms, and similar expressio

These forward-looking statements reflect our management’s beliefs and views with respect to future events and are based on estimates and assumptions as of the date of this Form 10Q and are subject to risks and uncertainties. We discuss many of these risks in greater detail under the heading “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

NOTE REGARDING COMPANY REFERENCES

Throughout this report, “Eagle Pharmaceuticals,” the “Company,” “we,” “us” and “our” refer to Eagle Pharmaceuticals, Inc.

NOTE REGARDING TRADEMARKS

All trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

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EAGLE PHARMACEUTICALS, INC.
CONDENSED BALANCE SHEETS

| | March 31, 2014 (unaudited) | September 30, 2013 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $54,879,521 | $10,455,565 |
| Accounts receivable | 7,820,456 | 5,124,182 |
| Prepaid expenses and other current assets | 832,712 | 1,902,660 |
| Total current assets | 63,532,689 | 17,482,407 |
| Property and equipment, net | 377,458 | 402,286 |
| Other assets | 45,000 | 46,320 |
| Deferred initial public offering costs | — | 171,607 |
| Total assets | $63,955,147 | $18,102,620 |
| LIABILITIES, SHARES SUBJECT TO REDEMPTION AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable | $2,458,254 | $1,192,600 |
| Accrued expenses | 7,115,548 | 3,129,552 |
| Deferred revenue | 9,694,653 | 10,019,653 |
| Total current liabilities | 19,268,455 | 14,341,805 |
| Redeemable Series C Preferred Stock warrants | — | 1,706,829 |
| Shares subject to redemption: | | |
| Series A Convertible Preferred Stock, $0.001 par value; 1,500,000 shares and, 14,948,506 shares authorized at March 31, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of March 31, 2014 and 14,948,506 shares issued and outstanding as of September 30, 2013 | — | 20,056,790 |
| Series B Convertible Preferred Stock, $0.001 par value; no shares and 12,694,561 shares authorized, at March 31, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of March 31, 2014 and 12,694,561 shares issued and outstanding as of September 30, 2013 | — | 30,089,853 |
| Series B-1 Convertible Preferred Stock, $0.001 par value; no shares and 9,331,374 shares authorized at March 31, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of March 31, 2014 and 9,331,374 shares issued and outstanding as of September 30, 2013 | — | 19,374,285 |
| Series C Convertible Preferred Stock, $0.001 par value; no shares and 11,901,336 shares authorized at March 31, 2014 and September 30, 2013, respectively; no shares issued and outstanding as of March 31, 2014 and 11,023,232 shares issued and outstanding as of September 30, 2013 | — | 20,462,072 |
| Commitments and contingencies | | |
| Stockholders' Equity (Deficit): | | |
| Common stock, $0.001 par value; 50,000,000 and 80,000,000 shares authorized as of March 31, 2014 and September 30, 2013, respectively; 14,020,133 and 3,048,131 issued and outstanding as of March 31, 2014 and September 30, 2013, respectively | 14,020 | 3,048 |
| Additional paid in capital | 136,812,406 | 14,203,995 |
| Accumulated deficit | (92,139,734) | (102,136,057) |
| Total stockholders' equity (deficit) | 44,686,692 | (87,929,014) |

| | | |
|---|---|---|
| Total liabilities, shares subject to redemption and stockholders' equity (deficit) | $63,955,147 | $18,102,620 |

See accompanying notes to condensed financial statements.

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EAGLE PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue: | | | | |
| Product sales | $1,174,990 | $945,010 | $3,398,450 | $1,200,330 |
| Royalty income | 3,564,776 | 1,535,824 | 6,832,881 | 2,763,570 |
| Other income | 265,000 | — | 265,000 | — |
| Total revenue | 5,004,766 | 2,480,834 | 10,496,331 | 3,963,900 |
| Operating expenses: | | | | |
| Cost of revenue | 3,359,532 | 1,313,135 | 7,983,725 | 1,524,291 |
| Research and development | 3,793,789 | 2,525,001 | 6,382,754 | 4,743,616 |
| Selling, general and administrative | 1,454,461 | 2,948,813 | 2,798,322 | 4,879,583 |
| Total operating expenses | 8,607,782 | 6,786,949 | 17,164,801 | 11,147,490 |
| Loss from operations | (3,603,016) | (4,306,115) | (6,668,470) | (7,183,590) |
| Interest income | 7,557 | 482 | 8,821 | 1,120 |
| Interest expense | (1,432) | (144,941) | (1,432) | (293,103) |
| Deferred financing costs | — | (28,925) | — | (57,850) |
| Amortization of debt discount | — | (327,264) | — | (654,528) |
| Change in value of warrant liability | (382,630) | — | (573,582) | — |
| Other income | 285 | 2,870 | 285 | 2,870 |
| Total other income/(expense) | (376,220) | (497,778) | (565,908) | (1,001,491) |
| Loss before income tax benefit | (3,979,236) | (4,803,893) | (7,234,378) | (8,185,081) |
| Income tax benefit | 1,294,905 | — | 1,294,905 | 898,703 |
| Net loss | $(2,684,331) | $(4,803,893) | $(5,939,473) | $(7,286,378) |
| Less dividends on Series A, B, B-1 and C Convertible Preferred Stock | (533,841) | (810,796) | (1,666,063) | (1,629,930) |
| Net loss attributable to common stockholders | $(3,218,172) | $(5,614,689) | $(7,605,536) | $(8,916,308) |
| Loss per share attributable to common stockholders Basic and diluted | $(0.36) | $(1.84) | $(1.29) | $(2.95) |
| Weighted average common shares outstanding Basic and diluted | 8,862,212 | 3,048,131 | 5,890,949 | 3,023,850 |

See accompanying notes to condensed financial statements.

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EAGLE PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited)

| | Common Stock | | | | Total |
|---|---|---|---|---|---|
| | Number of Shares | Amount | Additional Paid-In Capital | Accumulated Deficit | Stockholders' Equity (Deficit) |
| Balance at September 30, 2013 | 3,048,131 | $3,048 | $14,203,995 | $(102,136,057) | $(87,929,014) |
| Stock-based compensation expense | | | 218,236 | | 218,236 |
| Issuance of common stock in connection with initial public offering, including underwriter's over-allotment, net of offering costs and underwriter's discount | 3,450,000 | 3,450 | 46,050,356 | | 46,053,806 |
| Conversion of Series A Preferred Stock (including accumulated dividends) to common stock in connection with initial public offering | 2,332,051 | 2,332 | 20,374,290 | | 20,376,622 |
| Conversion of Series B Preferred Stock (including accumulated dividends) to common stock in connection with initial public offering | 1,980,431 | 1,980 | 30,610,254 | | 30,612,234 |
| Conversion of Series B-1 Preferred Stock (including accumulated dividends) to common stock in connection with initial public offering | 1,455,753 | 1,456 | 19,754,765 | | 19,756,221 |
| Conversion of Series C Preferred Stock (including accumulated dividends) to common stock in connection with initial public offering | 1,719,693 | 1,720 | 20,901,092 | | 20,902,812 |
| Conversion of Redeemable Series C Preferred Stock warrants to common stock in connection with initial public offering | 32,286 | 32 | 2,280,411 | | 2,280,443 |
| Issuance of common stock upon exercise of Redeemable Series C Preferred Stock warrants | 1,788 | 2 | 20,866 | | 20,868 |
| Dividends on Convertible Preferred Stock and forfeitures of dividends on conversion to common | | | (17,601,859) | 17,601,859 | — |
| Net loss | | | | (5,939,473) | (5,939,473) |
| Dividends on Convertible Preferred Stock | | | | (1,666,063) | (1,666,063) |
| Balance at March 31, 2014 | 14,020,133 | $14,020 | $136,812,406 | $(92,139,734) | $44,686,692 |

See accompanying notes to condensed financial statements.

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EAGLE PHARMACEUTICALS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

| | Six Months Ended March 31, | |
|---|---|---|
| | 2014 | 2013 |
| Cash flows from operating activities: | | |
| Net loss | $(5,939,473) | $(7,286,378) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation expense | 59,444 | 78,500 |
| Stock-based compensation | 218,236 | 201,607 |
| Non-cash interest expense | — | 293,103 |
| Amortization of deferred financing costs | — | 57,850 |
| Amortization of debt discount | — | 654,528 |
| Change in fair value of warrant liability | 573,582 | — |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (2,696,274) | 89,239 |
| Increase in inventories | — | (159,419) |
| Decrease (increase) in prepaid expenses and other current assets | 1,069,948 | (951,405) |
| Decrease in other assets | 1,320 | — |
| Increase in accounts payable | 1,265,654 | 2,557,229 |
| (Decrease) increase in deferred revenue | (325,000) | 1,742,500 |
| Increase (decrease) in accrued expenses and other liabilities | 3,723,990 | (108,332) |
| Net cash used for operating activities | (2,048,573) | (2,830,978) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (34,616) | — |
| Proceeds from short term investments | — | 1,500,000 |
| Net cash (used in) provided by investing activities | (34,616) | 1,500,000 |
| Cash flows from financing activities: | | |
| Series B-1 preferred stock offering costs | — | (11,537) |
| Series C preferred stock offering costs | (1,179) | (70,945) |
| Proceeds from exercise of preferred stock warrants | 20,868 | — |
| Proceeds from issuance of common stock from initial public offering, net of issuance costs | 46,487,456 | — |
| Net cash provided by (used in) financing activities | 46,507,145 | (82,482) |
| Net increase (decrease) in cash | 44,423,956 | (1,413,460) |
| Cash and cash equivalents at beginning of period | 10,455,565 | 5,066,886 |
| Cash and cash equivalents at end of period | $54,879,521 | $3,653,426 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $1,432 | $— |
| Financing costs | 5,157,544 | 2,463 |
| Franchise taxes | 9,295 | 2,085 |
| Non-cash financing activities | | |
| Fair value of warrants issued with notes payable and the beneficial conversion feature | — | 1,309,054 |
| Conversion of note payable to preferred stock | — | 10,062,296 |
| Conversion of preferred stock and accrued dividends to Common stock | 91,647,889 | 15,623,157 |
| Accrued initial public offering costs | 414,026 | — |
| Conversion of redeemable warrant liability to Common stock | 2,280,443 | — |

See accompanying notes to condensed financial statements.

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EAGLE PHARMACEUTICALS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
(Financial information as of March 31, 2014 and for the three and six months ended March 31, 2014 and 2013 is unaudited)

1. Interim Condensed Financial Statements

The accompanying unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for reporting on Form 10-Q. Accordingly, certain information and footnote disclosures required for complete financial statements are not included herein. It is recommended that these condensed financial statements be read in conjunction with the financial statements and related notes that appear in Eagle Pharmaceuticals, Inc.'s (the "Company") final prospectus filed by the Company with the SEC on February 13, 2014, relating to the Company's Registration Statement on Form S-1 (File No. 001-36306) for the Company's initial public offering. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three and six months ended March 31, 2014 are not necessarily indicative of the results for the year ending September 30, 2014 or any period thereafter.

2. Organization and Business Activities

Eagle Pharmaceuticals, Inc. is a pharmaceutical company focused on the development and commercialization of specialty and generic pharmaceutical products, primarily in the injectable arena within the hospital segment. The Company has agreements in place with development partners under which products will be jointly developed and profits from the sales of the products will be shared by the parties. The Company has a number of products currently under development and one currently being sold in the United States.

On February 18, 2014, the Company closed its initial public offering whereby the Company sold 3,350,000 shares of common stock, at a public offering price of $15.00 per share, before underwriting discounts and expenses. On March 18, 2014, the underwriters exercised an over-allotment option granted in connection with the offering of 100,000 shares of common stock at the initial public offering price, less the underwriter discount. The aggregate net proceeds received by the Company from the offering were $46,074,674. Included in this amount is $20,868 received from the exercise of Series C preferred stock warrants for 1,788 shares of common stock.

In connection with the initial public offering, the Company's Board of Directors approved a one-for-6.41 reverse stock split of the Company's common stock (that resulted in a proportional adjustment to the conversion ratio of the preferred stock warrants). All references to common stock, common stock equivalents and per share amounts have been changed retroactively in these condensed financial statements and accompanying footnotes have been retroactively adjusted for all periods presented to give effect to this reverse stock split, including reclassifying an equal amount to the reduction in par value of common stock to additional paid-in capital.

On the initial public offering date, all outstanding shares of preferred stock converted into 7,487,928 shares of common stock and the outstanding warrants were net exercised for 32,286 shares common stock at the initial public offering price. These transactions produced a significant increase in the number of shares outstanding which will impact the year-over-year comparability of the Company's (loss) earnings per share calculations for the next twelve months. Following these transactions, the Company's total issued common stock as of March 31, 2014 was 14,020,133 shares.

3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed financial statements including disclosure of contingent assets and contingent liabilities at the date of the condensed financial statements and the reported amounts of revenues and expenses during the reporting period and accompanying notes. The Company's critical accounting policies are those that are both most important to the Company's financial condition and results of operations and require the most difficult, subjective or complex judgments on the part of management in their

application, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Because of the uncertainty of factors surrounding the estimates or judgments used in the preparation of the condensed financial statements, actual results may materially vary from these estimates.

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EAGLE PHARMACEUTICALS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)
(Financial information as of March 31, 2014 and for the three and six months ended March 31, 2014 and 2013 is unaudited)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. All cash and cash equivalents are held in United States financial institutions. The carrying amount of cash and cash equivalents approximates its fair value due to its short-term nature.

The Company, at times, maintains balances with financial institutions in excess of the FDIC limit.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable. The carrying values of these financial instruments approximate their fair values due to their short term maturities.

Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of interest-bearing cash and cash equivalents are classified as Level 1 at March 31, 2014 and September 30, 2013.

The Company is required by U.S. GAAP to record certain assets and liabilities at fair value on a recurring basis. The guidance in ASC 815 requires that the Company mark the value of its warrant liability (See Note 5) to market and recognize the change in valuation in its statement of operations each reporting period. Determining the warrant liability to be recorded requires the Company to develop estimates to be used in calculating the fair value of the warrant.

Since these preferred stock warrants did not trade in an active securities market, the Company recognized a warrant liability and estimated the fair value of these warrants using a Probability-Weighted Expected Returns valuation model. Therefore, the warrant liability was considered a Level 3 measurement. All warrants outstanding immediately prior to the public offering were net exercised in connection with the initial public offering. There were no outstanding warrants as of March 31, 2014.

Concentration of Major Customers and Vendors

The Company's customers are its commercial and collaborative and licensing partners. The Company is dependent on these commercial partners to market and sell argatroban, from which all of its current revenues are currently derived; therefore, the Company's future revenues are highly dependent on these collaboration and distribution arrangements.

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EAGLE PHARMACEUTICALS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)
(Financial information as of March 31, 2014 and for the three and six months ended March 31, 2014 and 2013 is unaudited)

The total revenues and accounts receivables broken down by major customers as a percentage of the total are as follows:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net revenues | | | | |
| The Medicines Company | 29 % | 48 % | 40 % | 67 % |
| Sandoz, Inc. | 71 % | 52 % | 60 % | 33 % |
| | 100 % | 100 % | 100 % | 100 % |

| | March 31, 2014 | September 30, 2013 |
|---|---|---|
| Accounts receivable | | |
| The Medicines Company | 58 % | 58 % |
| Sandoz, Inc. | 41 % | 40 % |
| EMET Pharmaceuticals, LLC | 1 % | 2 % |
| | 100 % | 100 % |

Currently, for argatroban, the Company uses one vendor as its sole source of supplier. Because of the unique equipment and process for manufacturing argatroban, transferring manufacturing activities for argatroban to an alternate supplier would be a time- consuming and costly endeavor, and there are only a limited number of manufacturers that are capable of performing this function for the Company.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets utilizing the straight-line method. Leasehold improvements are being amortized over the shorter of their useful lives or the lease term.

Research and Development Expense

Costs incurred for research and product development, including costs incurred for technology in the development stage, are expensed as incurred.

Deferred Financing Costs

Prior to the initial public offering, costs relating to obtaining Convertible Notes were capitalized and amortized over the term of the related debt using the straight line method. Amortization of deferred financing costs charged to interest expense was $0, $28,925, $0 and $57,850 for the three and six months ended March 31, 2014 and 2013, respectively. The unamortized balance as of March 31, 2014 and September 30, 2013 is $0.

Deferred Initial Public Offering Costs

Costs incurred of $2,073,694 related to the initial public offering, consisting primarily of professional fees, were deferred until the completion of the offering at which time such costs, as well as underwriters' fees paid, were netted against proceeds received and reclassified to Additional paid-in capital.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. Advertising and marketing costs were immaterial for the three and six months ended March 31, 2014 and 2013.

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EAGLE PHARMACEUTICALS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)
(Financial information as of March 31, 2014 and for the three and six months ended March 31, 2014 and 2013 is unaudited)

Redeemable Convertible Preferred Stock

The carrying value of redeemable convertible preferred stock is increased by periodic accretions, using the interest method so that the carrying amount will equal the redemption amount at the earliest redemption date.

Accounting for Income Taxes

The Company accounts for deferred taxes using the asset and liability method as specified by ASC 740, Income Taxes. Deferred income tax assets and liabilities are determined based on differences between the financial statement reporting and the tax basis of assets and liabilities, operating losses and tax credit carryforwards. Deferred income taxes are measured using the enacted tax rates and laws that are anticipated to be in effect when the differences are expected to reverse. The measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits which are not expected to be realized. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period that such tax rate changes are enacted.

As of March 31, 2014, the Company had federal and state net operating loss carryforwards of $78,923,483 and $18,353,263, respectively. As of March 31, 2014 the Company also had federal and state research and development tax credit carryforwards of $1,813,340 and $135,194, respectively.

The Company received approval to sell a portion of the Company's New Jersey net operating losses ("NOL's") as part of the Technology Business Tax Certificate Program sponsored by The New Jersey Economic Development Authority. Under the program, emerging biotechnology firms with unused net operating loss carryovers and unused research and development credits are allowed to sell these benefits to other firms.

During the three months ended March 31, 2014, the Company sold New Jersey state net operating loss (NJ NOL) carry forwards, which resulted in the recognition of $1,294,905 in tax benefits.

Revenue Recognition

Product Revenue — The Company recognizes net revenue from products manufactured and supplied to its commercial partners, when the following four basic revenue recognition criteria under the related accounting guidance are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Prior to the shipment of manufactured products, the Company conducts initial product release and stability testing in accordance with cGMP. The Company's commercial partners can return the products within contracted specified timeframes if the products do not meet the applicable inspection tests. The Company estimates its return reserves based on its experience with historical return rates. Historically, product returns have not been material.

Royalties — The Company recognizes revenue from royalties based on its commercial partners' net sales of products. Royalties are recognized as earned in accordance with contract terms when they can be reasonably estimated and collectability is reasonably assured. The Company's commercial partners are obligated to report their net product sales and the resulting royalty due to the Company within 60 days from the end of each quarter. Based on historical product sales, royalty receipts and other relevant information, the Company accrues royalty revenue each quarter and subsequently determines a true-up when it receives royalty reports from its commercial partners. Historically, these true-up adjustments have been immaterial.

Collaborative licensing and development revenue — The Company recognizes revenue from reimbursements received in connection with feasibility studies and development work for third parties when its contractual services are performed, provided collectability is reasonably assured. Its principal costs under these agreements include its personnel conducting research and development, and its allocated overhead, as the well as research and development performed by outside contractors or consultants.

The Company recognizes revenues from non-refundable up-front license fees received under collaboration agreements ratably over the performance period as determined under the collaboration agreement (estimated development period

in the case of development agreements, and contract period or longest patent life in the case of supply and distribution agreements). If the estimated performance period is subsequently modified, the Company will modify the period over which the upfront license fee is recognized accordingly on a prospective basis. Upon termination of a collaboration agreement, any remaining non-refundable license fees received by the Company, which had been deferred, are generally recognized in full. All such recognized revenues are included in collaborative licensing and development revenue in its statements of operations. The Company recognizes revenue

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from milestone payments received under collaboration agreements when earned, provided that the milestone event is substantive, its achievability was not reasonably assured at the inception of the agreement, the Company has no further performance obligations relating to the event, and collectability is reasonably assured. If these criteria are not met, the Company recognizes milestone payments ratably over the remaining period of its performance obligations under the collaboration agreement. No such revenue was recorded in 2014 or 2013.

Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value provisions of ASC 718, Compensation — Stock Compensation that requires the recognition of compensation expense, using a fair-value based method, for costs related to all stock-based payments including stock options and restricted stock. This topic requires companies to estimate the fair value of the stock-based awards on the date of grant for options issued to employees and directors. The Company uses a Black-Scholes valuation model as the most appropriate valuation method for pricing these options. Awards for consultants are accounted for under ASC 505-50, Equity Based Payments to Non-Employees. Any compensation expense related to consultants is marked-to-market over the applicable vesting period as they vest. There are customary limitations on the sale or transfer of the stock.

The fair value of stock options granted to employees, directors, and consultants is estimated using the following assumptions:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Risk-free interest rate | 1.75 - 8.25% | .82 - 3.23% | .95 - 2.53% | .82 - 3.23% |
| Volatility | 64.00% | 64.00% | 64.00% | 34.34% - 39.38% |
| Expected term (in years) | 6.02 - 10.00 years | 6.08 - 10.00 years | 6.07 - 10.00 years | 6.07 - 10.00 years |
| Expected dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |

The risk-free rate assumption was based on U.S. Treasury instruments whose term was consistent with the expected term of the stock options. The expected stock price volatility was determined by examining the historical volatilities for industry peers as the Company did not have any trading history for its common stock. Industry peers consist of those companies in the pharmaceutical industry similar in size, stage of life-cycle and financial leverage. The expected term of stock options represents the average of the vesting period and the contractual life of the option for employees and the life of the option for consultants. The expected dividend assumption is based on the Company's history and expectation of future dividend payouts. Changes in the estimated forfeiture rates are reflected prospectively.

Net Loss Per Share

Basic loss per common share is computed based on the weighted average number of shares outstanding during the period. Diluted loss per share is computed in a manner similar to the basic loss per share, except that the weighted-average number of shares outstanding is increased to include all common shares, including those with the potential to be issued by virtue of warrants, options, convertible debt and other such convertible instruments. Diluted earnings per share contemplate a complete conversion to common shares of all convertible instruments only if they are dilutive in nature with regards to earnings per share. Since the Company has incurred net losses for all periods, basic loss per share and diluted loss per share are the same.

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The anti-dilutive common shares equivalents outstanding at the three and six months ended March 31, 2014 and 2013 were as follows:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Series A | 1,088,294 | 2,332,059 | 1,717,010 | 2,332,059 |
| Series B | 924,200 | 1,980,429 | 1,458,118 | 1,980,429 |
| Series B-1 | 679,350 | 1,455,750 | 1,071,816 | 1,455,750 |
| Series C | 802,522 | — | 1,266,145 | — |
| Series C warrants | 68,719 | — | 108,418 | — |
| Options | 841,104 | 705,655 | 813,529 | 739,808 |
| Total | 4,404,189 | 6,473,893 | 6,435,036 | 6,508,046 |

4. Balance Sheet Accounts
Prepaid and Other Current Assets
Prepaid and other current assets consist of the following:

| | March 31, 2014 | September 30, 2013 |
|---|---|---|
| Prepaid expenses and other current assets | | |
| Prepaid Product Costs | $— | $730,003 |
| Prepaid FDA User Fee | — | 1,023,291 |
| Prepaid Insurance | 620,662 | 117,510 |
| All Other | 212,050 | 31,856 |
| Total Prepaid expenses and other current assets | $832,712 | $1,902,660 |

Accrued Expenses
Accrued expenses consist of the following:

| | March 31, 2014 | September 30, 2013 |
|---|---|---|
| Accrued expenses | | |
| Royalties Due to The Medicines Company | $3,916,266 | $1,724,061 |
| Royalties Due to SciDose | 1,389,510 | 546,756 |
| Accrued R&D Expenses | 757,711 | 282,682 |
| Accrued Professional Fees | 265,380 | 274,566 |
| Accrued Salary Expenses | 286,788 | 169,568 |
| Accrued Product Costs | 15,060 | 62,737 |
| All Other | 484,833 | 69,182 |
| Total Accrued expenses | $7,115,548 | $3,129,552 |

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Deferred Revenue
Deferred revenue consists of the following:

| | March 31, 2014 | September 30, 2013 |
|---|---|---|
| Deferred revenue | | |
| The Medicines Company | $194,653 | $519,653 |
| Deferred Revenue for ongoing business | 194,653 | 519,653 |
| Hikma Pharmaceuticals, Co. Ltd. | 3,500,000 | 3,500,000 |
| Par Pharmaceuticals Companies, Inc. | 5,500,000 | 5,500,000 |
| Par Pharmaceuticals Companies, Inc./Tech Transfer | 500,000 | 500,000 |
| Deferred Revenue from Asset Sales (See Note 9) | 9,500,000 | 9,500,000 |
| Total Deferred revenue | $9,694,653 | $10,019,653 |

5. Notes Payable
Convertible Notes
The Company entered into a Convertible Note and Warrant Purchase Agreement (the "Convertible Note Agreements"), pursuant to which it issued $9,662,755 of Convertible Notes (the "Convertible Notes") to existing preferred stockholders. The loan funding was completed in two tranches on August 2, 2012 and September 26, 2012, respectively. Holders of the Convertible Notes were entitled to cumulative interest at an annual rate of 6%. Such interest accrued daily and was cumulative from the respective date. In addition, the holders received warrants (the "warrants") to purchase preferred stock, which accrued at a monthly rate of 2% of the principal amount until the completion of a Qualified Financing, as defined in the Convertible Note Agreement, or August 1, 2013, whichever was sooner.
The Convertible Notes and associated accrued interest were due and payable on August 1, 2013, unless the Convertible Notes converted earlier. Conversion could occur, upon certain triggering events or the holder elects to convert. Principal and interest accrued shall convert into shares of preferred stock: a) upon the attainment of a Qualified Financing, or b) on August 1, 2013, whichever is sooner. Upon conversion pursuant to (a), the aggregate amount converted will be divided by the offering price of the Qualified Financing to arrive at the amount of preferred stock that will be issued. Upon conversion pursuant to (b), the aggregate amount converted will be divided by $1.82 to arrive at the amount of preferred stock that will be issued.
The Series C Preferred Share financing (See Note 6) represented a Qualified Financing whereby the Convertible Notes for those participating investors converted to Series C Preferred Shares.
The Convertible Notes agreement was structured such that a portion of the shares of the Company's Series A preferred stock, Series B preferred stock and Series B-1 preferred stock, collectively the "Special Conversion Preferred", held by a holder, that did not participate in the financing to the full extent of its pro rata share of preferred stock ownership (a "Non-Fully Participating Holder"), was converted into shares of the Company's Common Stock, and any dividends accumulated to date were forfeited.
The option for existing preferred stockholders to participate in the Convertible Notes expired on October 1, 2012. On October 2, 2012, 8,943,447 shares of preferred stock held by Non-Fully Participating Holders were converted into 1,395,226 shares of Common Stock.
Warrants
Prior to the initial public offering, the Company accounted for the warrants as liability instruments. The Company estimated the initial fair value of the 944,210 warrants to be $654,527 using a Probability-Weighted Expected Returns

valuation model. At each reporting period, any changes to the fair value of the warrants were recorded in the statements of operations. As of March 31, 2014 and September 30, 2013, warrants to purchase 0 and 944,210 shares of common stock, respectively, were outstanding in connection with the Convertible Notes.

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The valuation model considered three scenarios. Two of the scenarios assumed a stockholder exit, either through sale, or dissolution. The third scenario assumed operations continue as a private company and no exit transaction occurred. The following assumptions were used in the valuation: exercise price of $1.82; implied stock price of $1.82; expected volatility of 64%; expected dividend rate of 6%; risk free interest rate of 0.83% and expiration date of six years.

The following was a description of the key terms of the warrants per the warrant purchase agreement:

- Exercise period — Exercisable, in whole or in part, during the six year term commencing on the earliest to occur of: (a) the consummation of a Qualified Financing, (b) immediately prior to the consummation of a Change of Control (but subject to and contingent upon such consummation of a Change of Control) and (c) the date one year after the Initial Closing or August 1, 2013.
- Exercise Price — The purchase price for the Warrant Shares issuable was: (a) $1.82, or (b) the offering price of a Qualified Financing should this occur prior to August 1, 2013.
- No Rights as Stockholders — Prior to the exercise of the warrants, no holder of warrants (solely in its capacity as a holder of warrants) is entitled to any rights as a stockholder of the Company, including, without limitation, the right to vote, receive notice of any meeting of stockholders or receive dividends, allotments or other distributions.

In February 2014, proceeds in the amount of $20,868 were received from the exercise of Series C preferred stock warrants for 1,788 common shares. In addition, Redeemable Series C preferred stock warrants were net exercised for 32,286 shares common stock upon the closing of the initial public offering.

Warrant Liability

On February 18, 2014, the initial public offering date, the estimated fair value of the Convertible Note warrant liability was $2,280,378 which resulted in a charge to other income and expense of $382,630. The change in the value of the warrant liability was $382,630, $0, $573,582, and $0 for the three and six months ended March 31, 2014 and 2013, respectively. As of September 30, 2013, the estimated fair value of the Convertible Note warrant liability was $1,706,829 which resulted in a charge to other income and expense of $1,052,302 for the year ended September 30, 2013. Upon the completion of the qualified offering, the warrants became exercisable into Series C Preferred Shares. The increase in the fair value of the warrant liability is primarily attributable to the liquidation preference of the Series C Preferred Shares to receive 2 times the original investment upon a liquidation event under certain circumstances.

Debt Discount

In connection with the Convertible Notes described above and as a result of the warrants issued with the Convertible Notes, the Company determined that a discount to the debt should be recorded in the amount of $654,528, representing its fair value and recorded as a discount to the debt instrument and amortized over the life of the instrument. The amount recorded as interest expense during the three and six months ended March 31, 2014 and 2013 was approximately $0, $164,000, $0, and $328,000, respectively. Due to the conversion of the Convertible Notes to preferred stock, the balance of the unamortized debt discount was written off during the year ended September 30, 2013, resulting in interest expense of $545,000.

Beneficial Conversion Feature

A convertible financial instrument includes a beneficial conversion feature if the effective conversion price is less than the Company's market price of preferred stock on the commitment date. The effective price paid for a share is the amount allocated to the convertible instrument, divided by the number of shares the holder is entitled to upon conversion. If the convertible financial instrument is issued with warrants and/or other detachable instruments, the amount allocated to the convertible instrument is the face amount less the allocation to the detachable instruments. In connection with the Convertible Notes described above and as a result of the warrants issued with the Convertible Notes, the Company determined that the conversion rate represented a beneficial conversion feature. Accordingly, a

discount on the notes was recorded in the amount of $654,528. The discount was amortized ratably with a corresponding non-cash charge to interest expense. The amount recorded as interest expense during the three and six months ended March 31, 2014 and 2013 was approximately $0, $164,000, $0 and $328,000, respectively. Due to the conversion of the Convertible Notes to preferred stock, the balance of the unamortized beneficial conversion feature was written off during the year ended September 30, 2013, resulting in interest expense of $545,000.

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6. Shares Subject to Redemption — Convertible Preferred Stock

Series A Convertible preferred stock

On March 8, 2007, the Company issued 20,237,911 shares of Series A Convertible preferred stock, par value $0.001 (the "Series A preferred stock"). The outstanding shares of the Series A preferred stock (as amended in connection with the issuance of the Series B preferred stock) is redeemable after August 11, 2013 at a redemption price per share equal to the Original Issue Price of $0.971 per share plus accrued but unpaid dividends (see "Redemption" below). The outstanding Series A convertible preferred stock converted into 2,332,051 shares of common stock upon the closing of the initial public offering. The outstanding shares of the Series A preferred stock were recorded at their estimated fair value of $19,651,000 which equaled the sale price on the date of issuance. The amount was adjusted for net offering costs of $179,806. The fair value of the Series A preferred stock had been increased through periodic accretions using the interest method for dividends (see "Preferred Stock Dividends" below) so that the carrying value equals the redemption amount on the redemption date. Accumulated dividends on the Series A preferred stock as of March 31, 2014 and September 30, 2013 were $0 and $5,721,608 respectively. The liquidation value of the Series A preferred stock was $0 and $20,236,596 as of March 31, 2014 and September 30, 2013, respectively. The accumulated dividend through the closing date of the initial public offering on February 18, 2014 of the Series A preferred stock was $97,261.

Series B Convertible Preferred Stock

On August 11, 2008, the Company issued 16,052,343 shares of Series B Convertible preferred stock, par value $0.001 (the "Series B preferred stock"). The Series B preferred stock is redeemable as described above for the Series A preferred stock at a redemption price per share equal to the Original Issue Price of $1.82 per share plus accrued but unpaid dividends (see "Redemption" below). The outstanding Series B convertible preferred stock converted into 1,980,431 shares of common stock upon the closing of the initial public offering. The outstanding shares of the Series B preferred stock were recorded at their estimated fair value of $29,215,266, which equaled the sale price on the date of issuance. The amount was adjusted for net offering costs of $125,714. The fair value of the Series B preferred stock had been increased through periodic accretions using the interest method so that the carrying value equals the redemption amount on the redemption date. Accumulated dividends on redeemable shares as of March 31, 2014 and September 30, 2013 were $0 and $7,111,465, respectively. The liquidation value of the Series B preferred stock is $0 and $30,215,567 as of March 31, 2014 and September 30, 2013, respectively. The accumulated dividend through the closing date of the initial public offering on February 18, 2014 was $172,971.

Series B-1 Convertible Preferred Stock

The Company consummated an offering of Series B-1 Convertible preferred stock, par value $0.001 (the "Series B-1 Preferred Stock") to its existing investors in two stages in February 2011 and July 2011. The Company issued an aggregate of 10,177,085 shares of Series B-1 preferred stock. The Series B-1 preferred stock is redeemable at a redemption price per share equal to the Original Issue Price of $1.82 per share plus accrued but unpaid dividends (see "Redemption" below). The outstanding series B-1 convertible preferred stock converted into 1,455,753 shares of common stock upon the closing of the initial public offering. The outstanding shares of the Series B-1 preferred stock were recorded at their estimated fair value of $17,522,294 which equaled the sale price on the date of issuance. The amount was adjusted for net offering costs of $144,250. On August 2, 2012, the Company entered into a Payoff and Exchange Agreement with an Officer/Director. The Company accepted a total of 549,451 shares of Series B-1 preferred stock in exchange for satisfaction of the principal amount of debt. The total number of outstanding shares of Series B-1 preferred stock was 9,627,634 as of September 30, 2012. The fair value of the Series B preferred stock had been increased through periodic accretions using the interest method so that the carrying value equals the redemption amount on the redemption date. Accumulated dividends on redeemable shares were $0 and $2,535,434 as of

March 31, 2014 and September 30, 2013, respectively. The liquidation value of the Series B-1 preferred stock is $0 and $19,518,535 as of March 31, 2014, September 30, 2013, respectively. The accumulated dividend through the closing date of the initial public offering on February 18, 2014 of the Series B-1 preferred stock was $125,096.

Series C Convertible Preferred Stock

The Company consummated an offering of Series C Convertible preferred stock, par value $0.001 (the "Series C preferred stock") on April 11, 2013. The Company issued an aggregate of 11,023,232 shares of Series C preferred stock. The Series C preferred stock is redeemable at a redemption price per share equal to the Original Issue Price of $1.82 per share plus accrued but unpaid dividends (see "Redemption" below). The outstanding series C convertible preferred stock converted into 1,719,693 shares of common stock upon the closing of the initial public offering. The outstanding shares of the Series C preferred stock were recorded

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at their estimated fair value of $20,062,296 which equaled the sale price on the date of issuance. The amount was adjusted for net offering costs of $167,465. The fair value of the Series C preferred stock had been increased through periodic accretions using the interest method so that the carrying value equals the redemption amount on the redemption date. Accumulated dividends on redeemable shares were $0 and $567,241 as of March 31, 2014 and September 30, 2013, respectively. The liquidation value of the Series C preferred stock is $0 and $20,629,537 as of March 31, 2014 and September 30, 2013, respectively. The accumulated dividend through closing date of the initial public offering date of February 18, 2014 of the Series C preferred stock was $138,513.

On October 2, 2012, holders of preferred stock who elected not to participate in the Convertible Notes (see "Notes Payable") had their preferred stock shares convert to Common stock. Upon conversion from preferred to common, the investors forfeited all accumulated dividends from their investment date. 5,289,405 shares of Series A preferred stock were converted into 825,177 shares of Common stock and $1,718,102 in accumulated dividends was forfeited, 3,357,782 shares of Series B preferred stock were converted into 532,832 shares of Common Stock and $1,519,922 in accumulated dividends was forfeited, and 296,260 shares of Series B-1 preferred stock were converted into 46,218 shares of Common stock and $48,572 in accumulated dividends was forfeited. Concurrent with the conversion, the Company reduced the amounts authorized for the Series A, Series B, and Series B-1 preferred stock to 14,948,506 shares, 12,694,561 shares and 9,331,374 shares, respectively.

7. Common Stock and Stock-Based Compensation

In December 2007, the Company's Board of Directors approved an incentive compensation plan enabling the Company to grant multiple stock based awards to employees, directors and consultants, the most common being stock options and restricted stock awards. Awards vest equally over a period of four years from grant date. Vesting is accelerated under a change in control of the Company or in the event of death or disability to the recipient. In the event of termination, any unvested shares or options are forfeited. The Company has reserved and made available 1,372,885 shares of common stock for issuance under the plan.

The Company recognized share-based compensation in its statements of operations for the three and six months ended March 31, 2014 and 2013 as follows:

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Selling, general and administrative | $72,634 | $61,606 | $113,250 | $124,313 |
| Research & development | 67,498 | 35,607 | 104,986 | 77,293 |
| Total | $140,132 | $97,213 | $218,236 | $201,606 |

8. License Agreements of Development and Commercialization Rights

Development

The Company has entered into several product development agreements with development partners whereby the Company acquired the exclusive rights in the United States and, in most cases, worldwide rights to a total of thirty-three products for ten years following first commercial sale of each product. The Company will share varying percentages of the profits after, in most cases, recapturing development, legal and certain operating costs, from the sales of the products with the development partners if the products are commercialized. The Company expenses these costs as incurred.

Commercialization Rights

In May 2008, the Company entered into a collaborative product development agreement with a Branded product company, whereby the Company has agreed to develop a product for the Brand Company. Under the terms of the agreement, the Brand Company acquired the exclusive worldwide rights to market the product for ten years following approval. The Company will receive a royalty on net sales of the product, dependent upon the achievement of certain goals. In addition, the Company received $750,000 upon signing which was non-refundable and recorded as revenue in the year it was received and it will receive milestones of up to $13,000,000 upon the achievement of certain goals. The Brand Company is also required to pay all out of pocket costs related to the project and also made payments to the Company totaling $2,000,000 for the development of the product, payable at $200,000

per month commencing in April 2008. In July 2013, an arbitration settlement between the two companies was reached. The Company then terminated the contract; therefore no additional revenues will be recognized.

9. Asset Sales

On March 28, 2012, the Company entered into an Asset Purchase Agreement with Hikma Pharmaceutical Co. LTD, or Hikma. Under the terms of the agreement, Hikma acquired exclusive U.S. rights to market Diclofenac/Misoprostal following regulatory approval. The Company received $3,500,000 upon signing the Asset Purchase Agreement. This amount is included in deferred revenue until approval, since it is refundable otherwise. In addition, the Company is entitled to receive another $1,000,000 upon regulatory approval, validation batch manufacturing with inventory released for launch, and sufficient launch inventory. Before approval, this milestone will be reduced for each generic competitor that receives regulatory approval (excluding an "authorized generic" version of the Brand Product); however, the milestone shall not be reduced to an amount less than $500,000. The Company will receive a royalty on Net Profits of the product for a period of ten years from the date of the first commercial sale of the product, with the royalty percentage varying depending upon certain events and competition.

On June 24, 2013, Hikma filed a lawsuit against the Company in the United States District Court for the Southern District of New York alleging that the Company (a) breached the Hikma, Asset Purchase Agreement (the "APA") by failing to refund the purchase price following Hikma's purported termination of the Hikma APA as a result of the Company failing to receive timely ANDA approval, and (b) intentionally failed to disclose alleged manufacturing product defects to Hikma. The Company believes that it did not fail to receive timely ANDA approval and therefore that Hikma was not entitled to (a) terminate the Hikma APA and (b) receive a refund of the purchase price. The Company also believes that it did not intentionally fail to disclose alleged manufacturing product defects to Hikma. Should Hikma prevail on its claims, the Company could be required to return the $3,500,000 purchase price plus interest, as well as other damages. The Company cannot estimate the possible loss or range of loss related to the Hikma litigation beyond the $3,500,000 purchase price.

On March 14, 2014, the Company received ANDA approval. The Company plans to submit additional data to the FDA before launch. As of March 31, 2014, the $3,500,000 purchase price is accrued as part of deferred revenue.

During fiscal year 2010 and 2011, the Company divested another non-core product and received proceeds of $6,500,000, comprised of $5,500,000 as a signing milestone which is recorded in deferred revenues and $500,000 for the initiation of Tech Transfer of which $250,000 remains in deferred revenues and a second payment of $500,000 for the completion of the Tech Transfer of which $250,000 remains in deferred revenues. Under the terms of this agreement, the licensor must obtain all of the following milestones in order for the Company to earn the revenues. These milestones are a) the receipt of an approvable letter from the FDA, b) acknowledgment from the FDA that no further clinical studies will be needed and c) an approval letter from the FDA. If these milestones are not met, then the $6,000,000 in total included in deferred revenue on the balance sheet at March 31, 2014 and September 30, 2013 must be refunded and the product rights are returned to the Company. In addition, the Company may receive additional milestones of up to $3,000,000 in the future, dependent on the licensor's actively selling the product in an exclusive market position.

See Note 4 for a summary of Deferred Revenue related to the Asset Sales.

10. Commitments

At March 31, 2014, the Company has purchase obligations in the amount of $1,349,199 which represent the contractual commitments under a Contract Manufacturing and Supply Agreement with a supplier. The obligation under the supply agreement is primarily for raw materials and research and development.

The Company leases its office space under a lease agreement that expires on May 31, 2015. Rental expense was $72,249, $88,301, $140,353 and $180,758 for the three and six months ended March 31, 2014 and 2013, respectively.

The remaining future lease payments under the operating lease are $317,817 as of March 31, 2014, payable monthly through May 31, 2015.

11. Arbitration

On October 26, 2011, the Company filed a Demand for Arbitration with the American Arbitration Association against a commercial partner that licensed one of its products. Eagle's claims include breach of contract relating to the development of a new formulation of the product and lack of effort to seek and obtain regulatory approval, ultimately impacting the marketing and sale of that new formulation. As a result, Eagle alleged that it had been significantly damaged. A three person arbitration panel was appointed. The trial was completed on January 25, 2013.

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On July 19, 2013, the American Arbitration Association panel awarded the Company $5,000,000 for damages plus $23,900 for apportioned costs related to the arbitration for breach of contract. The Company received the funds in September 2013 and the amount was recorded in the results of operations, net of expenses of $973,649 in the fourth quarter of fiscal year 2013.

12. Legal Proceedings

Claims and lawsuits may be filed against the Company from time to time. Although the results of pending claims are always uncertain, the Company believes that it has adequate reserves or adequate insurance coverage in respect of these claims, but no assurance can be given as to the sufficiency of such reserves or insurance coverage in the event of any unfavorable outcome resulting from such actions.

See Note 9 for a summary of legal proceedings with Hikma.

In September 2013, the Company filed a New Drug Application under Section 505(b)(2) for EP-3101 (bendamustine RTD) and notified Teva Pharmaceuticals, the holder of Treanda, the referenced approved drug in our application, of the Company's 505(b)(2) filing and paragraph IV certification. Teva filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware on October 21, 2013 to defer the approval of the bendamustine indication. Teva's filing of the lawsuit invoked a 30-month stay of FDA approval of the Company's bendamustine product, which will delay FDA approval until the earlier of the March 2016 expiration of the 30-month stay imposed by the Hatch-Waxman Act, or such time as the district court enters judgment in the Company's favor or otherwise acts to shorten the stay. Moreover, regardless of when the 30-month stay is resolved or expires, the FDA may still be prohibited from approving the Company's 505(b)(2) NDA due to Teva's unexpired orphan drug and pediatric exclusivities for Treanda. Specifically, Teva has received orphan drug and related pediatric exclusivity expiring in September 2015 and May 2016 for the CLL and NHL indications, respectively. When a drug, such as Treanda, has orphan drug exclusivity, the FDA may not approve any other application to market the same drug for the same indication for a period of up to seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity. In the United States, pediatric exclusivity adds six months to any existing exclusivity period. If the Company cannot demonstrate that EP-3101 is clinically superior to Treanda, or qualify under certain other limited exceptions, the Company will not be able to enter the market for the CLL indication until September 2015 (assuming the 30-month stay is resolved by that time) or the NHL indication until May 2016.

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

The following information should be read in conjunction with the unaudited financial information and the notes thereto included in this Quarterly Report on Form 10-Q and the audited financial information and the notes thereto included in the Prospectus that forms a part of our Registration Statement on Form S-1 (File No. 333-192984), which was filed with the Securities and Exchange Commission (the “SEC”) pursuant to Rule 424(b)(4) on February 13, 2014 (the “Prospectus”).

Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward-looking statements, that involve risk and uncertainties. The words “may,” “will,” “plan,” “believe,” “expect,” “intend,” “anticipate,” “potential,” “should,” “estimate,” “predict,” “project,” similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those projected in the forward-looking statements.

Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under Part II, Item 1A.

“Risk Factors” and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

Overview

We are a specialty pharmaceutical company focused on developing and commercializing injectable products utilizing the FDA's 505(b)(2) regulatory pathway. Our business model is to develop proprietary innovations to FDA-approved, injectable drugs that offer longer commercial duration at attractive prices. For each of our products, we intend to enter the market no later than the first generic drug, allowing us to substantially convert the market to our product by addressing the needs of stakeholders who ultimately use our products. We believe we can further extend commercial duration through new intellectual property protection and/or orphan drug exclusivity and three years of regulatory exclusivity as provided under the Hatch-Waxman Act, as applicable.

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Since our inception, we have focused on identifying attractive product candidates for our approach under the 505(b)(2) regulatory pathway. As a result, our disclosed product portfolio now includes two approved products and six advanced product candidates. We currently have one commercialized product, argatroban. Due to limited financial resources, we initially decided to collaborate with a commercial partners in order to commercialize argatroban and it is now currently marketed by The Medicines Company and Sandoz Inc. pursuant to separate agreements. As a result of our commercialization strategy, we have been able to minimize certain expenses, but also are required to share revenues from argatroban with our commercial partners.

In the future, we intend to commercialize our products independently in the United States; while outside of the United States, we intend to utilize partners for the commercialization of our products. As part of this strategy, we intend to establish a small, specialty sales force that will target group purchasing organizations, hospital groups and key stakeholders in acute care settings, primarily hospitals and infusion centers. We expect the impact on our results of operations of this commercialization strategy will be that we will receive revenue from direct sales, and royalty income and income from collaborative arrangement will be a less significant part of our revenues. This commercialization strategy will also result in higher infrastructure and selling expenses, along with greater working capital requirements to support this strategy.

Recent Developments

On February 18, 2014 the Company closed its initial public offering whereby the Company sold 3,350,000 shares of common stock, at a public offering price of $15.00 per share, before underwriting discounts and expenses. On March 18, 2014 the underwriters exercised an over-allotment option granted in connection with the offering of 100,000 shares of common stock at the initial public offering price, less the underwriter discount. The aggregate net proceeds received by the Company from the offering were $46.1 million. Included in this amount is $20.9 thousand received from the exercise of Series C preferred stock warrants for 1,788 shares of common stock.

Financial Operations Overview

Revenue

Revenue includes product sales, royalty income and revenue from collaborative arrangements. Revenue results are difficult to predict, and any shortfall in revenue or delay in recognizing revenue could cause operating results to vary significantly from quarter to quarter and year to year.

Product Sales. We recognize revenues from product sales to our commercial partners. Such sales are typically made at little or no profit for resale by our commercial partners.

Royalty Income. We recognize revenue from royalties based on our commercial partners' net sales of products, typically calculated as a percentage of the net selling price, which is net of discounts, returns and allowances incurred by our commercial partners. Royalty Income is recognized as earned in accordance with contract terms when it can be reasonably estimated and collectability is reasonably assured.

Collaborative Arrangements. We recognize revenue from reimbursement received in connection with feasibility studies and development work for third parties. Our principal costs under these arrangements include our personnel conducting research and development, and our allocated overhead, as well as research and development performed by outside contractors or consultants.

Our revenues from collaborative arrangements may either be in the form of the recognition of deferred revenues upon milestone achievement for which cash has already been received or recognition of revenue upon milestone achievement, the payment for which is reasonably assured to be received in the future. We did not recognize revenue from collaborative arrangements for the three and six months ended March 31, 2014 and 2013.

Currently, our product sales and royalty income are derived from the sale of argatroban to, and the resale by, two commercial partners, Sandoz Inc., or Sandoz, and The Medicines Company. The primary factors that determine our revenues derived from argatroban are:

- the level of orders submitted by our commercial partners — Sandoz and The Medicines Company;
- the level of institutional demand for argatroban;
- unit sales prices; and
- the amount of gross-to-net sales adjustments realized by our marketing partners.

We also have generated collaborative licensing and development revenue from our collaboration arrangements with third parties. Revenues have been generated from the achievement of milestones pursuant to, or other payments made under, arrangements related to the divestiture of non-core assets, namely diclofenac/misoprostal tablets, a generic product candidate sold to Hikma, and EP-2101 (topotecan), which was licensed to Pfizer.

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Cost of Revenue

Cost of revenue consists of the costs associated with producing our products for our commercial partners and providing research and development services to our collaboration partners. In particular, our cost of revenue includes production costs of argatroban paid to a contract manufacturing organization coupled with shipping and customs charges, as well as royalty expense. Cost of revenue may also include the effects of product recalls, if applicable.

Research and Development

Our research and development expenses consist of expenses incurred in developing, testing, manufacturing and seeking regulatory approval of our product candidates, including: expenses associated with regulatory submissions, clinical trials and manufacturing, including additional expenses to prepare for the commercial manufacture of products including EP-6101 (bivalirudin), argatroban, Ryanodex (dantrolene for MH), EP-3101 (bendamustine RTD), EP-3102 (bendamustine short infusion time) and our other product candidates; payments made to third-party CROs, contract laboratories and independent contractors; payments made to consultants who perform research and development on our behalf and assist us in the preparation of regulatory filings; payments made to third-party investigators who perform research and development on our behalf and clinical sites where such research and development is conducted; expenses incurred to maintain technology licenses; and facility, maintenance, allocated rent, utilities, depreciation and amortization and other related expenses. Additionally, costs include salaries, benefits and other related costs, including stock-based compensation for research and development personnel.

Clinical trial expenses for our product candidates are and will be a significant component of our research and development expenses. Product candidates in later stage clinical development generally have higher research and development expenses than those in earlier stages of development. We coordinate clinical trials through a number of contracted investigational sites and recognize the associated expense based on a number of factors, including actual and estimated subject enrollment and visits, direct pass-through costs and other clinical site fees.

We expect to incur additional research and development expenses as we accelerate the development of dantrolene in additional indications. These expenditures are subject to numerous uncertainties regarding timing and cost to completion. Completion of clinical trials may take several years or more and the length of time generally varies according to the type, complexity, novelty and intended use of a product candidate.

We could incur additional research and development expenses for EP-3101 (bendamustine RTD), for which an NDA was filed with the FDA on September 6, 2013. FDA review of NDAs is governed by the Prescription Drug User Fee Act, or PDUFA, regarding response time to the application. The PDUFA goal date for EP-3101 (bendamustine RTD) is July 6, 2014. Any further actions requested by the FDA may result in additional research and development expenses.

We could incur additional research and development expenses for Ryanodex (dantrolene for MH), for which an NDA was filed with the FDA on January 17, 2014 and accepted for filing on March 18,2014 with a review classification of Priority. The PDUFA goal date for Ryanodex (dantrolene for MH) is July 22, 2014. Any further actions requested by the FDA may result in additional research and development expenses.

Selling, General and Administrative

Selling, general and administrative costs consist primarily of salaries, benefits and other related costs, including stock-based compensation for executive, finance, selling and operations personnel. General and administrative expenses include facility and related costs, professional fees for legal, consulting, tax and accounting services, insurance, selling, market research, advisory board and key opinion leaders, depreciation and general corporate expenses. We expect that our selling, general and administrative expenses will increase with the continued development and potential commercialization of our product candidates particularly as we move to a business model in which we commercialize our own products in the United States, as well as increased expenses associated with us being a public company.

Other Income and Expense

Other income (expense) consists primarily of interest income, interest expense and changes in value of our warrant liability. Interest income consists of interest earned on our cash and cash equivalents. Interest expense consists primarily of cash and non-cash interest costs related to our issuance of convertible notes, including the amortization of debt discounts and deferred financing costs.

Income Tax Benefit

Income tax benefit primarily consists of proceeds from the sale of the Company's New Jersey state net operating losses which is net of any minimum state taxes paid.

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Results of Operations

Comparison of Three Months Ended March 31, 2014 and 2013

Revenues

| | Three Months Ended March 31, | | Increase/ (Decrease) |
|---|---|---|---|
| | 2014 | 2013 | |
| Product sales | $1,174,990 | $945,010 | $229,980 |
| Royalty income | 3,564,776 | 1,535,824 | 2,028,952 |
| Other income | 265,000 | — | 265,000 |
| Total revenue | $5,004,766 | $2,480,834 | $2,523,932 |

Total revenues increased $2.5 million in the three months ended March 31, 2014 to $5.0 million as compared to $2.5 million in the three months ended March 31, 2013.

This increase included product sales which increased $0.2 million in the three months ended March 31, 2014 to $1.2 million as compared to $0.9 million in the three months ended March 31, 2013 which was due to greater market penetration by one of our marketing partners.

Our increase in revenues also included royalty income, which increased $2.0 million in the three months ended March 31, 2014 to $3.6 million as compared to $1.5 million in the three months ended March 31, 2013, as a result of higher royalty income from the end use sales of argatroban by our commercial partners. Additionally, other income increased by $265 thousand as a result of a final milestone payment. There were no revenues from collaborative arrangements in the periods presented.

Cost of Revenue

| | Three Months Ended March 31, | | Increase/ (Decrease) |
|---|---|---|---|
| | 2014 | 2013 | |
| Cost of revenue | $3,359,532 | $1,313,135 | $2,046,397 |

Cost of net revenues increased by $2.0 million to $3.4 million in the three months ended March 31, 2014 from $1.3 million in the three months ended March 31, 2013 as a result of the increase in product sales of argatroban and royalty expense associated with our commercial and development partners. This $2.0 million increase in cost of revenues was mainly attributable to an increase in royalty expense to both SciDose and the Medicines Company. Under the terms of our revenue sharing arrangement with SciDose, we retain all revenue from the sale of a product commercialized under a 505(b)(2) application until we have recouped our expenses related to the development of that product. Once our expenses are recouped, we are required to split the net proceeds from royalty income received equally with SciDose. Expenses related to the development of argatroban were recouped during the quarter ended September 30, 2013. As a result we recognized $1.3 million in royalty expense for the three months ended March 31, 2014 and royalty expense for SciDose was not recognized for the three months ended March 31, 2013. Royalty expense to The Medicines Company increased by $1.7 million to $2.0 million for the three months ended March 31, 2014 from $0.3 million for the three months ended March 31, 2013.

With respect to product sales, we experienced increased demand for the amount of product from our marketing partners in the quarter ended March 31, 2014 which resulted in an increase in the cost of revenue during that quarter. The volume of product delivered in the quarter ended March 31, 2014 increased by approximately 30% from the quarter ended March 31, 2013.

We would expect that our cost of revenues as a percentage of revenues will remain consistent with the quarter ended March 31, 2014.

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Research and Development

| | Three Months Ended March 31, | | Increase/ (Decrease) |
|---|---|---|---|
| | 2014 | 2013 | |
| EP-6101 (bivalirudin) | $853,908 | $34,735 | $819,173 |
| EP-3101 (bendamustine RTD) | 778,856 | 241,080 | 537,776 |
| EP-3102 (bendamustine short infusion time) | 495,915 | 82,222 | 413,693 |
| Ryanodex (dantrolene for MH) | 534,991 | 869,936 | (334,945) |
| All other projects | 330,537 | 490,045 | (159,508) |
| Salary and other personnel related expenses | 799,582 | 806,983 | (7,401) |
| Total Research and Development | $3,793,789 | $2,525,001 | $1,268,788 |

Research and development expenses increased $1.3 million in the three months ended March 31, 2014 to $3.8 million as compared to $2.5 million in the three months ended March 31, 2013. Expenses in the three months ended March 31, 2014 were higher than in the three months ended March 31, 2013 as a result of a net increase in project spending for EP-6101 (bivalirudin), EP-3101 (bendamustine RTD), EP-3102 (bendamustine short infusion time) offset by a reduction in spending on Ryanodex (dantrolene for MH) and certain other projects due to the timing of completion and limited resources. Spending on Ryanodex (dantrolene for MH) decreased during the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 because the clinical trials for Ryanodex (dantrolene for MH) were substantially performed during the three months ended March 31, 2013.

Selling, General and Administrative

Selling, general and administrative expenses decreased $1.5 million in the three months ended March 31, 2014 to $1.5 million as compared to $2.9 million in the three months ended March 31, 2013. This decrease is primarily related to a $2.0 million decrease in legal and arbitration expenses offset by an increase of $0.5 million of professional fees, insurance and miscellaneous expenses.

Other Income (Expense)

| | Three Months Ended March 31, | | Increase/ (Decrease) |
|---|---|---|---|
| | 2014 | 2013 | |
| Interest income | $7,557 | $482 | $7,075 |
| Interest expense | (1,432) | (144,941) | 143,509 |
| Deferred financing costs | — | (28,925) | 28,925 |
| Amortization of debt discount | — | (327,264) | 327,264 |
| Change in value of warrant liability | (382,630) | — | (382,630) |
| Other income/(expense), net | 285 | 2,870 | (2,585) |
| Total other income/(expense), net | $(376,220) | $(497,778) | $121,558 |

Other income and (expense) decreased by $0.1 million in the three months ended March 31, 2014 to an expense of $0.4 million as compared to an expense of $0.5 million in the three months ended March 31, 2013. The other income and expense for the three months ended March 31, 2014 primarily included the recognition of the change in value of the warrant liability. In the three months ended March 31, 2013, other income and expense includes primarily interest expense and the amortization and write-off of deferred financing costs and debt discount related to the convertible notes that were issued in the fourth quarter of 2012 and converted into preferred stock in April 2013.

Income Tax Benefit

Income tax benefit increased $1.3 million in the three months ended March 31, 2014 to a benefit of $1.3 million as compared to a benefit of $0.0 for the three months ended March 31, 2013. Income tax benefit increased due to the timing of sales of our New Jersey State net operating losses. On January 17, 2014, we sold New Jersey State net operating losses for $1.3 million in net proceeds.

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Net Loss

Net loss for the three months ended March 31, 2014 was $2.7 million as compared to net loss of $4.8 million in the three months ended March 31, 2013, as a result of the factors discussed above.

Comparison of Six Months Ended March 31, 2014 and 2013

Revenues

| | Six Months Ended March 31, | | Increase/ |
|---|---|---|---|
| | 2014 | 2013 | (Decrease) |
| Product sales | $3,398,450 | $1,200,330 | $2,198,120 |
| Royalty income | 6,832,881 | 2,763,570 | 4,069,311 |
| Other income | 265,000 | — | 265,000 |
| Total revenue | $10,496,331 | $3,963,900 | $6,532,431 |

Total revenues increased $6.5 million in the six months ended March 31, 2014 to $10.5 million as compared with $4.0 million in the six months ended March 31, 2013.

This increase included product sales which increased $2.2 million in the six months ended March 31, 2014 to $3.4 million as compared to $1.2 million in the six months ended March 31, 2013 which was due to the addition of Sandoz as a marketing partner and greater market penetration when compared to 2013.

Our increased revenues also included royalty income, which increased $4.1 million in the six months ended March 31, 2014 to $6.8 million as compared to $2.8 million in the six months ended March 31, 2013, as a result of higher royalty income from the end use sales of argatroban by our commercial partners. Additionally, other income increased by $265 thousand as a result of a final milestone payment. There were no revenues from collaborative arrangements in the periods presented.

Cost of Revenue

| | Six Months Ended March 31, | | Increase/ |
|---|---|---|---|
| | 2014 | 2013 | (Decrease) |
| Cost of revenue | $7,983,725 | $1,524,291 | $6,459,434 |

Cost of net revenues increased by $6.5 million to $8.0 million in the six months ended March 31, 2014 from $1.5 million in the six months ended March 31, 2013 as a result of the increased product sales of argatroban and royalty expense associated with our commercial and development partners. This $6.5 million increase in cost of revenues was due to an increase in royalty expense to both SciDose and the Medicines Company. Under the terms of our revenue sharing arrangement with SciDose, we retain all revenue from the sale of a product commercialized under a 505(b)(2) application until we have recouped our expenses related to the development of that product. Once our expenses are recouped, we are required to split the net proceeds from royalty income received equally with SciDose. Expenses related to the development of argatroban were recouped during the quarter ended September 30, 2013. As a result we recognized $2.1 million in royalty expense for the six months ended March 31, 2014 and royalty expense for SciDose was not recognized for the six months ended March 31, 2013. Royalty expense to The Medicines Company increased by $1.9 million due to an increase in royalty income.

With respect to product sales, we experienced increased demand for the amount of product from our marketing partners in the six months ended March 31, 2014 which resulted in an increase in the cost of revenue of approximately $2.5 million over the six months ended March 31, 2013. The volume of product delivered in the six months ended March 31, 2014 increased by approximately 188% from the six months ended March 31, 2013.

We would expect that our cost of revenues as a percentage of revenues will remain consistent with the quarter ended March 31, 2014.

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Research and Development

| | Six Months Ended March 31, | | Increase/ |
|---|---|---|---|
| | 2014 | 2013 | (Decrease) |
| EP-6101 (bivalirudin) | $1,145,213 | $119,039 | $1,026,174 |
| EP-3102 (bendamustine short infusion time) | 1,217,019 | 82,222 | 1,134,797 |
| EP-3101 (bendamustine RTD) | 1,215,075 | 373,080 | 841,995 |
| Ryanodex (dantrolene for MH) | 946,842 | 1,193,818 | (246,976) |
| EP-4104 (dantrolene for EHS) | 39,126 | 142,921 | (103,795) |
| All other projects | 289,141 | 1,117,055 | (827,914) |
| Salary and other personnel related expenses | 1,530,338 | 1,715,481 | (185,143) |
| Total Research and Development | $6,382,754 | $4,743,616 | $1,639,138 |

Research and development expenses increased $1.6 million in the six months ended March 31, 2014 to $6.4 million as compared to $4.7 million in the six months ended March 31, 2013. Expenses in the six months ended March 31, 2014 were higher than in the six months ended March 31, 2013 as a result of increased project spending for EP-6101 (bivalirudin), EP-3102 (bendamustine short infusion time) and EP-3101 (bendamustine RTD) offset by a reduction in spending on Ryanodex (dantrolene for MH) and certain other projects due to the timing of completion and limited resources. Clinical trial spend on Ryanodex (dantrolene for MH) decreased during the six months ended March 31, 2014 as compared to the six months ended March 31, 2013 because the clinical trials for Ryanodex (dantrolene for MH) were substantially performed during the six months ended March 31, 2013.

Selling, General and Administrative

Selling general and administrative expenses decreased $2.1 million in the six months ended March 31, 2014 to $2.8 million from $4.9 million in the six months ended March 31, 2013. The decreased costs in the six months ended March 31, 2014 over 2013 are primarily due to $2.6 million decrease in costs related to The Medicines Company arbitration, offset by an increase of $0.5 million in professional fees, insurance and miscellaneous expenses.

Other Income and Expense

| | Six Months Ended March 31, | | Increase/ |
|---|---|---|---|
| | 2014 | 2013 | (Decrease) |
| Interest income | $8,821 | $1,120 | $7,701 |
| Interest expense | (1,432) | (293,103) | 291,671 |
| Deferred financing costs | — | (57,850) | 57,850 |
| Amortization of debt discount | — | (654,528) | 654,528 |
| Change in value of warrant liability | (573,582) | — | (573,582) |
| Other income, net | 285 | 2,870 | (2,585) |
| Total other income/(expense), net | $(565,908) | $(1,001,491) | $435,583 |

Other income and (expense) decreased $0.4 million in the six months ended March 31, 2014 to an expense of $0.6 million as compared to an expense of $1.0 million in the six months ended March 31, 2013. The other income and (expense) for the six months ended March 31, 2014 primarily included the recognition of the change in value of the warrant liability offset by certain other income. In the six months ended March 31, 2013, other income and expense includes the amortization and write-off of deferred financing costs and debt discount related to the convertible notes that were issued in the fourth quarter of 2012 and converted into preferred stock in April 2013.

State Income Tax Benefit

Income tax benefit increased $0.4 million in the six months ended March 31, 2014 to a benefit of $1.3 million as compared to a benefit of $0.9 million for the six months ended March 31, 2013. Income tax benefit increased due to the higher sales of our New Jersey State net operating losses.

Net Loss

Net loss for the six months ended March 31, 2014 was $5.9 million as compared to net loss of $7.3 million in the six months ended March 31, 2013, as a result of the factors discussed above.

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Liquidity and Capital Resources

On February 18, 2014, the Company closed its initial public offering whereby the Company sold 3,350,000 shares of common stock, at a public offering price of $15.00 per share, before underwriting discounts and expenses. On March 18, 2014, the underwriters exercised an over-allotment option granted in connection with the offering of 100,000 shares of common stock at the initial public offering price, less the underwriter discount. The aggregate net proceeds received by the Company from the offering were $46.1 million. Included in this amount is $20.9 thousand received from the exercise of Series C preferred stock warrants for 1,788 shares of common stock.

Our primary uses of cash are to fund working capital requirements, product development costs and operating expenses. Historically, we have funded our operations primarily through private placements of preferred stock and convertible notes and out-licensing product rights. Cash and cash equivalents were $54.9 million and $3.7 million as of March 31, 2014 and March 31, 2013, respectively.

For the six months ended March 31, 2014, we incurred a net loss of $5.9 million. As of March 31, 2014, we had a working capital surplus of $44.3 million. For the six months ended March 31, 2013, we incurred a net loss of $7.3 million. We have sustained significant losses since our inception on January 2, 2007 and had accumulated a deficit of $92.1 million million as of March 31, 2014.

We believe that future cash flows from operations, together with proceeds from the initial public offering will be sufficient to fund our currently anticipated working capital requirements through the third quarter of fiscal year 2015. No assurance can be given that operating results will improve, out-licensing of products will be successful or that additional financing could be obtained on terms acceptable to us.

Operating Activities:

Net cash used in operating activities for the six months ended March 31, 2014 was $2.0 million. Net loss for the period was $5.9 million offset by non-cash adjustments of approximately $0.9 million from the change in the value of the warrant liability, depreciation and stock-based compensation expense. Net changes in working capital increased cash from operating activities by approximately $3.0 million, due to a decrease in prepaid expenses of $1.1 million related to prepaid insurance, and a decrease in deferred revenue of $0.3 million. This was offset by an increase in accounts receivable of $2.7 million and an increase in accounts payable and accrued expenses of $5.0 million. Accounts payable and accrued expenses increased primarily due to accrued royalties and accrued expenses related to the initial public offering. The total amount of accounts receivable at March 31, 2014 was approximately $7.8 million, which included approximately $0.9 million of product sales and approximately $6.5 million of royalty income, all with payment terms of 45 days and approximately $0.4 million of other receivables. For royalty income, the 45-day period starts at the end of the quarter upon receipt of the royalty statement detailing the amount of sales in the prior completed quarter, and, for product sales, the period starts upon delivery of product.

At March 31, 2014, our cumulative receivables related to royalty income consist of approximately $3.8 million in receivables from The Medicines Company and $2.7 million in receivables from Sandoz.

Based on our agreement with The Medicines Company, our cumulative receivables related to that agreement will continue to aggregate in future periods. Our agreement with The Medicines Company does not contemplate the ability for the parties to net settle amounts receivable or payable. Notwithstanding this, the Company has periodically collected from The Medicines Company amounts that would be equal to the net amount of receivables due from The Medicines Company, but, because it is unclear whether such cash receipt is intended to be settlement of the net receivable or only a partial payment towards the gross receivable, the Company has presented these receivables and payables in gross amounts on its condensed financial statements. As a result, the cumulative receivable from The Medicines Company, as reduced by the cash received from The Medicines Company, aggregates from period-to-period and has never been fully offset by those actual cash payments. At March 31, 2014, we recorded a receivable of approximately $3.8 million and a payable of $3.9 million to The Medicines Company (based upon a 50% revenue split on Sandoz sales). The net payable to The Medicines Company for the quarter ended March 31, 2014 therefore is $ 0.1 million. The payable of $0.1 million payable to The Medicines Company as of March 31, 2014 therefore represents the net cumulative liability of the Company.

We believe that our accounts receivable as of March 31, 2014, after taking into account netting of receivables and payables related to The Medicines Company, are reasonably collectible, and given the payment terms, will be

collected in the ordinary course in the third fiscal quarter, and thus would not have a material effect on our liquidity. Net cash used in operating activities for the six months ended March 31, 2013 was $2.8 million and resulted primarily from $7.3 million of net loss for the period. Non-cash adjustments amounted to $1.3 million in depreciation, amortization, interest, stock-based compensation expense and the change in value of warrant liability. Net changes in working capital increased cash from operating activities by approximately $3.2 million, primarily due to a decrease in accounts receivable of $0.1 million, an increase in accounts payable of $2.6 million, an increase in deferred revenue of $1.7 million offset by an increase in inventories of $0.2 million, an increase in prepaid expenses of $1.0 million and a decrease of $0.1 million in accrued expenses.

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Investing Activities:

In the six months ended March 31, 2014 and 2013, we invested $34.6 thousand and $0, respectively, for the purchase of property and equipment.

In the six months ended March 31, 2014 and 2013, we redeemed $0 and $1.5 million, respectively, of short term investments.

Financing Activities:

Net cash provided by financing activities for the six months ended March 31, 2014 was $46.5 million, primarily resulting from the issuance of Common Stock from the initial public offering and the exercise of warrants of $20.9 thousand.

Net cash used in financing activities for the six months ended March 31, 2013 was $0.1 million for offering costs associated with the issuance of Series B1 and Series C preferred stock.

Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. Our exposure to market risk is confined to our cash and cash equivalents. As of March 31, 2014 we had cash and cash equivalents of $54.9 million. We do not engage in any hedging activities against changes in interest rates. Because of the short-term maturities of our cash and cash equivalents and short-term investments, we do not believe that an increase in market rates would have any significant impact on the realized value of our investments.

Recent Accounting Pronouncements

No accounting standards or interpretations issued recently are expected to have a material impact on our financial position, operation or cash flow.

Off-Balance Sheet Arrangements

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

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial.

Critical Accounting Policies and Estimates

We have based our management's discussion and analysis of our financial condition and results of operations on our condensed financial statements that have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of these condensed financial statements requires us to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed financial statements as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those related to clinical trial expenses and stock-based compensation. We base our estimates on historical experience and on various other factors we believe to be appropriate under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. There have been no material changes to our critical accounting policies discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Prospectus.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of our investment activities is to preserve our capital to fund operations. We also seek to maximize income from our investments without assuming significant risk. Our exposure to market risk is confined to our cash and cash equivalents. As of March 31, 2014 and September 30, 2013 we had cash and cash equivalents of $54.9 million and $10.5 million, respectively. We do not engage in any hedging activities against changes in interest rates. Because of the short-term maturities of our cash and cash equivalents and short-term investments, we do not believe that a change in market rates would have any significant impact on the realized value of our investments. We may, however, require additional financing to fund future obligations and no assurance can be given that the terms of future sources of financing will not expose us to material market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us 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 that such information 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. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures 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.

Based on their evaluation at March 31, 2014, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

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PART II-OTHER INFORMATION

Item 1. Legal Proceedings

In March 2012, Hikma purchased from us for $3.5 million certain assets relating to a generic drug, diclofenac/misoprostol tablets. That drug was the subject of an ANDA filed by us with the FDA. The ANDA is still pending before the FDA, and we continue to expect it to receive approval. The terms of the sale were set forth in a March 2012 Asset Purchase Agreement, or Hikma APA. On June 24, 2013, Hikma Pharmaceutical Co., Ltd., or Hikma, filed a lawsuit against us in the United States District Court for the Southern District of New York alleging that we (a) breached the Hikma APA by failing to refund the purchase price following Hikma's purported termination of the Hikma APA as a result of us failing to receive timely ANDA approval, and (b) intentionally failed to disclose alleged manufacturing product defects to Hikma. On August 27, 2013, we filed an answer to Hikma's complaint, which denied Hikma's claims, and asserted a counterclaim alleging that Hikma by its actions had repudiated the Hikma APA.

Should Hikma prevail on its claims that we breached the Hikma APA or intentionally failed to disclose alleged product defects, we could be required to pay substantial damages, including, but not limited to, the return of the $3.5 million purchase price plus interest and other damages.

We are vigorously defending these claims and we do not believe that Hikma is entitled to any damages because Hikma's purported termination violated the terms of the Hikma APA and believe that the claims of non-disclosure of manufacturing product defects are without merit. Given the early stage in the litigation, we are unable to predict the likelihood of success of Hikma's contract breach and fraud claims.

In addition to the matter described above, from time to time, third parties may assert patent infringement claims against us in the form of letters, litigation, or other forms of communication; we may be subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights and other intellectual property rights; employment claims; and general contract or other claims. We may, from time to time, also be subject to various legal or government claims, disputes, or investigations. Such matters may include, but not be limited to, claims, disputes, or investigations related to breach of contract, employment, intellectual property, government regulation, or compliance or other matters.

In September 2013, the Company filed a New Drug Application under Section 505(b)(2) for EP-3101 (bendamustine RTD) and notified Teva Pharmaceuticals, the holder of Treanda, the referenced approved drug in our application, of the Company's 505(b)(2) filing and paragraph IV certification. Teva filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware on October 21, 2013 to defer the approval of the bendamustine indication. Teva's filing of the lawsuit invoked a 30-month stay of FDA approval of the Company's bendamustine product, which will delay FDA approval until the earlier of the March 2016 expiration of the 30-month stay imposed by the Hatch-Waxman Act, or such time as the district court enters judgment in the Company's favor or otherwise acts to shorten the stay. Moreover, regardless of when the 30-month stay is resolved or expires, the FDA may still be prohibited from approving the Company's 505(b)(2) NDA due to Teva's unexpired orphan drug and pediatric exclusivities for Treanda. Specifically, Teva has received orphan drug and related pediatric exclusivity expiring in September 2015 and May 2016 for the CLL and NHL indications, respectively. When a drug, such as Treanda, has orphan drug exclusivity, the FDA may not approve any other application to market the same drug for the same indication for a period of up to seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity. In the United States, pediatric exclusivity adds six months to any existing exclusivity period. If the Company cannot demonstrate that EP-3101 is clinically superior to Treanda, or qualify under certain other limited exceptions, the Company will not be able to enter the market for the CLL indication until September 2015 (assuming the 30-month stay is resolved by that time) or the NHL indication until May 2016.

Item 1a. Risk Factors

You should carefully consider the following risk factors, as well as the other information in this report, before deciding whether to purchase, hold or sell shares of our common stock. The occurrence of any of the following risks

could harm our business, financial condition, results of operations and/or growth prospects or cause our actual results to differ materially from those contained in forward-looking statements we have made in this report and those we may make from time to time. You should consider all of the risk factors described when evaluating our business. We have marked with an asterisk (*) those risk factors that reflect changes from the risk factors included in our final prospectus filed with the Securities and Exchange Commission on February 13, 2014 relating to our Registration Statement on Form S-1 (File No. 333-192984) for our initial public offering.

Risks Related to Our Financial Condition and Need for Additional Capital

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We have incurred significant losses since our inception and we will continue to incur significant losses for the foreseeable future and may never be profitable.

We have a limited operating history. To date, we have focused primarily on developing a broad product portfolio and have obtained regulatory approval for two products. Some of our product candidates will require substantial additional development time and resources before we would be able to receive regulatory approvals, implement commercialization strategies and begin generating revenue from product sales. We may not generate significant revenue from sales of our product candidates in the near-term, if ever. We have incurred significant net losses of $5.9 million for the six months ended March 31, 2014. As of March 31, 2014, we had an accumulated deficit of $92.1 million.

We have devoted most of our financial resources to product development. To date, we have financed our operations primarily through the sale of equity and debt securities. The size of our future net losses will depend, in part, on the rate of future expenditures and our ability to generate revenue. To date, only argatroban has been commercialized, and if our product candidates are not successfully developed or commercialized, or if revenue is insufficient following marketing approval, we will not achieve profitability and our business may fail. Even if we successfully obtain regulatory approval to market our product candidates in the United States, our revenue is also dependent upon the size of the markets outside of the United States, as well as our ability to obtain market approval and achieve commercial success in those jurisdictions.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to fully predict the timing or amount of our expenses, but we expect to continue to incur substantial expenses, which we expect to increase as we expand our development activities and product portfolio. As a result of the foregoing, we expect to continue to incur significant and increasing losses and negative cash flows for the foreseeable future, which may increase compared to past periods. We believe that our existing cash and cash equivalents, together with interest thereon, may only be sufficient to fund our operations through the third quarter of fiscal year 2015.

If we fail to obtain additional financing, we would be forced to delay, reduce or eliminate our product development programs.

Developing pharmaceutical products, including conducting preclinical studies and clinical trials, is expensive. We expect our development expenses to substantially increase in connection with our ongoing activities, particularly as we advance our clinical programs.

The net proceeds from our initial public offering were approximately $46.1 million. Regardless of our expectations as to how long our net proceeds from will fund our operations, changing circumstances beyond our control may cause us to consume capital more rapidly than we currently anticipate. For example, our product development efforts could encounter technical or other difficulties that could increase our development costs more than we expect. In any event, we may require additional capital prior to obtaining regulatory approval for, or commercializing, any of our product candidates.

In addition, attempting to secure additional financing may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital when required or on acceptable terms, we may be required to:

- significantly delay, scale back or discontinue the development or commercialization of our product candidates;
- seek corporate partners for our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;
- relinquish or license on unfavorable terms, our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or
- significantly curtail, or cease, operations.

The occurrence of any of these factors could have a material adverse effect on our business, operating results and prospects.

We may sell additional equity or incur debt to fund our operations, which may result in dilution to our stockholders and impose restrictions on our business.

In order to raise additional funds to support our operations, we may sell additional equity or incur debt, which could adversely impact our stockholders, as well as our business. The sale of additional equity or convertible debt securities would result in the issuance of additional shares of our capital stock and dilution to all of our stockholders. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business.

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We may not have enough available cash or be able to raise additional funds on satisfactory terms, if at all, through equity or debt financings to repay our indebtedness at the time any such repayment is required (causing a default under such indebtedness), which could have a material adverse effect on our business, financial condition and results of operations.

Our short operating history makes it difficult to evaluate our business and prospects.

We were incorporated in and have only been conducting operations since 2007. Our operations to date have been limited to developing and bringing to market a limited number of products and developing our other product candidates. Consequently, any predictions about our future performance may not be as accurate as they could be if we had a history of successfully developing and commercializing a significant number of pharmaceutical products.

Risks Related to Regulatory Approval

We are heavily dependent on the success of our lead product candidates EP-3101 (bendamustine RTD), EP-3102 (bendamustine short infusion time), Ryanodex (dantrolene for MH) and EP-4104 (dantrolene for EHS). We cannot give any assurance that we will receive regulatory approval for such product candidates, which is necessary before they can be commercialized.

Our business and future success are substantially dependent on our ability to successfully and timely develop, obtain regulatory approval for, and commercialize our lead product candidates EP-3101 (bendamustine RTD), EP-3102 (bendamustine short infusion time), Ryanodex (dantrolene for MH) and EP-4104 (dantrolene for EHS). Any delay or setback in the development of any of these product candidates could adversely affect our business. Our planned development, approval and commercialization of these product candidates may fail to be completed in a timely manner or at all. Our other product candidates, EP-6101 (bivalirudin) and EP-5101 (pemetrexed), are at an earlier development stage and it will require additional time and resources to develop and seek regulatory approval for such product candidates and, if we are successful, to proceed with commercialization. We cannot provide assurance that we will be able to obtain approval for any of our product candidates from the FDA or any foreign regulatory authority or that we will obtain such approval in a timely manner. For example, in August 2009, we submitted our product EP-2101 (topotecan) for approval in the United States under the 505(b)(2) regulatory pathway, referencing the brand product, Hycamtin. Ultimately, the FDA determined that it could not approve the application as submitted due to the amount of active drug per vial in our product and the potential for unintentional overdose. Based on the FDA's feedback and our determination that the market for topotecan had become overly competitive with multiple players, we decided not to continue to pursue product approval and we do not currently have plans to commercialize EP-2101 (topotecan) in the United States.

If the FDA does not conclude that our product candidates satisfy the requirements for the 505(b)(2) regulatory approval pathway, or if the requirements for approval of any of our product candidates under Section 505(b)(2) are not as we expect, the approval pathway for our product candidates will likely take significantly longer, cost significantly more and encounter significantly greater complications and risks than anticipated, and in any case may not be successful.

We intend to seek FDA approval through the 505(b)(2) regulatory pathway for each of our product candidates described in this Form 10Q. The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Act, added Section 505(b)(2) to the Federal Food, Drug and Cosmetic Act, or FDCA.

Section 505(b)(2) permits the filing of an NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant.

If the FDA does not allow us to pursue the 505(b)(2) regulatory pathway for our product candidates as anticipated, we may need to conduct additional clinical trials, provide additional data and information and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for our product candidates would likely substantially increase. Moreover, the inability to pursue the 505(b)(2) regulatory pathway could result in new competitive products reaching the market faster than our product candidates, which could materially adversely impact our competitive position and prospects. Even if we are allowed to pursue the 505(b)(2) regulatory pathway for a product candidate, we cannot assure you that we will receive the requisite or timely approvals for commercialization of such product candidate.

In addition, we expect that our competitors will file citizens' petitions with the FDA in an attempt to persuade the FDA that our product candidates, or the clinical studies that support their approval, contain deficiencies. Such actions by our competitors could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2).

Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. Failure can occur at any stage of clinical development.

Clinical testing, even when utilizing the 505(b)(2) pathway, is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process, even with active ingredients that have previously been approved by the FDA as safe and effective. The results of preclinical studies and early clinical trials of our product candidates may not be predictive of the results of later stage clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials.

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Our product candidates are in various stages of development, from early stage to late stage. Clinical trial failures may occur at any stage and may result from a multitude of factors both within and outside our control, including flaws in formulation, adverse safety or efficacy profile and flaws in trial design, among others. If the trials result in negative or inconclusive results, we or our collaborators may decide, or regulators may require us, to discontinue trials of the product candidates or conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval. For these reasons, our future clinical trials may not be successful.

We do not know whether any future clinical trials we may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates. If any product candidate for which we are conducting clinical trials is found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval for it. If we are unable to bring any of our current or future product candidates to market, our business would be materially harmed and our ability to create long-term stockholder value will be limited.

Delays in clinical trials are common and have many causes, and any delay could result in increased costs to us and could jeopardize or delay our ability to obtain regulatory approval and commence product sales. We may also find it difficult to enroll patients in our clinical trials, which could delay or prevent development of our product candidates. We may experience delays in clinical trials of our product candidates. Our planned clinical trials may not begin on time, have an effective d