SUPERNUS PHARMACEUTICALS INC

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

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: 001-35518

SUPERNUS PHARMACEUTICALS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-2590184**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1550 East Gude Drive, Rockville, MD	**20850**
(Address of principal executive offices)	(Zip Code)

(301) 838-2500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

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

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

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

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

The number of outstanding shares of the registrant's common stock, par value $0.001 per share, as of the close of business on May 2, 2017 was 50,282,397.

SUPERNUS PHARMACEUTICALS, INC.
FORM 10-Q — QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017
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PART I — FINANCIAL INFORMATION

Supernus Pharmaceuticals, Inc.
Consolidated Balance Sheets
(in thousands, except share amounts)

	March 31, 2017	December 31, 2016
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 59,599	$ 66,398
Marketable securities	27,533	23,723
Accounts receivable, net	38,885	41,527
Inventories, net	19,167	16,801
Prepaid expenses and other current assets	4,573	2,955
Total current assets	149,757	151,404
Long term marketable securities	89,163	75,410
Property and equipment, net	4,342	4,344
Deferred legal fees	11,331	19,860
Intangible assets, net	29,450	16,490
Other non-current assets	350	331
Deferred income taxes	37,863	41,729
Total assets	$ 322,256	$ 309,568
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 5,056	$ 8,055
Accrued sales deductions	43,450	41,943
Accrued expenses	26,890	27,427
Accrued income taxes payable	1,675	7
Non-recourse liability related to sale of future royalties, current portion	4,645	3,101
Deferred licensing revenue	287	209
Total current liabilities	82,003	80,742
Deferred licensing revenue, net of current portion	1,365	1,501
Convertible notes, net	3,310	4,165
Non-recourse liability related to sale of future royalties, long term	25,555	27,289
Other non-current liabilities	3,936	4,002
Derivative liabilities	23	114
Total liabilities	116,192	117,813
Stockholders' equity:		
Common stock, $0.001 par value, 130,000,000 shares authorized at March 31, 2017 and December 31, 2016; 50,226,397 and 49,971,267 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	50	50
Additional paid-in capital	279,792	276,127
Accumulated other comprehensive income (loss), net of tax	32	(134)
Accumulated deficit	(73,810)	(84,288)
Total stockholders' equity	206,064	191,755
Total liabilities and stockholders' equity	$ 322,256	$ 309,568

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Revenue		
Net product sales	$ 56,369	$ 43,025
Royalty revenue	1,149	1,119
Licensing revenue	58	50
Total revenue	57,576	44,194
Costs and expenses		
Cost of product sales	2,949	2,035
Research and development	9,601	10,562
Selling, general and administrative	28,238	25,160
Total costs and expenses	40,788	37,757
Operating income	16,788	6,437
Other income (expense)		
Interest income	531	327
Interest expense	(90)	(179)
Interest expense-nonrecourse liability related to sale of future royalties	(959)	(1,279)
Changes in fair value of derivative liabilities	54	101
Loss on extinguishment of debt	(101)	(382)
Total other expense	(565)	(1,412)
Earnings before income taxes	16,223	5,025
Income tax expense	5,926	200
Net income	$ 10,297	$ 4,825
Earnings per share:		
Basic	$ 0.21	$ 0.10
Diluted	$ 0.19	$ 0.08
Weighted-average number of common shares outstanding:		
Basic	50,158,634	49,240,099
Diluted	52,764,442	51,152,072

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Consolidated Statements of Comprehensive Income
(in thousands)

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Net income	$ 10,297	$ 4,825
Other comprehensive income:		
Unrealized net gain on marketable securities, net of tax	166	656
Other comprehensive income:	166	656
Comprehensive income	$ 10,463	$ 5,481

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Cash flows from operating activities		
Net income	$ 10,297	$ 4,825
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on extinguishment of debt	101	382
Change in fair value of derivative liability	(54)	(101)
Depreciation and amortization	741	429
Non-cash interest expense, net/interest (income), net	(313)	155
Non-cash interest expense on non-recourse liability related to sale of future royalties	959	1,279
Non-cash royalty revenue	(1,149)	(1,119)
Share-based compensation expense	1,827	1,359
Deferred income tax benefit	4,258	—
Changes in operating assets and liabilities:		
Accounts receivable	2,642	(4,744)
Inventories	(2,366)	(457)
Prepaid expenses and other assets	(1,618)	260
Accounts payable	(3,133)	(1,691)
Accrued sales deductions	1,507	1,903
Accrued expenses	(1,865)	(6,017)
Accrued income taxes payable	1,668	22
Deferred licensing revenue	(58)	300
Other non-current liabilities	(86)	73
Net cash provided by (used in) operating activities	13,358	(3,142)
Cash flows from investing activities		
Purchases of marketable securities	(22,193)	(17,335)
Sales and maturities of marketable securities	5,140	7,400
Purchases of property, plant and equipment	(300)	(279)
Deferred legal fees	(3,408)	(436)
Net cash used in investing activities	(20,761)	(10,650)
Cash flows from financing activities		
Proceeds from issuance of common stock	604	124
Net cash provided by financing activities	604	124
Net change in cash and cash equivalents	(6,799)	(13,668)
Cash and cash equivalents at beginning of period	66,398	33,498
Cash and cash equivalents at end of period	$ 59,599	$ 19,830
Noncash financial activity:		
Conversion of convertible notes and interest make-whole	$ 1,023	$ 2,138
Deferred legal fees included in accounts payable and accrued expenses	$ 6,584	$ 3,779

See accompanying notes.

Supernus Pharmaceuticals, Inc.
Notes to Consolidated Financial Statements
For the Three Months ended March 31, 2017 and 2016
(unaudited)

1. Organization and Business

Supernus Pharmaceuticals, Inc. (the Company) was incorporated in Delaware and commenced operations in 2005. The Company is a specialty pharmaceutical company focused on developing and commercializing products for the treatment of central nervous system (CNS) diseases, including neurological and psychiatric disorders. The Company markets two products, Oxtellar XR for the treatment of epilepsy and Trokendi XR for the treatment of migraine and epilepsy, and has several proprietary product candidates in clinical development that address the psychiatry market.

The Company commercialized Oxtellar XR and Trokendi XR in 2013. The Company launched Trokendi XR for the treatment of migraine in April 2017.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements include the accounts of Supernus Pharmaceuticals, Inc. and Supernus Europe Ltd., collectively referred to herein as "Supernus" or "the Company." All significant intercompany transactions and balances have been eliminated in consolidation. The Company's unaudited consolidated financial statements have been prepared in accordance with t he requirements of the U.S. Securities and Exchange Commission (SEC) for interim financial information.

As permitted under Generally Accepted Accounting Principles in the United States (U.S. GAAP), certain notes and other information have been omitted from the interim unaudited consolidated financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed with the SEC.

In the opinion of management, the consolidated financial statements reflect all adjustments necessary to fairly present the Company's financial position, results of operations, and cash flows for the periods presented. These adjustments are of a normal recurring nature. The Company currently operates in one business segment.

The results of operations for the three months ended March 31, 2017 are not necessarily indicative of the Company's future financial results.

Marketable Securities

Marketable securities consist of investments in U.S. Treasuries, certificates of deposit, various U.S. governmental agency debt securities, corporate and municipal bonds and other fixed income securities. The Company places all investments with government, industrial, or financial institutions whose debt is rated as investment grade. The Company classifies all available-for-sale marketable securities with maturities greater than one year from the balance sheet date as non-current assets.

The Company's investments are classified as available-for-sale. Such securities are carried at estimated fair value. Any unrealized holding gains or losses are reported, net of any tax effects reported, as accumulated other comprehensive income (loss), which is a separate component of stockholders' equity.

Realized gains and losses, and declines in value judged to be other-than-temporary, if any, are included in consolidated results of operations. A decline in the market value of any available for sale security below cost that is deemed to be other-than-temporary results in a reduction in fair value, which is charged to earnings in that period, and a new cost basis for the security is established. Dividend and interest income is recognized when earned. The cost of securities sold is calculated using the specific identification method.

The Company established the Supernus Supplemental Executive Retirement Plan (SERP) for the sole purpose of receiving funds for executives from a previous SERP and providing a continuing deferral program under the Supernus SERP. As of March 31, 2017 and December 31, 2016, the fair value of the SERP was $294,000 and $275,000, respectively. The fair value of these assets is included within other non-current assets on the consolidated balance sheets. A corresponding non-current liability is also included in the

consolidated balance sheets to reflect the Company's obligation for the SERP. The Company has not made, and has no plans to make, contributions to the SERP. The securities are restricted in nature and can only be used for purposes of paying benefits under the SERP.

Accounts Receivable, net

Accounts receivable are reported on the consolidated balance sheets at outstanding amounts, less an allowance for doubtful accounts and discounts. The Company extends credit without requiring collateral. The Company writes off uncollectible receivables when the likelihood of collection is remote. The Company evaluates the collectability of accounts receivable on a regular basis. An allowance, when needed, is based upon various factors including the financial condition and payment history of customers, an overall review of collections experience on other accounts, and economic factors or events expected to affect future collections experience.

The Company recorded an allowance for expected sales discounts of approximately $5.3 million and $5.6 million as of March 31, 2017 and December 31, 2016, respectively.

Inventory

Inventories, which are recorded at the lower of cost or market, include materials, labor, and other direct and indirect costs and are valued using the first-in, first-out method. The Company capitalizes inventories produced in preparation for commercial launches when it becomes probable that the related product candidates will receive regulatory approval and that the related costs will be recoverable through the commercial sale of the product.

Property and Equipment

Property and equipment are stated at cost. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to operations. Repairs and maintenance costs are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the following average useful lives:

Computer equipment	3 years
Software	3 years
Lab equipment and furniture	5 - 10 years
Leasehold improvements	Shorter of lease term or useful life

Deferred Legal Fees

Legal fees have been incurred in connection with legal proceedings related to the defense of patents for Oxtellar XR and Trokendi XR (see Note 6). Amortization of the deferred legal fees will begin upon successful outcome of the ongoing litigation. Deferred legal fees will be charged to expense in the event of an unsuccessful outcome of the ongoing litigation.

Intangible Assets

Intangible assets consist of deferred legal fees related to patents. Patents are carried at cost less accumulated amortization, which is calculated on a straight-line basis over the estimated useful lives of the patents. The carrying value of the patents and deferred legal fees are assessed for impairment annually during the fourth quarter of each year, or more frequently if impairment indicators exist. There were no indicators of impairment identified at March 31, 2017 or December 31, 2016.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of patents defense costs, deferred legal fees, and property and equipment. The Company assesses the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, projected future undiscounted cash flows associated with the asset are compared to the carrying amount to determine whether the asset's value is recoverable. Evaluating for impairment requires judgment, including the estimation of future cash flows, future growth rates and profitability and the expected life over which cash flows will occur. Changes in the Company's business strategy or adverse changes in market conditions could impact impairment analyses and could require the recognition of an impairment charge equal to the excess of the carrying value of the long-lived assets over its estimated fair value.

For the three months ended March 31, 2017 or year ended December 31, 2016, the Company determined that there was no impairment of the Company's long-lived assets.

Deferred Financing Costs

Deferred financing costs consist of financing costs incurred by the Company in connection with the closing of the Company's 7.50% Convertible Senior Secured Notes due 2019 (the Notes) and Secured Notes Payable (see Note 8). The Company amortizes deferred financing costs over the term of the related debt using the effective interest method. When extinguishing debt, the related deferred financing costs are written off.

Preclinical Study and Clinical Trial Accruals

We estimate preclinical study and clinical trial expenses based on the services performed pursuant to contracts with research institutions, investigators, and clinical research organizations (CROs) that conduct these activities on our behalf. In recording service fees, the Company estimates the time period over which the related services will be performed and compares the level of effort expended through the end of each period to the cumulative expenses recorded and payments made for such services. As appropriate, we accrue additional service fees or defer any non-refundable advance payments until the related services are performed. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust its accrual or deferred advance payment accordingly. If the Company later determines that it no longer expects the services associated with a nonrefundable advance payment to be rendered, the advance payment will be charged to expense in the period that such determination is made.

Revenue from Product Sales

Revenue from product sales is recognized when persuasive evidence of an arrangement exists; delivery has occurred and title to the product and associated risk of loss has passed to the customer; the price is fixed or determinable; collection from the customer has been reasonably assured; all performance obligations have been met; and returns and allowances can be reasonably estimated. Product sales are recorded net of estimated rebates, chargebacks, allowances, discounts, co-pay assistance and other deductions as well as estimated product returns (collectively, "sales deductions").

Our products are distributed through wholesalers and pharmaceutical distributors. Each of these wholesalers and distributors will take title and ownership to the product upon physical receipt of the product and then distribute our products to pharmacies.

Sales Deductions

Allowances for estimated sales deductions are provided for the following:

- Rebates. Rebates include mandated discounts under the Medicaid Drug Rebate Program, the Medicare coverage gap program, as well as negotiated discounts with commercial healthcare providers. Rebates are amounts owed after the final dispensing of product to a benefit plan participant and are based upon contractual agreements or legal requirements with the public sector (e.g. Medicaid) and with private sector benefit providers (e.g., Commercial managed care). The allowance for rebates is based on statutory and contractual discount rates and expected claimed rebates paid based on a plan provider's utilization. Rebates are generally invoiced and paid quarterly in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual balance for known or estimated prior quarters' unpaid rebates. If actual rebates vary from estimates, we may need to adjust balances of such rebates to reflect the actual expenditures of the Company with respect to these programs, which would affect revenue in the period of adjustment.

- Co-pay assistance. Patients who pay in cash or have commercial insurance and meet certain eligibility requirements may receive co-pay assistance from the Company. The intent of this program is to reduce the patient's out of pocket costs when filling a prescription. Liabilities for co-pay assistance are based on actual program participation and estimates of program redemption using data provided by third-party administrators.

- Distributor/Wholesaler deductions and discounts. U.S. specialty distributors and wholesalers are offered various forms of consideration including allowances, service fees and prompt payment discounts as consideration for distributing our products. Distributor allowances and service fees arise from contractual agreements with distributors and are generally a percentage of the purchase price paid by the distributors and wholesalers. Wholesale customers are offered a prompt pay discount for payment within a specified period.

- Returns. Sales of our products are not subject to a general right of return; however, the Company will accept product that is damaged or defective when shipped directly from our warehouse. The Company will accept expired product six months prior to and up to 12 months subsequent to its expiry date. Product that has been used to fill patient prescriptions is no longer subject to any right of return.

- Chargebacks. Chargebacks are discounts that occur when contracted customers purchase directly from an intermediary distributor or wholesaler. Contracted customers, which currently consist primarily of Public Health Service institutions and federal government entities purchasing via the Federal Supply Schedule, generally purchase the product at a discounted price. The distributor or wholesaler, in turn, charges back the difference between the price initially paid by the distributor or wholesaler and the discounted price paid to the distributor or wholesaler by the customer. The allowance for distributor/wholesaler chargebacks is based on known sales to contracted customers.

Revenue Recognition of License Revenue

License and Collaboration Agreements

We have entered into collaboration agreements to commercialize both Oxtellar XR and Trokendi XR outside of the U.S. These agreements generally include an up-front license fee and ongoing milestone payments upon the achievement of specific events. We believe that when milestones meet all of the necessary criteria to be considered substantive, these should be recognized as revenue when achieved. For up-front license fees, we have estimated the service period of the contract and are recognizing revenue on a straight-line basis over the respective service period.

Milestone Payments

Milestone payments on licensing agreements are recognized as revenue when the collaborative partner acknowledges completion of the milestone and substantive effort was necessary to achieve the milestone. Management may recognize milestone revenue in the period in which the milestone is achieved only if the milestone meets all the criteria to be considered substantive. Substantive milestone payments are recognized upon achievement only if all of the following conditions are met:

- the milestone payments are non-refundable;
- achievement of the milestone involves a degree of risk and was not reasonably assured at the inception of the arrangement;
- substantive effort on the partner's part is involved in achieving the milestone; and
- the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone.

Determination as to whether a payment meets the aforementioned conditions involves management's judgment. If any of these conditions are not met, the resulting payment would not be considered a substantive milestone. Therefore, the resulting payment would be considered part of the consideration for the single unit of accounting and amortized over the appropriate period.

There was no milestone revenue during the three months ended March 31, 2017 or 2016.

Royalty Revenue

We recognize non-cash royalty revenue for royalty amounts earned pursuant to a royalty agreement with United Therapeutics. In 2014, the Company sold certain of these royalty rights to Healthcare Royalty Partners III, L.P. (HC Royalty) (see Note 14). Accordingly, the Company records non-cash royalty revenue when payments are made from United Therapeutics to HC Royalty in connection with these agreements.

Cost of Product Sales

The cost of product sales consists primarily of materials, third-party manufacturing costs, freight and distribution costs, allocation of labor, quality control and assurance, and other manufacturing overhead costs.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs primarily consist of employee-related expenses, including salaries and benefits; share-based compensation expense; expenses incurred under agreements with CROs, payments to investigators and consultants that conduct the Company's clinical trials; the cost of acquiring and manufacturing clinical trial materials; the cost of manufacturing materials used in process validation, to the extent that those materials are manufactured prior to receiving regulatory approval for those products and are not expected to be sold commercially; facilities costs that do not have an

alternative future use; related depreciation and other allocated expenses; license fees for, and milestone payments related to, in-licensed products and technologies; and costs associated with animal testing activities and regulatory approvals.

Advertising Expense

The costs of the Company's advertising efforts are expensed as incurred. The Company incurred approximately $6.7 million and $6.4 million in advertising costs for the three months ended March 31, 2017 and 2016, respectively, which are recorded in the selling, general and administrative expense line of the Statement of Operations.

Share-Based Compensation

Employee share-based compensation is measured based on the estimated fair value on the grant date. The grant date fair value is calculated using the Black-Scholes option-pricing model, which requires the use of subjective assumptions including volatility, expected term, risk-free rate, and the fair value of the underlying common stock. The Company recognizes expense using the straight-line method.

The Company records the expense for stock option grants to non-employees based on the estimated fair value of the stock option using the Black-Scholes option-pricing model. The fair value of non-employee awards is re-measured at each reporting period. As a result, stock compensation expense for non-employee awards with vesting is affected by subsequent changes in the fair value of the Company's common stock.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. When appropriate, valuation allowances are established to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for uncertain tax positions in its consolidated financial statements when it is more-likely-than-not that the position will be sustained upon examination by the tax authorities. Such tax positions must initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and relevant facts. The Company's policy is to recognize any interest and penalties related to income taxes as income tax expense.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments." The standard eliminates diversity in the practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on its Consolidated Financial Statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The Company adopted ASU 2016-09 on January 1, 2017 using the modified retrospective approach . As a result, the Company recorded a cumulative effect adjustment of $211,000 to increase the 2017 beginning of period additional paid-in capital balance, with an offset to accumulated deficit for historical forfeitures assumptions. Additionally, the Company recorded an opening balance sheet adjustment of $392,000 to increase our deferred tax asset, with an offset to accumulated deficit, primarily to recognize excess tax benefits (i.e. windfalls) from stock option exercises in prior years combined with the impact of the $211,000 adjustment to historical forfeiture expense.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The standard requires a lessee to recognize assets and liabilities on the balance sheet for leases with lease terms greater than 12 months. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. We expect the ASU to have a material impact on our assets and liabilities due to the addition of previously classified operating leases, but we do not expect it to have a material impact on our cash flows or results of operations.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers.” ASU 2014-09 will eliminate transaction-and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principles-based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption being permitted for periods ending after December 15, 2016. Entities can transition to the standard either retrospectively or as a cumulative effect adjustment as of the date of adoption. We are in the process of evaluating the potential revenue implications of the standard change, which may result in changes to our revenue recognition practices around license and collaboration agreements.

3. Fair Value of Financial Instruments

The fair value of an asset or liability should represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Such transactions to sell an asset or transfer a liability are assumed to occur in the principal or most advantageous market for the asset or liability. Accordingly, fair value is determined based on a hypothetical transaction at the measurement date, considered from the perspective of a market participant rather than from a reporting entity’s perspective.

The Company reports assets and liabilities that are measured at fair value using a three level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Inputs are unadjusted quoted prices in active markets for identical assets that the Company has the ability to access at the measurement date.

- Level 2—Inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

- Level 3—Unobservable inputs that reflect the Company’s own assumptions, based on the best information available, including the Company’s own data.

In accordance with the fair value hierarchy described above, the following tables show the fair value of the Company's financial assets and liabilities that are required to be measured at fair value, in thousands:

	Fair Value Measurements at March 31, 2017 (unaudited)			
	Total Carrying Value at March 31, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 59,599	$ 59,599	$ —	$ —
Marketable securities	27,533	656	26,877	—
Long term marketable securities	89,163	—	89,163	—
Marketable securities - restricted (SERP)	294	—	294	—
Total assets at fair value	$ 176,589	$ 60,255	$ 116,334	$ —
Liabilities:				
Derivative liabilities	$ 23	$ —	$ —	$ 23

	Fair Value Measurements at December 31, 2016			
	Total Carrying Value at December 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 66,398	$ 66,398	$ —	$ —
Marketable securities	23,723	656	23,067	—
Long term marketable securities	75,410	—	75,410	—
Marketable securities - restricted (SERP)	275	—	275	—
Total assets at fair value	$ 165,806	$ 67,054	$ 98,752	$ —
Liabilities:				
Derivative liabilities	$ 114	$ —	$ —	$ 114

The fair value of the restricted marketable securities is included within other non-current assets in the consolidated balance sheets.

The Company's Level 1 assets include cash held with banks, certificate of deposits, and money market funds.

Level 2 assets include the SERP assets, commercial paper and investment grade corporate bonds and other fixed income securities. Level 2 securities are valued using third-party pricing sources that apply applicable inputs and other relevant data into their models to estimate fair value.

Level 3 liabilities include the estimated fair value of the interest make-whole liability associated with the Notes, which are recorded as derivative liabilities.

The fair value of the interest make-whole liability of the Notes was calculated using a binomial-lattice model with the following key assumptions as of March 31, 2017, unaudited:

Volatility	45%
Stock Price as of March 31, 2017	$31.30 per share
Credit Spread	900 bps
Term	1 month
Dividend Yield	0.0%

Changes in the fair value of the interest make-whole liability are recognized as a component of other income (expense) in the Consolidated Statements of Operations. The following table presents information about the Company's Level 3 liabilities as of March 31, 2017 and December 31, 2016 that are included in the non-current liabilities section of the Consolidated Balance Sheets, in thousands:

	Three Months ended March 31, 2017 (unaudited)
Balance at December 31, 2016	114
Changes in fair value of derivative liabilities included in earnings	(54)
Reduction due to conversion of debt to equity	(37)
Balance at March 31, 2017	$ 23

The carrying value, face value and estimated fair value of the Notes was approximately $3.3 million, $3.6 million and $21.2 million, respectively, as of March 31, 2017. The fair value was estimated based on actual trade information as well as quoted prices provided by bond traders, which would be characterized within Level 2 of the fair value hierarchy. This fair value amount gives recognition to the value of the interest make-whole liability and the value of the conversion option. Upon issuance these were accounted for as derivative liabilities and additional paid-in-capital, respectively.

The carrying amounts of other financial instruments, including accounts receivable, accounts payable and accrued expenses approximate fair value due to their short-term maturities.

Unrestricted marketable securities held by the Company were as follows, in thousands:

At March 31, 2017 (unaudited):

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 116,883	135	(322)	$ 116,696

At December 31, 2016:

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt securities	$ 99,487	86	(440)	$ 99,133

The contractual maturities of the unrestricted available for sale marketable securities held by the Company were as follows, in thousands:

	March 31, 2017 (unaudited)
Less Than 1 Year	$ 27,533
1 year to 2 years	24,722
3 years to 4 years	64,441
Greater Than 4 Years	—
Total	$ 116,696

The Company has not experienced any other-than-temporary losses on its marketable securities and restricted marketable securities. The cost of securities sold is calculated using the specific identification method.

4. Inventories

Inventories consist of the following, in thousands:

	March 31, 2017	December 31, 2016
	(unaudited)	
Raw materials	$ 4,307	$ 2,091
Work in process	9,399	8,874
Finished goods	5,461	5,836
	$ 19,167	$ 16,801

5. Property and Equipment

Property and equipment consist of the following, in thousands:

	March 31, 2017	December 31, 2016
	(unaudited)	
Computer equipment	$ 1,206	$ 1,206
Software	1,876	1,807
Lab equipment and furniture	6,892	6,758
Leasehold improvements	2,722	2,642
Construction in progress	45	28
	12,741	12,441
Less accumulated depreciation and amortization	(8,399)	(8,097)
	$ 4,342	$ 4,344

Depreciation and amortization expense on property and equipment was approximately $302,000 and $287,000 for the three months ended March 31, 2017 and 2016, respectively.

6. Deferred Legal Fees and Intangible Assets

Deferred legal fees have been incurred in connection with patents for Oxtellar XR and Trokendi XR. As of March 31, 2017 and December 31, 2016, the Company had deferred legal fees of $11.3 million and $19.9 million, respectively.

The following sets forth the gross carrying amount and related accumulated amortization of the intangible asset, in thousands:

	Weighted-Average Life	March 31, 2017	December 31, 2016
		(unaudited)	
Capitalized patent defense costs	5.9 - 11 years	$ 31,172	$ 17,773
Less accumulated amortization		(1,722)	(1,283)
		$ 29,450	$ 16,490

In March 2017, the Company entered into two settlements with various companies related to Trokendi XR patent litigation, at which time the Company reduced deferred legal fees by $12.6 million and transferred these amounts to intangible assets. The Company subsequently began amortizing the cost of litigation, and will continue to do so through the settlement date of January 1, 2023.

The net book value of intangible assets was $29.5 million as of March 31, 2017 and $16.5 million as of December 31, 2016. The increase in intangible assets reflects the settlement of lawsuits related to Trokendi XR during the first quarter of 2017.

Amortization expense on intangible assets was approximately $439,000 and $142,000 for the three months ended March 31, 2017 and 2016, respectively.

There were no indicators of impairment identified at March 31, 2017 or March 31, 2016.

7. Accrued Expenses

Accrued expenses are comprised of the following, in thousands:

	March 31, 2017 (unaudited)	December 31, 2016
Accrued compensation	$ 7,950	$ 9,145
Accrued professional fees	6,409	4,350
Accrued clinical trial and clinical supply costs	5,509	5,919
Accrued product costs	1,398	1,794
Accrued sales and marketing expenses	605	528
Accrued interest expense	120	61
Other accrued expenses	4,899	5,630
	$ 26,890	$ 27,427

8. Convertible Senior Secured Notes

The table below summarizes activity related to the Notes from issuance on May 3, 2013 through March 31, 2017, in thousands:

Gross proceeds	$ 90,000
Initial value of interest make-whole derivative reported as debt discount	(9,270)
Conversion option reported as debt discount and APIC	(22,336)
Conversion of debt to equity - principal	(85,425)
Conversion of debt to equity - accretion of debt discount and deferred financing costs	25,767
Accretion of debt discount and deferred financing costs	5,429
December 31, 2016 carrying value	4,165
Conversion of debt to equity - principal	(1,000)
Conversion of debt to equity - accretion of debt discount and deferred financing costs	114
Accretion of debt discount and deferred financing costs	31
March 31, 2017 carrying value, unaudited	$ 3,310

During the three month period ended March 31, 2017, approximately $1.0 million of the Notes were presented to the Company for conversion. Accordingly, the Company issued approximately 0.2 million shares of common stock in conversion of the principal amount of the Notes. The Company issued an additional 2,000 shares of common stock in settlement of the interest make-whole provision related to the converted Notes. As a result of the conversions, the Company incurred a loss of approximately $0.1 million on extinguishment of debt during the three months ended March 31, 2017, which is included as a separate component of other income (expense) on the Consolidated Statement of Operations. During the three month period ended March 31, 2016, as a result of approximately $2.0 million in note conversions, the Company incurred a loss of approximately $0.4 million on extinguishment of debt.

9. Summary Stockholders' Equity

The following summary table provides details related to the activity in certain captions within Stockholders' Equity for the three month period ended March 31, 2017, in thousands.

	Common Stock	Additional Paid-in Capital	Accumulated Deficit
		(unaudited)	
Balance, December 31, 2016	$ 50	$ 276,127	$ (84,288)
Cumulative-effect adjustment	—	211	181
Balance at January 1, 2017	50	276,338	(84,107)
Share-based compensation	—	1,827	—
Exercise of stock options	—	604	—
Equity issued on note conversion	—	1,023	—
Net income	—	—	10,297
Balance, March 31, 2017	$ 50	$ 279,792	$ (73,810)

During the three months ended March 31, 2017, the Company adopted ASU No. 2016-09, which simplifies several aspects of the accounting for share-based payments, including the Company's election to eliminate the requirement to estimate the number of awards that are expected to be forfeit and, instead, account for forfeitures when they occur. The new standard requires the change to be adopted using the modified retrospective approach. As such, the Company recorded a cumulative effect adjustment of $211,000 to increase the 2017 beginning of period additional paid-in capital balances, with an offset to accumulated deficit for historical forfeitures assumptions. Additionally, the Company recorded an opening balance sheet adjustment of $392,000 to increase our deferred tax asset, with an offset to accumulated deficit, primarily to recognize excess tax benefits (i.e. windfalls) from stock option exercises in prior years combined with the impact of the $211,000 adjustment to historical forfeiture expense.

10. Share-Based Payments

The Company has adopted the Supernus Pharmaceuticals, Inc. 2012 Equity Incentive Plan (the 2012 Plan), which is stockholder approved, and provides for the grant of stock options and certain other awards, including stock appreciation rights (SAR), restricted and unrestricted stock, stock units, performance awards, cash awards and other awards that are convertible into or otherwise based on the Company's common stock, to the Company's key employees, directors, and consultants and advisors. The 2012 Plan is administered by the Company's Board of Directors and provides for the issuance of up to 8,000,000 shares of the Company's Common Stock. Option awards are granted with an exercise price equal to the estimated fair value of the Company's Common Stock at the grant date. Option awards granted to employees, consultants and advisors generally vest in four annual installments, starting on the first anniversary of the date of grant and have ten-year contractual terms. Option awards granted to the directors generally vest over a one-year term.

Share-based compensation recognized related to the grant of employee and non-employee stock options, SAR, Employee Stock Purchase Plan (ESPP) awards and non-vested stock was as follows, in thousands:

	March 31,	
	2017	2016
	(unaudited)	
Research and development	$ 317	$ 288
Selling, general and administrative	1,510	1,071
Total	$ 1,827	$ 1,359

The following table summarizes stock option and SAR activity:

	Number of Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Outstanding, December 31, 2016	3,644,088	$	10.25	7.59
Granted (unaudited)	1,028,525	$	25.30	
Exercised (unaudited)	(64,901)	$	9.31	
Forfeited or expired (unaudited)	(4,575)	$	17.38	
Outstanding, March 31, 2017	4,603,137	$	13.62	7.92
As of December 31, 2016:				
Vested and expected to vest	3,591,528	$	10.22	7.57
Exercisable	1,503,004	$	8.62	6.49
As of March 31, 2017:				
Vested and expected to vest (unaudited)	4,603,137	$	13.62	7.92
Exercisable (unaudited)	2,238,770	$	9.23	6.73

11. Earnings per Share

Basic income per common share is determined by dividing income attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. Diluted income per share is computed by dividing the income attributable to common stockholders by the weighted-average number of common share equivalents outstanding for the period. The treasury stock method is used to determine the dilutive effect of the Company's stock option grants, SAR, and potential ESPP awards, and the if-converted method is used to determine the dilutive effect of the Company's Notes.

The following common stock equivalents were excluded in the calculation of diluted income per share because their effect would be anti-dilutive as applied to the income from continuing operations applicable to common stockholders for the three months ended
March 31, 2017 and 2016:

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Shares underlying Convertible Senior Secured Notes	—	—
Stock options, stock appreciation rights, and ESPP awards	223,273	179,162

The following table sets forth the computation of basic and diluted net income per share for the three months ended March 31, 2017 and 2016, in thousands, except share and per share amounts:

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Numerator, in thousands:		
Net income used for calculation of basic EPS	$ 10,297	$ 4,825
Interest expense on convertible debt	90	179
Changes in fair value of derivative liabilities	(54)	(101)
Loss on extinguishment of debt	101	382
Loss on extinguishment of outstanding debt, as if converted	(320)	(1,229)
Total adjustments	(183)	(769)
Net income used for calculation of diluted EPS	$ 10,114	$ 4,056
Denominator:		
Weighted average shares outstanding, basic	50,158,634	49,240,099
Effect of dilutive potential common shares:		
Shares underlying Convertible Senior Secured Notes	683,743	1,383,472
Shares issuable to settle interest make-whole derivatives	7,012	71,537
Stock options and stock appreciation rights	1,915,053	456,964
Total potential dilutive common shares	2,605,808	1,911,973
Weighted average shares outstanding, diluted	52,764,442	51,152,072
Net income per share, basic	$ 0.21	$ 0.10
Net income per share, diluted	$ 0.19	$ 0.08

12. Income Taxes

The following table provides a comparative summary of our income tax expense and effective tax rate for the three months ended March 31, 2017 and 2016, in thousands:

	Three Months ended March 31,	
	2017	2016
	(unaudited)	
Income tax expense	$ 5,926	$ 200
Effective tax rate	36.5%	4%

The tax provision for the three months ended March 31, 2017, is attributed to the U.S. federal and state income. The increase in the income tax expense and the effective tax rate for the three months ended March 31, 2017 as compared to the same period in the prior year is primarily attributable to the release of the valuation allowance on the deferred tax asset during the third quarter of 2016.

13. Commitments and Contingencies

The Company has concurrent leases for office and lab space that extend through April 2020. The Company may elect to extend the term of the leases for an additional five-year term. The leases provide for a tenant improvement allowance of approximately $2.1 million in aggregate. During the three months ended March 31, 2017, $50,000 of the allowance was utilized. During the three months ended March 31, 2016, none of the allowance was utilized. As of March 31, 2017, $470,000 remains available for tenant improvements. Rent expense for the leased facilities and leased vehicles for the three months ended March 31, 2017 and March 31, 2016 was approximately $0.7 million in each period.

Future minimum lease payments under non-cancelable operating leases as of March 31, 2017 are as follows, in thousands, unaudited:

Year ending December 31:	
2017 (remaining)	2,091
2018	1,436
2019	1,341
Thereafter	454
	$ 5,322

The Company has obtained exclusive licenses from third parties for proprietary rights to support the product candidates in the Company's psychiatry portfolio. Under license agreements with Afecta Pharmaceuticals, Inc. (Afecta), the Company has exclusive worldwide rights to selected product candidates, including an exclusive license to SPN-810. The Company does not owe any future milestone payments for SPN-810. The Company is obligated to pay royalties to Afecta as a low single digit percentage of worldwide net product sales.

The Company has also entered into a purchase and sale agreement with Rune HealthCare Limited (Rune), where the Company obtained the exclusive worldwide rights to a product concept from Rune. There are no future milestone payments due to Rune under this agreement. If the Company receives approval to market and sell any products based on the Rune product concept for SPN-809, the Company is obligated to pay royalties to Rune as a low single digit percentage of worldwide net product sales.

14. Collaboration Agreement

Royalty Revenue

In the third quarter of 2014, the Company received a $30.0 million payment pursuant to a Royalty Interest Acquisition Agreement related to the purchase by HC Royalty of certain of the Company's rights under the agreement with United Therapeutics Corporation related to the commercialization of Orenitram (treprostinil) Extended-Release Tablets. We will retain full ownership of the royalty rights if and when a certain threshold is reached per the terms of the Agreement. We have recorded a non-recourse liability related to this transaction and have begun to amortize this amount to recognize non-cash royalty revenue as royalties are received by HC Royalty from United Therapeutics. We also recognized non-cash interest expense related to this liability that accrues at an effective interest rate, which is determined based on projections of HC Royalty's rate of return. We recognized royalty revenue of $1.1 million and $1.1 million for the three months ended March 31, 2017 and 2016, respectively. We recognized non-cash interest expense of $1.0 million and $1.3 million for the three months ended March 31, 2017 and 2016, respectively.

15. Subsequent Events

Subsequent to March 31, 2017, holders of the Notes converted approximately $2.0 million of the Notes. We issued a total of approximately 377,411 shares of common stock in conversion of the principal amount of the Notes and accrued interest thereon resulting in a remaining outstanding balance of $1.6 million.

On April 5, 2017, the United States Food and Drug Administration granted final approval to the Company's Supplemental New Drug Applications requesting a label expansion for Trokendi XR® to include prophylaxis of migraine headache in adults and adolescents.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand the results of operations and the financial condition of the Company. The interim financial statements included in this report and this Management's Discussion and Analysis of our Financial Condition and Results of Operations should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2016 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2017.

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. These forward-looking statements may include declarations regarding the Company's belief or current expectations of management, such as statements including the words "budgeted," "anticipate," "project," "estimate," "expect," "may," "believe," "potential," and similar statements or expressions, which are intended to be among the statements that are forward-looking statements, as such statements reflect the reality of risk and uncertainty that is inherent in the Company's business. Actual results may differ materially from those expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which are made as of the date this report was filed with the Securities and Exchange Commission. Our actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under the "Risk Factors" section of our Annual Report on Form 10-K and elsewhere in this report as well as in other reports and documents we file with the Securities and Exchange Commission from time to time. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Solely for convenience, in this Quarterly Report on Form 10-Q the trade names are referred to without the TM symbols and the trademark registrations are referred to without the circled R, but such references should not be construed as any indicator that the Company will not assert, to the fullest extent under applicable law, our rights thereto.

Overview

We are a specialty pharmaceutical company focused on developing and commercializing products for the treatment of central nervous system (CNS) diseases.

Oxtellar XR and Trokendi XR are the first once-daily extended release oxcarbazepine and topiramate products, indicated for patients with epilepsy in the U.S. market. On April 5, 2017, Trokendi XR received final approval from the United States Food and Drug Administration (FDA) for the additional indication of treatment of prophylaxis of migraine headache in adults and adolescents. These products differ from immediate release products by offering once-daily dosing and unique pharmacokinetic profiles which we believe can have positive clinical effects for many patients. We believe a once-daily dosing regimen improves adherence, making it more probable that patients maintain sufficient levels of medication in their bloodstream to protect against seizures and migraines. In addition, we believe that the unique smooth and steady pharmacokinetic profiles of our once-daily formulations reduce the peak to trough blood level fluctuations that are typically associated with immediate release products and may result in increased adverse events (AEs), more side effects and decreased efficacy.

In addition, we are developing multiple product candidates in psychiatry to address large unmet medical needs and market opportunities. We are developing SPN-810 (molindone hydrochloride) initially to treat impulsive aggression (IA) in patients who have attention deficit hyperactivity disorder (ADHD). We plan to subsequently develop SPN-810 for treatment of IA in other CNS diseases, such as autism, post traumatic stress disorder (PTSD), bipolar disorder, schizophrenia, and some forms of dementia. There are currently no approved products indicated for the treatment of IA. We are developing SPN-812 (viloxazine hydrochloride) as a novel, non-stimulant candidate to treat patients who have ADHD.

The table below summarizes our current pipeline of novel products and product candidates.

Product	Indication	Status
Oxtellar XR	Epilepsy	Launched in 2013
Trokendi XR	Epilepsy	Launched in 2013
	Migraine*	Launched in 2017
SPN-810	IA**	Phase III
SPN-812	ADHD	Phase IIb
SPN-809	Depression	Phase II ready

* Prophylaxis of migraine headache in adults and adolescents.

** Initial program is in patients with ADHD, with plans to add other indications, such as IA in patients with autism, PTSD, bipolar disorder, schizophrenia, and some forms of dementia.

We are continuing to expand our intellectual property portfolio to provide additional protection for our technologies, products, and product candidates. We currently have seven U.S. patents issued covering Oxtellar XR and nine U.S. patents issued covering Trokendi XR, providing patent protection expiring no earlier than 2027 for each product.

Commercial Products

Trokendi XR

Trokendi XR, the first once-daily extended release topiramate product indicated for patients with epilepsy in the U.S. market, is designed to improve patient adherence over the current immediate release products, which must be taken multiple times per day.

In April 2017, we launched Trokendi XR for the treatment of prophylaxis of migraine headache after receiving final FDA approval.

Oxtellar XR

Oxtellar XR is the only once-daily extended release oxcarbazepine product indicated for the treatment of patients with epilepsy in the U.S. as adjunctive therapy.

We expect the number of prescriptions filled for Oxtellar XR and Trokendi XR to continue to increase through 2017 and in subsequent years. Data from Intercontinental Marketing Services (IMS) shows 134,855 prescriptions filled for both drugs during the three months ended March 31, 2017, which is 17.1% higher than the prescriptions reported for the three months ended March 31, 2016.

We received several Paragraph IV Notice Letters concerning Oxtellar XR and Trokendi XR from various third-parties, asserting that our patents are invalid, or that our patents are not infringed by their formulations, or both. In response to these Paragraph IV notice letters, we initiated litigation against these third parties alleging infringement of our intellectual property rights. In October 2015, we reached a settlement agreement with one of these generic drug makers, Par Pharmaceutical Companies, Inc., concerning our Trokendi XR patents. In 2016, the U.S. District Court and Federal Court of Appeals ruled in our favor against Actavis concerning Oxtellar XR patents. In March 2017, we signed settlement agreements with two other generic drug makers, Actavis and Zydus, concerning our Trokendi XR patents. In April 2017, a bench trial was held in U.S. District Court against TWi concerning our Oxtellar XR patents. A decision on this matter has not been rendered by the Court. We filed a second lawsuit against TWi concerning our Oxtellar XR patents in March 2017. We intend to vigorously defend our intellectual property rights. We anticipate continuing to incur substantial amounts of legal fees and related expenses for these cases as they progress. (See Part II, Item 1—Legal Proceedings for additional information.)

Product Candidates

SPN-810

We are developing SPN-810 as a novel treatment for IA in patients who have ADHD. Our Phase III clinical trial (P301) is being conducted under a Special Protocol Assessment (SPA). SPN-810 has been granted fast-track designation by the FDA. The phase III trials for SPN-810 are being conducted using an agreed upon novel scale to measure IA that was developed by us. We initiated two Phase III clinical trials in 2015 (P301 and P302) and expect patient enrollment to continue through 2017.

SPN-812

SPN-812 is being developed as a novel non-stimulant treatment for ADHD. During 2016, we completed a Phase IIb dose ranging trial and announced topline results. Subsequent to holding an end of Phase II meeting in the second quarter of 2017, with the FDA, we plan to initiate Phase III clinical trials for SPN-812 during the second half of 2017.

We expect to incur significant research and development expenses related to the continued development of each of our product candidates, with a total cost of approximately $85 million to $90 million for each of the two programs, from 2017 through FDA approval or until the program terminates.

SHP465 was originally developed by Shire Laboratories, the former division of Shire which subsequently became Supernus Pharmaceuticals. On January 19, 2017, Shire announced that the FDA acknowledged receipt of the Class 2 resubmission of a New Drug Application for SHP465, for the treatment of ADHD. The FDA is expected to provide a decision on or around June 20, 2017. If approved by the FDA, SHP465 is expected to be launched by Shire in the second half of 2017. Based on the agreement between Supernus and Shire, Shire will pay to Supernus a single digit percentage royalty on net sales of the product.

Critical Accounting Policies and the Use of Estimates

The significant accounting policies and bases of presentation for our consolidated financial statements are described in Note 2 “Summary of Significant Accounting Policies.” The preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We believe the following accounting policies and estimates to be critical:

Revenue Recognition

Revenue from product sales is recognized when: persuasive evidence of an arrangement exists; delivery has occurred and title to the product and associated risk of loss has passed to the customer; the price is fixed or determinable; collection from the customer has been reasonably assured; all performance obligations have been met; and returns and allowances can be reasonably estimated. Product sales are recorded net of estimated rebates, chargebacks, discounts, allowances, co-pay assistance payments and other deductions as well as estimated product returns (collectively, “sales deductions”).

We derive our estimated sales deductions from an analysis of historical levels of deductions specific to each product. In addition, we also consider the impact of anticipated changes in product price, sales trends and changes in managed care coverage and co-pay assistance programs.

Deferred Legal Fees

Deferred legal fees are comprised of costs incurred in connection with defense of patents for Oxtellar XR and Trokendi XR. Amortization commences upon successful outcome of the ongoing litigation. Deferred legal fees will be charged to expense in the event of an unsuccessful outcome of the on-going litigation.

Research and Development Expenses

Research and development expenditures are expensed as incurred. Research and development costs consist primarily of employee-related expenses, including salaries and benefits; share-based compensation expense; expenses incurred under agreements with clinical research organizations (CROs), fees paid to investigators who are participating in our clinical sites, consultants and other vendors that conduct the Company’s clinical trials; the cost of acquiring and manufacturing clinical trial materials; the cost of manufacturing materials used in process validation, to the extent that those materials are manufactured prior to receiving regulatory approval for those products and are not expected to be sold commercially; facilities costs that do not have an alternative future use; related depreciation and other allocated expenses; license fees for and milestone payments related to in-licensed products and technologies; and costs associated with animal testing activities and regulatory approvals.

Accrued Clinical Expenses

Clinical trials are inherently complex, often involve multiple service providers, and can include payments made to investigator physicians at study sites. Because billing for services often lags by a substantial amount of time, we often are required to estimate a significant portion of our accrued clinical expenses. This process involves reviewing open contracts and communicating with our

subject matter expert personnel and the appropriate service provider personnel to identify services that have been performed on our behalf. We accrue for the estimated but unbilled service performed and the associated cost incurred.

Payments to service providers can either be based on hourly rates for service or based on performance driven milestones. When accruing clinical expenses, we estimate the time period over which services will be performed during the life of the entire clinical program, the total cost of the program, and the level of effort to be expended in each intervening period. To the maximum extent possible, we work with each service provider to provide an estimate for incurred but unbilled services as of the end of the calendar quarter. This includes estimates for payments to site investigators.

We work diligently to minimize, if not eliminate, estimates based solely on company generated calculations. If the service provider underestimates or overestimates the cost associated with a trial or service at any given point in time, adjustments to research and development expenses may be necessary in future periods. Historically, our estimated accrued clinical expenses have closely approximated actual expense incurred.

Results of Operations

Comparison of the three months ended March 31, 2017 and March 31, 2016

	Three Months ended March 31,		Increase/ (decrease)
	2017	2016	
	(unaudited, in thousands)		
Revenues:			
Net product sales	$ 56,369	$ 43,025	13,344
Royalty revenue	1,149	1,119	30
Licensing revenue	58	50	8
Total revenues	57,576	44,194	
Costs and expenses			
Cost of product sales	2,949	2,035	914
Research and development	9,601	10,562	(961)
Selling, general and administrative	28,238	25,160	3,078
Total costs and expenses	40,788	37,757	
Operating income	16,788	6,437	
Other income (expense)			
Interest income	531	327	204
Interest expense	(90)	(179)	89
Interest expense-nonrecourse liability related to sale of future royalties	(959)	(1,279)	320
Changes in fair value of derivative liabilities	54	101	(47)
Loss on extinguishment of debt	(101)	(382)	281
Total other expenses	(565)	(1,412)	
Earnings before income taxes	16,223	5,025	
Income tax expense	5,926	200	5,726
Net income	$ 10,297	$ 4,825	

Net Product Sales. The increase in net product sales from 2016 to 2017 is primarily driven by increased prescription volume. Net product sales are based on gross revenue from shipments to distributors, less estimates for discounts, rebates, allowances, other sales deductions and returns. The table below lists our net product sales by product, in thousands.

	Net Product Sales		Change in Net Product Sales (%)
	Q1 2017	Q1 2016	
	(unaudited)		
Trokendi XR	$ 42,009	$ 32,320	30.0%
Oxtellar XR	14,360	10,705	34.1%
Total	$ 56,369	$ 43,025	31.0%

Royalty Revenue. Non-cash royalty revenue for the three months ended March 31, 2017 and 2016 was $1.1 million in each period, based on sales of Orenitram (treprostinil) Extended-Release Tablets as reported to Healthcare Royalty Partners III, L.P. (HC Royalty).

Licensing Revenue. Total licensing revenue for the three months ended March 31, 2017 and 2016 was $58,000 and $50,000 respectively.

Cost of Product Sales. Cost of product sales during the three months ended March 31, 2017 was $2.9 million, an increase of $0.9 million, or 45.0%, as compared to $2.0 million for the three months ended March 31, 2016. The quarter over quarter increase is attributable primarily to increased number of units sold.

Research and Development Expense. Research and development (R&D) expenses during the three months ended March 31, 2017 were $9.6 million as compared to $10.6 million for the three months ended March 31, 2016, a decrease of $1.0 million or 9.4%. This decrease is primarily due to reduction in spending for SPN-812, as the phase 11b trial which was ongoing in 2016 has since been completed.

Selling, General and Administrative Expenses. Our selling, general and administrative (SG&A) expenses were $28.2 million during the three months ended March 31, 2017 as compared to $25.2 million for the three months ended March 31, 2016, an increase of $3.0 million or 11.9%. The increase in SG&A expenses is primarily due to the development of promotional material and preparation for the launch of the migraine indication for Trokendi XR in April 2017.

Interest Income. During the three months ended March 31, 2017 and 2016, we recognized $0.5 million and $0.3 million, respectively, of interest income earned on our cash and marketable securities.

Interest Expense. Interest expense was $90,000 during the three months ended March 31, 2017 as compared to $179,000 for the three months ended March 31, 2016. The decrease of $89,000 was primarily due to a decrease in the principal amount of our outstanding 7.5% Convertible Senior Secured Notes due in 2019 (the Notes) from $6.6 million at March 31, 2016 to $3.6 million at March 31, 2017. During the three months ended March 31, 2017, a total of $1.0 million of Notes and related accrued interest converted into 0.2 million shares of common stock.

Interest Expense—Non-recourse Liability Related to Sale of Future Royalties. Non-cash interest expense related to our royalty liability was $1.0 million during the three months ended March 31, 2017 as compared to $1.3 million for the three months ended March 31, 2016. The decrease of $0.3 million for this non-cash expense item was primarily due to a decrease in our projection of future royalties related to Orenitram.

Changes in Fair Value of Derivative Liability. During the three months ended March 31, 2017, we recognized a non-cash gain of $54,000 related to a change in estimated fair value of the interest make-whole derivative liability related to our Notes. This gain is primarily due to the passage of time. During the three months ended March 31, 2016, we recognized a non-cash gain of $0.1 million related to a change in estimated fair value of the interest make-whole derivative liability related to our Notes. This gain is primarily attributable due to the passage of time.

Loss on Extinguishment of Debt. During the three months ended March 31, 2017, we recognized a non-cash loss on extinguishment of debt of $0.1 million related to the conversion of $1.0 million of our Notes. During the three months ended March 31, 2016, we recognized a non-cash loss on extinguishment of debt of $0.4 million related to the conversion of $2.0 million of our Notes.

Income Tax. During the three months ended March 31, 2017, we recorded $5.9 million of tax expense as compared to $0.2 million for the three months ended March 31, 2016, an increase of $5.7 million. During the third quarter of 2016, we released the full amount

of the valuation allowance recorded against our deferred taxes. The 2017 tax expense is at a rate consistent with our expectations going forward.

Net Income. We realized net income of $10.3 million during the three months ended March 31, 2017, as compared to net income of $4.8 million during the three months ended March 31, 2016, an increase of $5.5 million. This change was primarily due to the revenue generated from our two commercial products, Oxtellar XR and Trokendi XR, increased SG&A spending, and the increased tax rate.

Liquidity and Capital Resources

We believe our increasing levels of net product sales will be sufficient to finance our operations in 2017 and subsequent years, including the increased R&D expenses for our clinical trials. We expect to incur significantly increased R&D expenses in 2017 and in subsequent years to support the development of SPN-810 and SPN-812, including their respective Phase III trials.

Our working capital at March 31, 2017 was $67.8 million, a decrease of $2.9 million compared to our working capital of $70.7 million at December 31, 2016. Our long term marketable securities at March 31, 2017 were $89.2 million, an increase of $13.8 million compared to our long term marketable securities of $75.4 million at December 31, 2016.

Our stockholders' equity increased by $13.9 million during the three month period ended March 31, 2017, primarily as a result of net income, the issuance of shares related to the conversion of our Notes and share-based compensation.

As of March 31, 2017, holders of the Notes have converted a total of approximately $86.4 million of the Notes. Cumulatively, through March 31, 2017, we issued a total of approximately 16.3 million shares of common stock in conversion of the principal amount of the Notes and issued an additional 2.2 million shares of common stock. We also paid approximately $1.7 million cash in settlement of the interest make-whole provision related to the converted Notes.

Subsequent to March 31, 2017, holders of the Notes converted approximately $2.0 million of the Notes. We issued a total of approximately 377,411 shares of common stock in conversion of the principal amount of the Notes and accrued interest thereon.

We believe our current working capital and long term marketable securities, along with increased revenues from increasing product sales, will be sufficient to finance the Company. We achieved positive cash flow and profitability from operations in each quarter of 2016 in and the first quarter of 2017. While we expect to maintain profitability in 2017 as we continue to increase sales. We anticipate there may be significant variability from quarter to quarter in our level of profitability due to increasing spending to advance our clinical product candidates.

Cash Flows

The following table sets forth the major sources and uses of cash and equivalents for the periods set forth below, in thousands:

	Three Months ended March 31,		
	2017	2016	Increase/ (decrease)
	(unaudited)		
Net cash provided by (used in):			
Operating activities	$ 13,358	$ (3,142)	16,500
Investing activities	(20,761)	(10,650)	(10,111)
Financing activities	604	124	480
Net decrease in cash and cash equivalents	$ (6,799)	$ (13,668)	

Operating Activities

Net cash provided by/used in operating activities is comprised of two components: cash provided by operating income/loss and cash provided by/used in changes in working capital.

Results for the three months ended March 31, 2017 and March 31, 2016 are summarized below, in thousands:

	Three Months ended March 31,		Increase/ (decrease)
	2017	2016	
	(unaudited)		
Cash provided by operating income	$ 16,667	$ 7,209	9,458
Cash used in working capital	(3,309)	(10,351)	7,042
Net cash provided by (used in) operating activities	$ 13,358	$ (3,142)	

The increase in net cash provided by operating activities is primarily driven by increased revenue generated from the sale of Trokendi XR and Oxtellar XR. The decrease in cash used in changes in working capital is primarily driven by increased net sales deductions associated with our increased revenue.

The changes in certain operating assets and liabilities are, in thousands:

	Three Months ended March 31,		Explanation of Change
	2017	2016	
	(unaudited)		
Decrease (increase) in accounts receivable	$ 2,642	$ (4,744)	Better accounts receivable turnover ratio.
Increase in inventory	(2,366)	(457)	Building inventory for future sales growth.
(Increase) decrease in prepaid expenses and other assets	(1,618)	260	Primarily attributed to insurance paid in the first quarter.
Decrease in accounts payable, accrued sales deduction, accrued expenses, and accrued income taxes payable	(1,823)	(5,783)	Timing of accruals, including compensation and increased sales deductions.
Other	(144)	373	
	$ (3,309)	$ (10,351)	

Investing Activities

We invest excess cash in accordance with our investment policy. Marketable securities consist of investments which mature in four years or less, including U.S. Treasury and various government agency debt securities, as well as investment grade securities in industrial and financial institutions. Fluctuations in investing activities between periods relate exclusively to the timing of marketable security purchases and the related maturities of these securities.

Net cash used in investing activities for the three months ended March 31, 2017 of $20.8 million related to net purchase of marketable securities of $17.1 million, deferred legal fees of $3.4 million, and property and equipment purchases of $0.3 million. Net cash used in investing activities for the three months ended March 31, 2016 of $10.7 million related to net purchase of marketable securities of $9.9 million, deferred legal fees of $0.4 million, and property and equipment purchases of $0.3 million.

Financing Activities

Net cash provided by financing activities was $0.6 million and $0.1 million for three months ended March 31, 2017 and 2016, respectively, resulting from proceeds received from stock option exercises.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of March 31, 2017 (except as noted below), in thousands, unaudited:

Contractual Obligations	Less than 1 Year	1 - 3 Years	3 - 5 Years	Greater than 5 Years	Total
Convertible Senior Secured Notes	$ —	$ 3,575	$ —	$ —	$ 3,575
Interest on Convertible Notes	268	291	—	—	559
Operating leases (1)	2,540	2,668	114	—	5,322
Purchase obligations (2)	108,940	19,147	—	—	128,087
Total (3)	$ 111,748	$ 25,681	$ 114	$ —	$ 137,543

(1) Our commitments for operating leases relate to our lease of office equipment, fleet vehicles and office and laboratory space as of March 31, 2017.

(2) Relates primarily to agreements and purchase orders with contractors.

(3) This table does not include (a) any milestone payments which may become payable to third parties under license agreements or contractual agreements regarding our clinical trials as the timing and likelihood of such payments are not known, (b) any royalty payments to third parties as the amounts, timing and likelihood of such payments are not known and (c) contracts that are entered into in the ordinary course of business which are not material in the aggregate in any period presented above.

In addition to the above table, we are contractually obligated to pay to HC Royalty all royalty payments earned under a licensing agreement with United Therapeutics Corporation. Although we have recorded a liability of $30.2 million at March 31, 2017 related to this obligation, it is a non-recourse liability for which we have no obligation to make any payments to HC Royalty. Accordingly, this obligation will have no impact on our liquidity at any time. Therefore the non-recourse liability has not been included in the table above.

We have obtained exclusive licenses from third parties for proprietary rights to support the product candidates in our psychiatry portfolio. We have two license agreements with Afecta Pharmaceuticals, Inc. (Afecta) pursuant to which we obtained exclusive worldwide rights to selected product candidates, including an exclusive license to SPN-810. We may pay up to $300,000 upon the achievement of certain milestones. If a product candidate is successfully developed and commercialized, we will be obligated to pay royalties to Afecta as a low single digit percentage rate of worldwide net product sales.

We have also entered into a purchase and sale agreement with Rune HealthCare Limited (Rune), where we obtained the exclusive worldwide rights to a product concept from Rune. There are no future milestone payments owing to Rune under this agreement. If we receive approval to market and sell any products based on the Rune product concept for SPN-809, we will be obligated to pay royalties as a low single digit percentage rate of worldwide net sales.

Off-Balance Sheet Arrangements

We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Recently Issued Accounting Pronouncements

For a discussion of new accounting pronouncements, see Note 2 in the notes to the consolidated financial statements in Part I, Item 1 of this report.

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, cash equivalents, marketable securities and long term marketable securities. As of March 31, 2017, we had unrestricted cash, cash equivalents, marketable securities and long term marketable securities of $176.3 million. We do not engage in any hedging activities against changes in interest rates. Because of the short-term maturities of our cash, cash equivalents, marketable securities and long term marketable securities and because we hold these securities to maturity, we do not believe that an increase in market rates would have any significant impact on the realizable value of our investments. We do not have any currency or other derivative financial instruments other than the interest make-whole payment associated with our Notes.

We may contract with CROs and investigational sites globally. Currently, we do not have ongoing trials outside of the U.S. We do not hedge our foreign currency exchange rate risk. A hypothetical 10% appreciation in Euro exchange rates against the U.S. dollar from prevailing market rates would have decreased our net income by approximately $7,000 for the three months ended March 31, 2017. Conversely, a hypothetical 10% depreciation in Euro exchange rates against the U.S. dollar from prevailing market rates would have increased our net income by approximately $7,000 for the three months ended March 31, 2017. We do not believe that inflation and changing prices over the three months ended March 31, 2017 and March 31, 2016 had a significant impact on our consolidated results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act has been appropriately recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act. Based on that evaluation, under the supervision and with the participation of our management, including our CEO and CFO, we concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2017 because of continued material weaknesses in our internal control over financial reporting as described in our Annual Report on Form 10-K for the year ended December 31, 2016, which was filed on March 16, 2017.

Specifically, Company personnel did not have a sufficient understanding of the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO 2013 Framework, and its application to internal controls over financial reporting, and their responsibilities for effective internal control. Also, the Company did not have an effective risk assessment process that identified necessary changes in financial reporting and internal controls impacted by changes in information technology systems. As a consequence, the Company did not have effective control activities over the completeness and accuracy of key assumptions and data analyzed by a third party consultant and ultimately used by management to determine the returns portion of accrued sales deductions. The Company did not have effective general information technology controls ("GITCs") over the Microsoft Dynamics AX information technology system and the employee expense reimbursement system.

Notwithstanding the identified material weaknesses, management has concluded that the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Management's Remediation Plan

The Company is in the process of executing the following steps in 2017 to remediate the aforementioned material weaknesses in its internal control over financial reporting as described in our Annual Report:

- The Company is actively looking to recruit personnel that have the requisite experience working with the implementation of financial accounting and internal controls policies and procedures.

- The Company will sponsor ongoing training related to the COSO 2013 Framework best practices for personnel that are accountable for internal control over financial reporting.

- The Company has taken certain actions and plans to take further action to strengthen our control procedures surrounding GITCs, IT user access review and program change controls including the logging of changes to the IT applications and the database.

While the audit committee of our board of directors and senior management are closely monitoring this remediation, until the remediation efforts discussed in this section, including any additional remediation efforts that our senior management identifies as necessary, are complete, tested and determined effective, we will not be able to conclude that the material weaknesses have been remediated. In addition, we may need to incur incremental costs associated with this remediation, primarily due to the hiring and training of finance and accounting personnel, and the implementation of improved training procedures.

Changes in Internal Control over Financial Reporting

Our management, including our CEO and CFO, has evaluated any changes in our internal control over financial reporting that occurred during the quarterly period ended March 31, 2017, and has concluded that there was no change that occurred during the quarterly period ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time and in the ordinary course of business, we are subject to various claims, charges and litigation. We may be required to file infringement claims against third parties for the infringement of our patents. We have filed such claims for infringement of the Orange Book patents listed for our products Oxtellar XR and Trokendi XR.

Supernus Pharmaceuticals, Inc. v. Actavis, Inc., et al., C.A. Nos. 13-4740; 14-1981 (RMB)(JS) (D.N.J.) Supernus Pharmaceuticals, Inc. v. Actavis, Inc., et al., Appeal No. 2016-1619 (Fed. Cir.)

We received a Paragraph IV Notice Letter against two of our Oxtellar XR Orange Book patents (United States Patent Nos. 7,722,898 and 7,910,131) from generic drug maker Watson Laboratories, Inc.—Florida (WLF) n/k/a Actavis Laboratories FL, Inc. (Actavis Labs FL) on June 26, 2013. On August 7, 2013, we filed a lawsuit against Actavis, Inc., Actavis Labs FL, Actavis Pharma, Inc., Watson Laboratories, Inc., and ANDA, Inc. (collectively Actavis) alleging infringement of United States Patent Nos. 7,722,898 and 7,910,131. We received a second Paragraph IV Notice Letter against a later-issued Oxtellar XR Orange Book Patent (United States Patent No. 8,617,600) on February 20, 2014. On March 28, 2014, we filed a second lawsuit against Actavis alleging infringement of United States Patent No. 8,617,600. We have since listed four additional Orange Book patents: United States Patent Nos. 8,821,930, 9,119,791, 9,351,975, and 9,370,525. Our United States Patent Nos. 7,722,898, 7,910,131, 8,617,600, 8,821,930, 9,119,791, 9,351,975, and 9,370,525 generally cover once-a-day oxcarbazepine formulations and methods of treating seizures using those formulations. The FDA Orange Book lists all seven of our Oxtellar XR patents as expiring on April 13, 2027.

Both Complaints—filed in the U.S. District Court for the District of New Jersey—alleged, inter alia, that Actavis infringed our Oxtellar XR patents by submitting to the FDA an Abbreviated New Drug Application (ANDA) seeking to market a generic version of Oxtellar XR prior to the expiration of our patents. The two cases were consolidated for all purposes on October 8, 2015.

A seven-day bench trial for the consolidated action involving United States Patent Nos. 7,722,898, 7,910,131, and 8,617,600 was held between November 18 and December 4, 2015. On February 5, 2016, the Court issued an opinion and order finding that: (i) Actavis's ANDA products infringe United States Patent Nos. 7,722,898 and 7,910,131; (ii) Actavis's ANDA products do not infringe U.S. Patent No. 8,617,600; and (iii) United States Patent Nos. 7,722,898, 7,910,131, and 8,617,600 are not invalid. The Court entered a final judgment on February 18, 2016: (i) enjoining the FDA from approving Actavis's ANDA before the expiration date of United States Patent Nos. 7,722,898 and 7,910,131; and (ii) enjoining Actavis from commercially manufacturing, using, offering to sell, or selling within the United States, or importing into the United States, Actavis's ANDA products until the expiration of United States Patent Nos. 7,722,898 and 7,910,131. On February 19, 2016, Actavis filed a Notice of Appeal to the United States Court of Appeals for the Federal Circuit. The parties executed a Partial Settlement Agreement in May 2016 that provided for the dismissal of all appeals, cross-appeals, claims, and counterclaims concerning U.S. Patent Nos. 8,617,600, 8,821,930 , and 9,119,791. The appeal with respect to United States Patent Nos. 7,722,898 and 7,910,131 (docketed on February 24, 2016) was argued on December 8, 2016. On December 12, 2016, the United States Court of Appeals for the Federal Circuit affirmed the District Court's February 18, 2016 Final Judgment.

Supernus Pharmaceuticals, Inc. v. Actavis, Inc., et al., C.A. No. 15-2499 (RMB)(JS) (D.N.J.)

We received a Paragraph IV Notice Letter against United States Patent No. 8,821,930 from Actavis Labs FL on February 21, 2015. On April 7, 2015, we filed a third lawsuit against Actavis alleging infringement of United States Patent No. 8,821,930.

The Complaint—filed in the U.S. District Court for the District of New Jersey—alleged, inter alia, that Actavis infringed United States Patent No. 8,821,930 by submitting to the FDA an ANDA seeking to market a generic version of Oxtellar XR prior to the expiration of United States Patent No. 8,821,930.

The parties executed a Partial Settlement Agreement in May 2016 that provided for the dismissal of both parties' claims and counterclaims concerning U.S. Patent No. 8,821,930 .

Supernus Pharmaceuticals, Inc. v. TWi Pharmaceuticals, Inc., et al., C.A. No. 15-369 (RMB)(JS) (D.N.J.)

We received a Paragraph IV Notice Letter against United States Patent Nos. 7,722,898, 7,910,131, 8,617,600, and 8,821,930 from generic drug maker TWi Pharmaceuticals, Inc. on December 9, 2014. On January 16, 2015, we filed a lawsuit against TWi Pharmaceuticals, Inc. and TWi International LLC (d/b/a TWi Pharmaceuticals USA) (collectively TWi) alleging infringement of United States Patent Nos. 7,722,898, 7,910,131, 8,617,600, and 8,821,930.

The Complaint—filed in the U.S. District Court for the District of New Jersey—alleged, inter alia, that TWi infringed our Oxtellar XR patents by submitting to the FDA an ANDA seeking to market a generic version of Oxtellar XR prior to the expiration of our patents. Filing the Complaint within 45 days of receiving TWi's Paragraph IV certification notice entitles Supernus to an automatic stay preventing the FDA from approving TWi's ANDA for 30 months from the date of our receipt of the first Paragraph IV certification notice. On February 13, 2015, TWi answered the Complaint and denied the substantive allegations of the Complaint. TWi also asserted Counterclaims seeking declaratory judgments of non-infringement and invalidity of United States Patent Nos. 7,722,898 and 7,910,131. On March 20, 2015, we filed our Reply, denying the substantive allegations of those Counterclaims. A four-day bench trial was held between April 3 and April 6, 2017. Post-trial briefing will be completed on May 15, 2017, after which the Court will issue its decision.

We received a second Paragraph IV Notice Letter against United States Patent Nos. 7,722,898, 7,910,131, 8,617,600, 8,821,930, 9,119,791, 9,351,975, and 9,370,525 from generic drug maker TWi Pharmaceuticals, Inc. on February 16, 2017. On March 31, 2017, we filed a lawsuit against TWi Pharmaceuticals, Inc. and TWi International LLC alleging infringement of United States Patent Nos. 7,722,898, 7,910,131, 8,617,600, 8,821,930, 9,119,791, 9,351,975, and 9,370,525. TWi's Answer to Supernus's March 31, 2017 Complaint is due on May 10, 2017.

Supernus Pharmaceuticals, Inc. v. Actavis, Inc., et al., C.A. No. 15-8342 (RMB)(JS) (D.N.J.)

We received a Paragraph IV Notice Letter against United States Patent No. 9,119,791 from Actavis Labs FL on October 15, 2015. On November 25, 2015, we filed a fourth lawsuit against Actavis alleging infringement of United States Patent No. 9,119,791.

The Complaint—filed in the U.S. District Court for the District of New Jersey—alleged, inter alia, that Actavis infringed United States Patent No. 9,119,791 by submitting to the FDA an ANDA seeking to market a generic version of Oxtellar XR prior to the expiration of United States Patent No. 9,119,791. On January 29, 2016, Actavis answered the Complaint, denying the substantive allegations of that Complaint. Actavis Labs FL also asserted Counterclaims seeking declaratory judgments of non-infringement and invalidity of United States Patent No. 9,119,791. On March 4, 2016, we filed our Reply, denying the substantive allegations of those Counterclaims.

The parties executed a Partial Settlement Agreement in May 2016 that provided for the dismissal of both parties' claims and counterclaims concerning U.S. Patent No. 9,119,791 .

Supernus Pharmaceuticals, Inc. v. Actavis, Inc., C.A. No. 14-6102 (SDW)(LDW) (D.N.J.)

We received three Paragraph IV Notice Letters against six Trokendi XR Orange Book patents, namely United States Patent Nos. 8,298,576, 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989 from generic drug maker Actavis Laboratories FL, Inc. These patents cover once-a-day topiramate formulations and methods of treating seizures using those formulations. On October 1, 2014, we initiated a lawsuit against Actavis; the lawsuit alleges infringement of the Trokendi XR Orange Book patents. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989 as expiring on November 16, 2027.

This action for patent infringement—filed in the U.S. District Court for the District of New Jersey—alleges that Actavis infringed the Trokendi XR patents by, inter alia, submitting to the FDA an ANDA seeking to market a generic version of Trokendi XR prior to the expiration of these patents. Actavis answered these allegations with affirmative defenses and counterclaims of noninfringement and invalidity of the patents in suit. Filing its October 1,

2014 Complaint within 45 days of receiving the first of three Actavis Laboratories FL, Inc. Paragraph IV Notice Letters entitles Supernus to an automatic stay preventing the FDA from approving Actavis's ANDA for 30 months from the date of our receipt of such Notice Letter.

The Company announced on March 7, 2017 that it has entered into a binding term sheet with Actavis regarding the settlement of this case. The binding term sheet permits Actavis to begin selling a generic version of Trokendi XR on January 1, 2023, or earlier under certain circumstances. On March 13, 2017, the Company entered into a settlement agreement with Actavis. A consent judgment and stipulation of dismissal with prejudice, and a stipulation and order of dismissal were entered by the U.S. District Court for the District of New Jersey. The agreement has been submitted to the applicable governmental agencies.

Supernus Pharmaceuticals, Inc. v. Zydus Pharmaceuticals (USA) Inc., C.A. No. 14-7272 (SDW)(LDW) (D.N.J.)

We received three Paragraph IV Notice Letters against six Trokendi XR Orange Book patents, namely United States Patent Nos. 8,298,576, 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989 from generic drug maker Zydus Pharmaceuticals (USA) Inc. These patents cover once-a-day topiramate formulations and methods of treating seizures using those formulations. On November 21, 2014, we initiated a lawsuit against Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Limited (collectively Zydus); the lawsuit alleges infringement of the Trokendi XR Orange Book patents. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580, 8,663,683, 8,877,248, 8,889,191 and 8,992,989 as expiring on November 16, 2027.

This action for patent infringement—filed in the U.S. District Court for the District of New Jersey—alleges that Zydus infringed the Trokendi XR patents by, inter alia, submitting to the FDA an ANDA seeking to market a generic version of Trokendi XR prior to the expiration of these patents. Zydus answered these allegations with affirmative defenses and counterclaims of noninfringement and invalidity of the patents in suit. Filing its November 21, 2014 Complaint within 45 days of receiving the first of three Paragraph IV Notice Letters from Zydus Pharmaceuticals (USA) Inc. entitles Supernus to an automatic stay preventing the FDA from approving Zydus's ANDA for 30 months from the date of our receipt of such Notice Letter.

The Company announced on March 6, 2017 that it has entered into a settlement agreement with Zydus regarding this case. The settlement permits Zydus to begin selling a generic version of Trokendi XR on January 1, 2023, or earlier under certain circumstances. A stipulation and order of dismissal without prejudice was entered by the U.S. District Court for the District of New Jersey. The agreement has been submitted to the applicable governmental agencies.

Supernus Pharmaceuticals, Inc. v. Par Pharmaceutical Companies, Inc., C.A. No. 15-326 (SDW)(LDW) (D.N.J.)

We received three Paragraph IV Notice Letters against six Trokendi XR Orange Book patents, namely United States Patent Nos. 8,298,576, 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989 from generic drug maker Par Pharmaceutical, Inc. These patents cover once-a-day topiramate formulations and methods of treating seizures using those formulations. On January 16, 2015, we initiated a lawsuit against Par; the lawsuit alleges infringement of the Trokendi XR Orange Book patents. The FDA Orange Book currently lists United States Patent No. 8,298,576 as expiring on April 4, 2028 and United States Patent Nos. 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989 as expiring on November 16, 2027.

This action for patent infringement—filed in the U.S. District Court for the District of New Jersey—alleges that Par infringed the Trokendi XR patents by, inter alia, submitting to the FDA an ANDA seeking to market a generic version of Trokendi XR prior to the expiration of these patents. Par answered these allegations with affirmative defenses and counterclaims of noninfringement and invalidity of the patents in suit. Filing its January 16, 2015 Complaint within 45 days of receiving the first of three Paragraph IV Notice Letters from Par Pharmaceutical, Inc. entitles Supernus to an automatic stay preventing the FDA from approving Par's ANDA for 30 months from the date of our receipt of such Notice Letter.

The Company announced on October 15, 2015 that it has entered into a settlement agreement with Par regarding this case. The settlement permits Par to begin selling a generic version of Trokendi XR on April 1, 2025, or earlier under certain circumstances. The agreement is subject to a consent judgment that was entered by the U.S. District Court for the District of New Jersey. In the consent judgment, Par acknowledges that the Orange Book-listed patents for Trokendi XR owned by Supernus, namely United States Patent Nos. 8,298,576, 8,298,580, 8,663,683, 8,877,248, 8,889,191, and 8,992,989, are valid and enforceable with respect to Par's ANDA product, and would be infringed by Par's ANDA product. The agreement has been submitted to the applicable governmental agencies.

Item 1A. Risk Factors

Any investment in our business involves a high degree of risk. Before making an investment decision, you should carefully consider the information we include in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, and the additional information in the other reports we file with the Securities and Exchange Commission along with the risks described in our Annual Report on Form 10-K for the year ended December 31, 2016. These risks may result in material harm to our business and our financial condition and results of operations. In this event, the market price of our common stock may decline and you could lose part or all of your investment.

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

(a) Sales of Unregistered Securities.

During the three months ended March 31, 2017, the Company granted options to employees to purchase an aggregate of 1,028,525 shares of common stock at an exercise price of $25.30 per share. The options are exercisable for a period of ten years from the grant date. These issuances were exempt from registration in reliance on Section 4(a)(2) of the Securities Act as transactions not involving any public offering.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed or furnished as part of this Quarterly Report on Form 10-Q:

10.1† Settlement Agreement, dated March 6, 2017, by and between Supernus Pharmaceuticals, Inc., Zydus Pharmaceutical (USA) Inc., and Cadila Healthcare Limited.

10.2† Term Sheet Agreement, dated March 6, 2017, by and between Supernus Pharmaceuticals, Inc., Actavis Laboratories, FL, Inc., Actavis Pharma, Inc., and Watson Laboratories, Inc.

10.3† Settlement Agreement, dated March 13, 2017, by and between Supernus Pharmaceuticals, Inc., Actavis Laboratories, FL, Inc., Actavis Pharma, Inc., and Watson Laboratories, Inc.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) (filed herewith).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) (filed herewith).

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

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

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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† Confidential treatment requested under 17 C.F.R. §§200.80(b)(4) and 230.406. The confidential portions of this exhibit have been omitted and are marked accordingly. The confidential portions have been filed separately with the Securities and Exchange Commission pursuant to the **Confidential Treatment Request.**

SIGNATURES

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

SUPERNUS PHARMACEUTICALS, INC.

DATED: May 9, 2017

By: /s/ Jack A. Khattar
Jack A. Khattar
President, Secretary and Chief Executive Officer

DATED: May 9, 2017

By: /s/ Gregory S. Patrick
Gregory S. Patrick
Vice President and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 10.1

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

EXECUTION COPY

SETTLEMENT AGREEMENT

BY AND BETWEEN

SUPERNUS PHARMACEUTICALS, INC.

AND

ZYDUS PHARMACEUTICAL (USA) INC.

CADILA HEALTHCARE LIMITED

DATED AS OF MARCH 6, 2017

THIS SETTLEMENT AGREEMENT , (this " **Settlement Agreement** ") is entered into as of March 6, 2017 (the " **Effective Date** ") by and between, Supernus Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, having offices located at 1550 East Gude Drive, Rockville, Maryland 20850 (" **Supernus** "), on the one hand, and Zydus Pharmaceutical (USA) Inc., a corporation organized and existing under the laws of New Jersey having offices located at 73 Route 31 N., Pennington, New Jersey 08534 (" **Zydus USA** ") and Cadila Healthcare Limited, a corporation organized and existing under the laws of India, having offices located at Zydus Tower, Satellite Cross Roads, Ahmedabad-380015 Gujarat, India (" **Cadila** " and together with Zydus USA, " **Zydus** "), on the other hand. Supernus and Zydus are collectively referred to herein as the " **Parties** ," or each individually as a " **Party** ."

R E C I T A L S:

WHEREAS , Supernus is the owner of New Drug Application No. 201635, which was approved by the Food and Drug Administration for the manufacture and sale of an extended release topiramate oral capsule product, which Supernus sells under the trade name Trokendi XR ® ;

WHEREAS , Zydus USA submitted Abbreviated New Drug Application No. 207382 (as defined in the License Agreement, the " **Zydus ANDA** ") to the FDA under Section 505(j) of the Federal Food, Drug, and Cosmetic Act (codified at 21 U.S.C. §355(j)) seeking approval to engage in the manufacture, use, sale, offer for sale, or importation of an extended release topiramate oral capsule product that is the subject of the Zydus ANDA (as defined in the License Agreement, the " **Zydus Product** ");

WHEREAS , the filing of the Zydus ANDA included a "paragraph IV certification" seeking approval to engage in the manufacture, use and sale of the Zydus Product prior to the expiration of United States Patent Nos. 8,298,576 (the " **'576 Patent** "), 8,298,580 (the " **'580 Patent** "), 8,663,683 (the " **'683 Patent** "), 8,877,248 (the " **'248 patent** "), 8,889,191 (the " **'191 Patent** "), and 8,992,989 (the " **'989 Patent** ," and together with the '576 Patent, the '580 Patent, the '683 Patent, the '248 Patent, and the '191 Patent, the " **Litigated Patents** ");

WHEREAS , Supernus has prosecuted, and Zydus has defended, an action for patent infringement in the United States District Court for the District of New Jersey (the "Court") regarding the Zydus ANDA and the Zydus Product, which action is captioned *Supernus Pharmaceuticals, Inc. v. Zydus Pharmaceutical (USA) Inc., et. al.* , (Civil Action No. 2:14-cv-07272-SDW-SCM) (the "Pending Litigation");

WHEREAS , Supernus and Zydus wish to settle the Pending Litigation and have reached an agreement, encompassing the terms and conditions set forth in this Settlement Agreement together with a License Agreement (the " **License Agreement** ," attached hereto as Exhibit A) and an agreed Stipulation of Dismissal with regard to the Pending Litigation (the " **Dismissal** ," attached hereto as Exhibit B) (with the Settlement Agreement, the License Agreement, and the Dismissal being collectively referred to as the " **Settlement Documents** ");

WHEREAS , neither Supernus nor Zydus have received any consideration from the other for their entry into this Settlement Agreement other than that which is set forth in the Settlement Documents; and

WHEREAS , the Settlement Documents constitute Zydus's and Supernus' best independent judgment as to the most convenient, effective and expeditious way to mutually settle all disputes that have arisen associated with the Zydus ANDA.

NOW, THEREFORE , in consideration of the mutual covenants and agreements described herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the License Agreement.

2. The Parties consent to the jurisdiction of the Court for the purposes of the settlement of the Pending Litigation.

3. The Parties agree that the Court has jurisdiction over the Pending Litigation and over Supernus and Zydus, and that venue is proper in the District of New Jersey.

4. Zydus admits, solely with respect to the Zydus ANDA and the Zydus Product, that the Litigated Patents, and all the claims contained therein, are valid and enforceable.

5. Zydus admits, solely with respect to the Zydus ANDA and the Zydus Product, that the claims of the Litigated Patents asserted as of the Effective Date in the Pending Litigation, were infringed by the filing of the Zydus ANDA and, absent a license from Supernus, would be infringed by the manufacture, use, sale, offer for sale, or importation of the Zydus Product in the Territory.

6. Notwithstanding the foregoing, the parties agree that nothing prohibits Zydus from asserting any and all counterclaims or defenses of invalidity, non-infringement or unenforceability in view of the Litigated Patents in any proceeding the subject matter of which is not the Zydus Product or a Generic Equivalent Product (and may file a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR) of a Litigated Patent, if such Litigated Patent is asserted against Zydus or its Affiliates in any proceeding the subject matter of which is not the Zydus Product or a Generic Equivalent Product).

7. Supernus represents, warrants, and covenants that Supernus is the sole owner of the Litigated Patents, and Supernus possesses the sole right to enforce the Litigated Patents.

8. Zydus represents, warrants, and covenants that it has not granted or assigned to any Third Party, directly or indirectly, any right or license under or to the Zydus ANDA or the Zydus Product, and that it will not, except in accordance with the License Agreement, do any of the foregoing (including, selling, assigning, transferring, or divesting the Zydus ANDA to a Third Party).

9. In consideration of the mutual execution of the Settlement Documents and the mutual agreement to be legally bound by the terms hereof, each of Supernus and Zydus, with the intention of binding itself and its Affiliates and its and their respective predecessors, successors, heirs and assigns, directors, officers, employees and representatives, hereby fully, finally and irrevocably release and discharge the other Party, and its Affiliates and its and their respective directors, officers, employees, customers, importers, manufacturers, distributors, suppliers, insurers, attorneys, representatives and agents, or any heirs, administrators, executors, predecessors, successors, or assigns of the foregoing, from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, liabilities, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims, demands, costs, expenses, losses, liens and obligations, whatsoever, in law or equity, whether known or unknown, pending or future, certain or contingent, occurring before or as of the Effective Date related to the Litigated Patents, including (i) in connection with the Pending Litigation, (ii) associated with the Zydus ANDA and Zydus Product, and including Supernus' assertion of the Litigated Patents against Zydus, or (iii) all other claims that were asserted or could have been asserted in the Pending Litigation (collectively, the " **Released Claims** "). For purposes of clarity, nothing herein shall inhibit any Party's ability to enforce the terms of the Settlement Documents, or Supernus' ability to enforce any patent, including the Litigated Patents against Third Parties, or Zydus's ability to assert counterclaims or defenses of non-infringement, invalidity, or unenforceability of the Litigated Patents in any proceeding the subject matter of which is not the Zydus Product. EACH PARTY ACKNOWLEDGES THAT IT MAY HEREAFTER DISCOVER CLAIMS OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH IT NOW KNOWS OR BELIEVES TO EXIST WITH RESPECT TO THE RELEASED CLAIMS, THE FACTS AND CIRCUMSTANCES ALLEGED IN THE ACTION, AND/OR THE SUBJECT MATTER OF THIS SETTLEMENT AGREEMENT, WHICH, IF KNOWN OR SUSPECTED AT THE TIME OF EXECUTING THIS SETTLEMENT AGREEMENT, MAY HAVE MATERIALLY AFFECTED THIS SETTLEMENT AGREEMENT. NEVERTHELESS, UPON THE EFFECTIVENESS OF THE RELEASE OF THE RELEASED CLAIMS AS SET FORTH IN THIS SECTION, EACH PARTY HEREBY ACKNOWLEDGES THAT THE RELEASED CLAIMS INCLUDE WAIVERS OF ANY RIGHTS, CLAIMS, OR CAUSES OF ACTION THAT MIGHT ARISE AS A RESULT OF SUCH DIFFERENT OR ADDITIONAL CLAIMS OR FACTS. EACH PARTY ACKNOWLEDGES THAT IT UNDERSTANDS THE SIGNIFICANCE AND POTENTIAL CONSEQUENCES OF SUCH A RELEASE OF UNKNOWN UNITED STATES JURISDICTION CLAIMS AND OF SUCH A SPECIFIC WAIVER OF RIGHTS. EACH PARTY INTENDS THAT THE CLAIMS RELEASED BY IT UNDER THIS RELEASE BE CONSTRUED AS BROADLY AS POSSIBLE TO THE EXTENT THEY RELATE TO UNITED STATES JURISDICTION CLAIMS. ZYDUS IS AWARE OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her, must have materially affected his or her settlement with the debtor."

EACH PARTY AGREES TO EXPRESSLY WAIVE ANY RIGHTS IT MAY HAVE UNDER THIS CODE SECTION OR UNDER FEDERAL, STATE, OR COMMON LAW STATUTES OR JUDICIAL DECISIONS OF A SIMILAR NATURE, AND KNOWINGLY AND VOLUNTARILY WAIVES ALL SUCH UNKNOWN RELEASED CLAIMS.

10. Supernus and Zydus each represents and warrants that it has the full right, authority and power to enter into the Settlement Documents on its own behalf, and on behalf of its Affiliates, and that the Settlement Documents shall create and constitute a binding obligation on its part as of the Effective Date.

11. Supernus and Zydus agree that each will bear its own costs and legal fees for the Pending Litigation.

12. From the execution of the Settlement Documents, and unless the Settlement Documents are terminated, neither Party will actively pursue litigation activities related to the Pending Litigation, except to the extent required by court order or other Applicable Law. In consideration of the benefits of entering into the Settlement Documents, the Parties, through their respective attorneys, shall, within two (2) Business Days of the Effective Date, jointly seek that the Court enter the Dismissal. In the event that the Court should refuse to enter the Dismissal, the Parties shall work together in good faith to modify the Dismissal to meet the Court's requirements, provided that nothing contained herein shall be deemed to require a Party to agree to a modification of the Dismissal or any other Settlement Document that materially affects the economic value of the transactions contemplated hereby. If despite such good faith efforts the Court refuses within thirty (30) days of the Effective Date to enter the Dismissal, the Settlement Documents shall be null and void *ab initio* .

13. The Parties shall submit the Settlement Documents to the Federal Trade Commission Bureau of Competition (the " **Commission** ") and the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice (the " **DOJ** ") as soon as practicable following the Effective Date and in no event later than ten (10) Business Days following the Effective Date. The Parties shall use all reasonable efforts to coordinate the making of such filings, and shall respond promptly to any requests for additional information made by either of such agencies. Each Party reserves the right to communicate with the Commission or the DOJ regarding such filings as it believes appropriate. Each Party shall keep the other reasonably informed of such communications and shall not disclose the Confidential Information of the other without such other Party's consent (not to be unreasonably withheld). To the extent that any legal or regulatory issues or barriers arise with respect to the Settlement Documents, or any subpart thereof, the Parties shall work together in good faith and use reasonable efforts to modify the Settlement Documents to overcome any such legal or regulatory issues (including, for example, objections by the Commission, the DOJ or any applicable court) in a mutually acceptable fashion, but in no event shall either Party be required to agree to any modification of the Settlement Documents that materially affects the economic value of the transactions contemplated hereby. For purposes of this Settlement Agreement, "reasonable efforts" shall mean reasonable efforts and commitment of resources consistent with such Party's similarly situated products or projects in order to achieve a stated goal as expeditiously as practical.

14. This Settlement Agreement shall terminate upon the expiration of the Litigated Patents and any statutory or regulatory extensions, provided that Section 9 of this Settlement Agreement shall survive any such termination.

15. The Settlement Documents are governed under the provisions of the following Sections of the License Agreement: 5 (Confidentiality); 11.1 and 11.2 (Notice); 11.3 (Assignment); 11.4 (Amendment); 11.5 (Public Announcement); 11.6 (Merger and Integration); 11.7 (Governing Law); 11.8 (Agreement Costs); 11.9 (Counterparts); 11.10 (Severability); 11.11 (Relationship of the Parties); 11.12 (Construction); 11.13 (Dispute Resolution); 11.14 (Cumulative Rights); 11.15 (No Third Party Benefit); 11.16 (Further Assurance); and 11.17 (Waiver).

[Signature Page Follows]

[Signature Page to
Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: /s/ Jack Khattar

Name: Jack Khattar

Title: President & CEO

ZYDUS PHARMACEUTICAL (USA) INC.

By: _____

Name: _____

Title: _____

CADILA HEALTHCARE LIMITED

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

ZYDUS PHARMACEUTICAL (USA) INC.

By: /s/ Brij Khera

Name: Brij Khera

Title: Executive Vice President &
Chief Legal Officer

CADILA HEALTHCARE LIMITED

By: /s/ Pankaj Patel

Name: Pankaj Patel

Title: Chairman & Managing Director

EXHIBIT A

LICENSE AGREEMENT

BY AND BETWEEN

SUPERNUS PHARMACEUTICALS, INC.

AND

ZYDUS PHARMACEUTICAL (USA) INC.

CADILA HEALTHCARE LIMITED

DATED AS OF MARCH 6, 2017

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this " **License Agreement** ") is entered into as of March 6, 2017 (the " **Effective Date** ") by and between, Supernus Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, having offices located at 1550 East Gude Drive, Rockville, Maryland 20850, (" **Supernus** "), on the one hand, and Zydus Pharmaceutical (USA) Inc., a corporation organized and existing under the laws of New Jersey having offices located at 73 Route 31 N., Pennington, New Jersey 08534 (" **Zydus USA** ") and Cadila Healthcare Limited, a corporation organized and existing under the laws of India, having offices located at Zydus Tower, Satellite Cross Roads, Ahmedabad-380015 Gujarat, India (" **Cadila** " and together with Zydus USA, " **Zydus** "), on the other hand. Supernus and Zydus are collectively referred to herein as the " **Parties** ," or each individually as a " **Party** ."

R E C I T A L S:

WHEREAS , Supernus and Zydus are parties to a certain Settlement Agreement of even date herewith (the " **Settlement Agreement** "), pursuant to which Supernus and Zydus are settling the Pending Litigation; and

WHEREAS , in accordance with the Settlement Agreement, Supernus and Zydus have agreed to enter into this License Agreement as part of the Settlement Documents (as defined in the Settlement Agreement, the " **Settlement Documents** ").

NOW THEREFORE , in consideration of the foregoing premises, the mutual covenants and agreements described herein and in the Settlement Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions .

1.1 "Accelerated License Date" means the earlier of: (i) the date of a ** all the ** of the ** and ** a ** with respect to a ** to be **; (ii) the date of the ** of a ** following a ** all the ** of the ** and ** the ** to be **, ** or ** by such **; (iii) the date an ** may be ** by a **, whether pursuant to a **, **, ** or other ** Supernus and a **; (iv) the date of the ** of ** by Supernus or its Affiliates; (v) the date an ** may be ** by any **; or (vi) the date all the ** are ** from the ** for the Trokendi XR Product.

1.2 "Affiliate" means, with respect to a Party, a Person that controls, is controlled by or is under common control with such Party. For the purposes of this definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct the management and policies of such Person, whether by the ownership of fifty percent (50%) or more of the voting interest of such Person (it being understood that the direct or indirect ownership of a lesser percentage of such interest shall not necessarily preclude the existence of control), or by contract or otherwise.

** This portion has been redacted pursuant to a confidential treatment request.

1.3 **"AG Product"** means a product that is not Labeled with the Trokendi XR ® trademark containing the Compound as its sole active ingredient that is Marketed or supplied under the Supernus NDA, described therein now or hereafter.

1.4 **"ANDA"** means an Abbreviated New Drug Application to the FDA for approval to Manufacture and Market a pharmaceutical product in or into the Territory.

1.5 **"Anticipated License Date"** means January 1, 2023.

1.6 **"Applicable Law"** means the applicable Laws, rules, regulations, guidelines and requirements of any Governmental Authority related to the performance of either Party's obligations under the Settlement Documents.

1.7 **"At-Risk Launch"** means the First Commercial Sale of a Generic Equivalent Product, other than an Authorized Generic ANDA Product, by a Third Party, other than a Third Party acting pursuant to an agreement or understanding or otherwise in privity with Zydus or its Affiliates, preceding a Final Court Decision holding all the claims of the Litigated Patents asserted and finally adjudicated against the Third Party to be invalid, unenforceable or not infringed by such Generic Equivalent Product.

1.8 **"At-Risk Launch Date"** means the date of the First Commercial Sale for an At-Risk Launch.

1.9 **"At-Risk License Date"** means (i) if ** a **, the ** of (x) ** the **, (y) if the ** was ** in an **, the date the ** the **, and (z) if the ** was ** in a ** and the ** the ** the ** of (a) ** after the date the ** the **, and (b) if ** a ** in an **, the date the ** the **; and (ii) if ** does not ** with the ** a **, ** the **; provided, in each case, that the ** which is the subject of the ** continues to be ** in the ** on such date.

1.10 **"At-Risk Period"** shall have the meaning assigned to such term in the Section 4.3.5.

1.11 **"Authorized Generic ANDA Product"** means a ** authorized, whether pursuant to a ** or **, for Marketing pursuant to an agreement between Supernus and a Third Party. For the avoidance of doubt, if Supernus enters into an agreement with a Third Party that ** the ** of a ** in the Territory, and such agreement includes a **, **, **, ** or the like with respect to ** of such **, such ** shall not be considered an ** by virtue of such ** or the like, provided such ** is no longer being Marketed in the Territory.

1.12 **"Business Day"** means any day other than a Saturday, Sunday or a day on which banks in New York, New York are authorized or required by Law to close.

1.13 **"Claim"** means any Third Party claim, lawsuit, investigation, proceeding, regulatory action or other cause of action.

** This portion has been redacted pursuant to a confidential treatment request.

1.14 **"Commercially Reasonable Efforts"** means efforts and diligence in accordance with Zydus's reasonable and sound business, legal, medical and scientific judgment and in accordance with the efforts and resources Zydus would use in other aspects of its business that have similar commercial value and market potential, taking into account the competitiveness of the marketplace, the business life-cycle, the proprietary position of Zydus and the profitability of the pertinent product.

1.15 **"Compound"** means topiramate.

1.16 **"Confidential Information"** means, subject to Section 5.1, any scientific, technical, formulation, process, Manufacturing, clinical, non-clinical, regulatory, Marketing, financial or commercial information or data relating to the business, projects, employees or products of either Party and provided by one Party to the other by written, oral, electronic or other means in connection with the Settlement Documents.

1.17 **"Covenant Not to Sue"** shall have the meaning assigned to such term in Section 3.5.

1.18 **"Effective Date"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.19 **"FDA"** means the United States Food and Drug Administration or any successor agency thereof.

1.20 **"Final Court Decision"** means a final decision of any Federal court from which no appeal has been taken or can be taken within the time permitted therefor (other than a petition to the United States Supreme Court for a *writ of certiorari*).

1.21 **"First Commercial Sale"** means the Shipment by a Third Party of commercial quantities of product for immediate commercial sale in the Territory to retail chains, pharmaceutical wholesalers, health care providers, or managed care providers in the Territory. In the event that Zydus provides written notice to Supernus advising that Zydus has determined that a Third Party has completed the First Commercial Sale of a Generic Equivalent Product and the date of such First Commercial Sale (a " **Safe Harbor Notice** "), and Supernus confirms such determination or fails to deliver written notice to Zydus reasonably and in good faith objecting to such determination (and setting forth independent and reliable information gained from reliable sources in the trade) within ** after receipt of such Safe Harbor Notice from Zydus, then a First Commercial Sale shall be conclusively deemed to have occurred on such date. In the event that Supernus delivers timely written notice to Zydus reasonably and in good faith objecting to the determination (and setting forth independent and reliable information gained from reliable sources in the trade) set forth in the Safe Harbor Notice, Supernus shall be deemed to have reserved its right to dispute the occurrence of the First Commercial Sale.

1.22 **" ** "** shall have the meaning assigned to such term in **.

** This portion has been redacted pursuant to a confidential treatment request.

1.23 **"Force Majeure"** means any circumstances reasonably beyond a Party's control, including, acts of God, civil disorders or commotions, acts of aggression, terrorism, fire, explosions, floods, drought, war, sabotage, embargo, utility failures, supplier failures, material shortages, labor disturbances, a national health emergency, or appropriations of property.

1.24 **"GAAP"** means generally accepted accounting principles in effect in the United States from time to time, consistently applied.

1.25 **"Generic Equivalent Product"** means an extended release oral capsule product containing the Compound as its sole active ingredient which is submitted to the FDA for Regulatory Approval pursuant to an ANDA or 505(b)(2) application as a Therapeutic Equivalent to the Trokendi XR Product. For clarity, Generic Equivalent Product shall not include AG Product.

1.26 **"Governmental Authority"** means any court, tribunal, arbitrator, agency, legislative body, commission, official or other instrumentality of: (i) any government of any country; or (ii) a federal, state, province, county, city or other political subdivision thereof.

1.27 **"Label"** means any Package labeling designed for use with a product, including the package insert for such product that is approved by the FDA, and " **Labeled** " or " **Labeling** " shall have the correlated meaning.

1.28 **"Launch"** means the first Shipment of a Generic Equivalent Product to a Third Party.

1.29 **"Law"** or **"Laws"** means all laws, statutes, rules, codes, regulations, orders, judgments and ordinances of any Governmental Authority.

1.30 **"License and Authorization"** shall have the meaning assigned to such term in Section 2.2.

1.31 **"Licensed Patents"** means: (i) the Litigated Patents and any patent that issues as a result of a continuation, continuation-in-part, divisional, reexamination or reissue thereof; and (ii) any other present or future U.S., international, or foreign patent owned or controlled by Supernus or any of its Affiliates which claims cover the Manufacturing, Marketing, Shipping, using, or importing of the Zydus Product.

1.32 **"Litigated Patents"** shall have the meaning assigned to such term in the Settlement Agreement.

1.33 **"Losses"** means any liabilities, damages, costs or expenses, including reasonable attorneys' fees and expert fees, incurred by any Party that arises from any claim, lawsuit or other action by a Third Party.

1.34 **"Manufacture"** means all activities related to the manufacturing, development and use of a pharmaceutical product, or any ingredient thereof, including, manufacturing Compound or supplies for development, manufacturing a product for commercial sale, packaging, in-process and finished product testing, release of product or any component or

ingredient thereof, quality assurance activities related to manufacturing and release of product, ongoing stability tests and regulatory activities related to any of the foregoing, and **"Manufactured"** or **"Manufacturing"** shall have the correlated meaning.

1.35 **"Market"** means to distribute, promote, advertise, market, offer for sale or sell, to a Third Party, and **"Marketing"** or **"Marketed"** shall have the correlated meaning.

1.36 **"Net Sales"** shall equal the ** for sales of the Zydus Product to Third Parties in the Territory ** all **, all as determined in accordance with ** for other pharmaceutical products and consistent with the customary practices in the generic pharmaceutical industry in the Territory, **, and which, as applicable, are actually **, **, ** or specifically **, including:

1.36.1 **, **, **, **, ** or other **;

1.36.2 ** and **, ** and any other ** or ** and **, ** and ** (including **), all to the extent ** to the ** and ** and ** in accordance with applicable Law (but ** the ** from such **);

1.36.3 **, ** and **, ** and **;

1.36.4 **, including ** (including those on ** following price changes) and ** for ** or **;

1.36.5 **, **, **, any other ** (including **, ** and **) actually ** or ** to any Person, including **, ** and to **, including their **, or to **, in each case that are not Affiliates of Zydus, and that are directly attributable to the sale of the Zydus Product;

1.36.6 ** and similar payments made with respect to ** for by ** or **, ** or similar ** in the Territory (including ** and ** program **, ** and ** for ** required by the ** and **); and

1.36.7 **, and like ** that are customary in the industry that are ** from **, and other ** to **.

For the sake of clarity, all such deductions represent reductions to the ** for sales of the Zydus Product by Zydus or its Affiliates to Third Parties in the Territory in accordance with GAAP.

1.37 **"NDA"** means a New Drug Application (or equivalent regulatory mechanism) filed with the FDA pursuant to and under 21 U.S.C. § 355(b) (as amended, supplemented or replaced), together with the FDA's implementing rules and regulations.

1.38 **"Orange Book"** means the "Approved Drug Products with Therapeutic Equivalence Evaluations" published by FDA.

** This portion has been redacted pursuant to a confidential treatment request.

1.39 **"Package"** means all primary containers, including bottles, cartons, shipping cases or any other like matter used in packaging or accompanying a product, and "Packaged" or "Packaging" shall have the correlated meaning.

1.40 **"Party"** or **"Parties"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.41 **"Pending Litigation"** shall have the meaning assigned to such term in the Settlement Agreement.

1.42 **"Person"** means any individual, partnership, association, corporation, limited liability company, trust, or other legal person or entity.

1.43 **"Regulatory Approval"** means final Marketing approval by the FDA for the Marketing of a pharmaceutical product in the Territory.

1.44 **"Settlement Agreement"** shall have the meaning assigned to such term in the Recitals.

1.45 **"Shipped"** means, with respect to a product, when a Person has delivered shipments of such product to a common carrier in the Territory for shipment to other Persons for resale; in each instance, **"Shipment," "Ship"** or **"Shipping"** shall have the correlated meaning.

1.46 **"Supernus"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.47 **"Supernus NDA"** means NDA No. 201635, as amended, or supplemented.

1.48 **"Supernus Party"** shall have the meaning assigned to such term in Section 7.2.

1.49 **"Supernus' External Auditor"** shall have the meaning assigned to such term in Section 4.8.

1.50 **"Term"** shall have the meaning assigned to such term in Section 10.1.

1.51 **"Territory"** means the United States of America, and its territories, commonwealths, districts and possessions, including the Commonwealth of Puerto Rico.

1.52 **"Therapeutic Equivalent"** shall have the meaning given to it by the FDA in the current edition of the Orange Book as may be amended from time to time during the Term.

1.53 **"Third Party"** or **"Third Parties"** means any Person or entity other than a Party or its Affiliates.

1.54 **"Third Party Agreement"** shall have the meaning assigned to such term in Section 3.8.

1.55 **"Trokendi XR Product"** means the extended release oral capsule product containing the Compound as its sole active ingredient which is approved for Marketing pursuant to the Supernus NDA and is Marketed in the Territory under the Trokendi XR ® trademark (or a successor trademark adopted for such product).

1.56 **"TRO/PI"** means a motion for temporary restraining order and/or preliminary injunction, or other court filing, in each case seeking cessation or prevention of an At-Risk Launch.

1.57 **"Zydus"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.58 **"Zydus ANDA"** shall mean ANDA No. 207382 (together with any amendments, supplements, or other changes thereto) seeking approval to engage in the Manufacture, use and sale of an extended release oral capsule product containing the Compound as its sole active ingredient.

1.59 **"Zydus Launch"** means a Launch by Zydus of a Zydus Product.

1.60 **"Zydus License Date"** means the ** of:

1.60.1 the **;

1.60.2 an **; or

1.60.3 an **.

1.61 **"Zydus Party"** shall have the meaning assigned to such term in Section 7.1.

1.62 **"Zydus Product"** means an extended release oral capsule product containing the Compound as its sole active ingredient, which is the subject of the Zydus ANDA, including all formulations and strengths thereof, described therein now or hereafter.

2. License and Authorization

2.1 Subject to the terms, conditions and limitations hereof, including the conditions set forth in Section 3, Supernus hereby grants to Zydus a non-exclusive license, under the Licensed Patents to: (i) Manufacture, have Manufactured, import, use and Market the Zydus Product in, into or for the Territory, on and after the applicable Zydus License Date; and (ii) Manufacture, and have Manufactured, import and conduct regulatory activities regarding the Zydus Product in, into or for the Territory prior to the Zydus License Date (but not to Market or Ship the Zydus Product prior to the Zydus License Date) in sufficient quantities to permit Zydus to Market and Ship the Zydus Product in, into or for the Territory beginning ** prior to the Zydus License Date, (iii) beginning ** prior to a date in good faith anticipated by Zydus to be the date

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that a Final Court Decision will be entered finding all the claims of the Litigated Patents asserted and finally adjudicated against a Third Party with respect to a Generic Equivalent Product to be invalid, unenforceable or not infringed by such Generic Equivalent Product (a **"Potential Final Court Decision"**), Manufacture, and have Manufactured, import and conduct regulatory activities regarding the Zydus Product in, into or for the Territory prior to the Zydus License Date (but not to Market or Ship the Zydus Product prior to the Zydus License Date) in sufficient quantities to permit Zydus to Market and Ship the Zydus Product in, into or for the Territory on and after the Zydus License Date; provided that all Zydus Product remain at Zydus' or its distributor's warehouse until a Zydus License Date; and further provided, that Zydus shall re-export (or, at Zydus' option, destroy) any Zydus Product which remains in the Territory at such time that Zydus in good faith determines that no such Final Court Decision will be issued with respect to a Third Party's Generic Equivalent Product and no Accelerated License Date will result from such Potential Final Court Decision. To the extent Supernus owns or controls any regulatory exclusivities granted by the FDA that may prevent or hinder Regulatory Approval or Marketing of the Zydus Product, Supernus hereby waives, effective as of the date that Zydus is licensed to conduct the applicable activity hereunder, such exclusivities. Supernus shall, if requested by Zydus, send the FDA a written confirmation of Supernus' grant of the foregoing license under the Licensed Patents and Supernus' agreement to waive, effective as of the date that Zydus is licensed to conduct the applicable activity hereunder, such regulatory exclusivities with respect to the Zydus Product or the Zydus ANDA.

2.2 The license and authorization granted in Section 2.1 and Section 3.1 of this License Agreement are referred to herein as the "License and Authorization." Except to the extent permitted pursuant to Section 11.3, and without derogating from Zydus's "have Manufactured" rights set forth in Section 2.1, Zydus and its Affiliates shall not have the right to sublicense, assign or transfer any of its rights under the License and Authorization.

2.3 In the event the ** becomes effective due to an ** and there are thereafter no longer any ** the ** in the ** (other than ** or ** subject to substantially the same provisions as set forth in this Section), ** from **, ** to ** under the ** shall immediately terminate, and ** and its ** shall ** (no ** than the ** of the ** following Zydus' receipt of such notice) the ** and ** of ** until such subsequent ** as another event constituting a ** shall have occurred.

2.4 Except as set forth in the License and Authorization or expressly set forth in this License Agreement or other Settlement Documents, there are no authorizations, licenses or rights granted by either Party under this License Agreement, by implication, estoppel or otherwise, including any right granted to Zydus or its Affiliates to Market or Manufacture any Generic Equivalent Product except under the Zydus ANDA. All rights not expressly granted by Supernus herein are hereby retained by Supernus. In addition, except as expressly set forth in this License Agreement or other Settlement Documents, Supernus explicitly retains the right itself or through an Affiliate to Market an AG Product, and Supernus is free to grant a license under the Licensed Patents or supply AG Product to any Third Party.

2.5 ** shall ** to ** (i.e., ** shall be **) as ** to the **.

** This portion has been redacted pursuant to a confidential treatment request.

3. Covenants

3.1 Except as expressly provided in Section 2.1, Zydus and its Affiliates hereby agree not to manufacture, have manufactured, import, sell, offer to sell or use Zydus Product in the Territory prior to the applicable Zydus License Date. Notwithstanding the foregoing and in addition to Section 2.1, Supernus hereby grants Zydus a limited license, commencing ** days prior to the Zydus License Date, to communicate to potential purchasers that Zydus will be selling the Zydus Product in the Territory on or after the Zydus License Date (including, for example, notification to customers regarding the Zydus Product, and engaging customers in non-binding pricing/contracting activities), and shipping or delivering or distributing the Zydus Product to Third Party distributors or Affiliated distributors, in each case solely for the purpose of conducting preparations for a Zydus Launch in or into the Territory on the Zydus License Date.

3.2 Zydus shall not assist, coordinate with, or otherwise help any Third Parties in prosecuting, defending, or settling their litigations concerning their ANDA to Market any Generic Equivalent Product, except as required by Law. Zydus and its Affiliates hereby agree not to: (i) challenge the validity or enforceability of the Litigated Patents (including but not limited to a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR)); (ii) aid, abet, assist, enable or participate with any Third Party in a challenge to the validity or enforceability of the Litigated Patents or the non-infringement of a Generic Equivalent Product; (iii) Market or Manufacture a Generic Equivalent Product other than the Zydus Product pursuant to the License and Authorization; or (iv) aid, abet, enable or contract with any Third Party regarding the Marketing or Manufacturing of any Generic Equivalent Product in or into the Territory other than the Zydus Product. Notwithstanding the foregoing, nothing herein shall prohibit Zydus from asserting any and all counterclaims or defenses of invalidity, non-infringement or unenforceability in view of the Litigated Patents in any proceeding the subject matter of which is not the Zydus Product or a Generic Equivalent Product (and may file a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR) of a Litigated Patent, if such Litigated Patent is asserted against Zydus or its Affiliates in any proceeding the subject matter of which is not the Zydus Product or a Generic Equivalent Product).

3.3 In addition to any other right or remedy Supernus may be entitled to, in the event that Zydus or its Affiliates breaches Sections 3.1 or 3.2, Supernus may, at its sole discretion, immediately, effective upon notice to Zydus, terminate all, or any of, the License Agreement or the Settlement Agreement.

3.4 Nothing set forth herein or in the other Settlement Documents shall be deemed to give Supernus any control over any Marketing exclusivity that may be granted to Zydus by the FDA in connection with the Zydus ANDA or the Zydus Product. Nothing set forth herein or in the other Settlement Documents shall be deemed to prevent or restrict Zydus from Manufacturing or Marketing any Generic Equivalent Product which would not infringe the Licensed Patents, and nothing herein shall prohibit Zydus from entering into any agreement with

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a Third Party related to any Generic Equivalent Product that does not infringe the Licensed Patents.

3.5 Supernus hereby covenants not to sue Zydus or its Affiliates or any of their respective shareholders, licensees, sublicensees, customers, suppliers, importers, manufacturers, distributors, insurers, or any heirs, administrators, executors, predecessors, successors, or assigns of the foregoing, or cause or authorize any Person to do any of the foregoing, claiming or otherwise asserting that the manufacture, use, sale, offer for sale, or importation of the Zydus Product infringes the Licensed Patents (the " **Covenant Not to Sue** "). Supernus will impose the foregoing Covenant Not to Sue on any Third Party to which Supernus may assign, grant a right to enforce, or otherwise transfer (by any means) any of the Licensed Patents subject to the foregoing Covenant Not to Sue. The Covenant Not to Sue shall not apply in the event Supernus has terminated this License Agreement. For any of the Licensed Patents listed in the Orange Book for the Trokendi XR Product, the Covenant Not to Sue will hereby be treated as a non-exclusive license, so that Zydus or its Affiliates may file and maintain with the FDA "Paragraph IV Certifications" under 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (as amended or replaced) and 21 U.S.C. § 355(b)(2)(A)(iv) (as amended or replaced) with respect to the Zydus ANDA.

3.6 Supernus and its affiliates shall not ** to ** with the FDA approval of the Zydus ANDA, or the ** of the ** as of the Zydus License Date, including by: (i) **, **, ** as "**" or ** the ** prior to the ** after the ** of the ** in the **; (ii) ** or ** any ** with respect to the ** from the **; (iii) ** for the **; (iv) **, **, ** to **, or otherwise ** the ** of the ** (** due to a ** or ** issue based on **, **) prior to the ** of the ** in the **; (v) ** or otherwise ** any ** with the ** to ** any of the ** from the ** (** due to a ** or ** issue based on **, **) prior to the ** after ** of the ** in the **; or (vi) filing any ** with the ** relating to ** which ** the ** of the **, ** for purposes of ** or ** which are based on **, **.

3.7 Zydus covenants that Zydus and its Affiliates will not grant a written release of any right, or grant a written waiver of conflict of interest, in each case which allows or permits any attorney (including any of the attorneys or law firms of record in the Pending Litigation) to assist, or cooperate with, any Third Party (including any current or future litigant in a litigation against Supernus) with respect to a Generic Equivalent Product. Notwithstanding the foregoing, in the ** of any ** of this Section, such ** shall not give ** any ** to ** the ** or this ** and the ** and ** for any such ** shall be an ** by such **, provided such ** shall under no circumstances **.

3.8 Supernus represents and covenants to Zydus that the Zydus License Date and the pre-marketing activities set forth in Section 3.1, ** for ** (as set for in **), and royalties rates set forth in Section 4.3 are and will be equivalent to or better than the terms granted by Supernus to any Third Party with respect to any Generic Equivalent Product (" **Third Party Agreement** "). If Supernus has entered or enters into a Third Party Agreement providing such Third Party with more favorable license effective dates, pre-marketing activities, ** for ** or royalty rates, then the applicable terms in this License Agreement shall be automatically

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amended to provide such more favorable terms to Zydus. Supernus will notify Zydus within ten (10) Business Days of entering into any such Third Party Agreement.

3.9 Should a Third Party be deemed to be a "**" (as defined in **) with respect to the **, and such ** be deemed by ** to have ** its **, then Zydus will be the ** (** as to **) ** for the ** for the first ** after such ** or is otherwise entitled to sell its **, by **, **, or **. At ** option, upon written notice delivered to ** no later than ** after the ** by the **, ** shall commence and continue to ** on a ** from the date of the ** of its ** on a ** and upon ** agreed to by ** and **. The transfer pricing for ** supplied by ** to ** will be **. The ** for ** will be ** in favor of **. For the avoidance of doubt, no ** shall be payable under ** of this License Agreement on ** of ** by **. All other terms and conditions for ** of ** will be set forth in an authorized ** agreement to be negotiated in good faith by the Parties.

3.10 Prior to the Zydus License Date, Supernus will provide written notice to Zydus within ten (10) Business Days after each time either (i) Supernus submits a document to FDA seeking a change in the Label for the Trokendi XR Product, including any specific Labeling amendments or supplements to the Supernus NDA or (ii) FDA communicates to Supernus a suggestion or directive to make a change to the Label for the Trokendi XR Product. In each case such notice shall include the text of the proposed or directed Label change.

3.11 Zydus shall use Commercially Reasonable Efforts to obtain Regulatory Approval of the Zydus ANDA.

4. Marketing of Zydus Product

4.1 **Zydus Pricing** . Zydus will have sole discretion in setting the price for the sale of the Zydus Product in the Territory.

4.2 **Scope of License Agreement** . Except to the extent permitted pursuant to Section 11.3, and without derogating from Zydus's "have Manufactured" rights set forth in Section 2.1 or the rights of Third Parties after the first sale of any Zydus Product as permitted under this Agreement, only Zydus and its Affiliates shall be permitted to Launch and Market the Zydus Product under this License Agreement.

4.3 Zydus Royalties. For any Zydus Product sold during the period commencing upon the ** and continuing until the ** of the ** of the ** as of the Effective Date in the Pending Litigation (the "Royalty Term"), Zydus will pay to Supernus a royalty as follows:

4.3.1 ** of Net Sales on Zydus Product sold (as determined by ** for other pharmaceutical products, **) during any period when the ** is ** or **;

4.3.2 ** of Net Sales on Zydus Product sold (as determined by ** for other pharmaceutical products, **) during any period when the Zydus Product is ** with ** or **;

** This portion has been redacted pursuant to a confidential treatment request.

4.3.3 ** of Net Sales on Zydus Product sold (as determined by ** for other pharmaceutical products, **) during any period when the Zydus Product is ** with ** or **;

4.3.4 ** of Net Sales on Zydus Product sold when there are ** or ** (it being acknowledged, for the avoidance of doubt that the license granted hereunder shall be ** during any period in which this Section 4.3.4 is applicable);

4.3.5 Notwithstanding Sections 4.3.1 through 4.3.4, in the event that Zydus sells any Zydus Product after an At-Risk Launch and prior to the earlier of the Anticipated License Date or an Accelerated License Date (the " **At-Risk Period** ") and ** subsequently ** a ** such ** (which ** is not subsequently ** or otherwise ** or **), the royalty on Net Sales of the Zydus Product during such At-Risk Period will be ** to ** of Net Sales on Zydus Product sold (as determined by ** for other pharmaceutical products, **, unless any such ** is subsequently **) and Zydus will pay to Supernus the ** the ** of ** actually ** by ** and ** of such Net Sales on Zydus Product; provided that the total ** by ** for sales of the Zydus Product during such At-Risk Period shall **, on a **, the ** by the ** initiating the At-Risk Launch. In the event Supernus ** a ** (other than a **) ** an **, the determination of whether the ** in the ** under this Section 4.3.5 shall be applicable will be made upon the ** of a ** concerning such **.

4.4 Royalty Payments. Payments due under this Section 4 shall be made within ** from the end of each calendar quarter in which Zydus Product is sold. All such payments shall include a report provided consistent with the antitrust laws which details the calculation of gross sales, Net Sales and the royalties payable hereunder.

4.5 Annual True-Up. Within one hundred and eighty (180) days after the end of each calendar year during the Royalty Term in which fees are payable to Supernus pursuant to this Section 4, Zydus shall perform a "true up" reconciliation (and shall provide Supernus with a written report of such reconciliation) of the items comprising deductions from Net Sales other than returns. The reconciliation shall be based on actual cash paid or credits actually issued plus an estimate for any remaining liabilities incurred related to Zydus Product but not yet paid. If the foregoing reconciliation report shows either an underpayment or an overpayment between the Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within thirty (30) days of the date of delivery of such report.

4.6 Final True-Up. Within twenty-five (25) months of the end of the last calendar year during the Royalty Term in which fees are payable to Supernus pursuant to this Section 4, Zydus shall perform a "true-up" reconciliation (and shall provide Supernus with a written report of such reconciliation) of the items comprising deductions from Net Sales for returns. The reconciliation shall be based on actual cash paid or credits issued for returns, through the twenty-four (24) month period following the termination of the Royalty Term. If the foregoing reconciliation report shows either an underpayment or an overpayment between the

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Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within thirty (30) days of the date of delivery of such report.

4.7 Maintenance of Records. Zydus shall, and shall ensure that its Affiliates shall, keep at either its normal place of business, or at an off-site storage facility, detailed, accurate and up to date records consisting of (i) records and books of account sufficient to confirm the calculation of the gross sales, Net Sales and the royalties payable hereunder; and (ii) any invoices or reports accompanying any payment to Supernus provided to Supernus in connection with this License Agreement. Such records shall be retained for a period of at least two (2) years after the end of each calendar quarter to which such records relate.

4.8 Inspection. On no less than ** notice from Supernus, Zydus shall make all the records referred to in Section 4.7 of this License Agreement available for inspection during normal business hours by an internationally recognized independent accounting firm selected by Supernus and reasonably acceptable to Zydus that is not paid in whole or in part by a contingent fee arrangement (" **Supernus' External Auditor** ") for the purpose of general review or audit; provided that Supernus may not request such inspection more than once in any calendar year. Upon reasonable belief of discrepancy or dispute, Supernus' External Auditor shall be entitled to take copies or extracts from such records, and books of account (but only to the extent related to the contractual obligations set out in this License Agreement) during any review or audit, provided Supernus' External Auditor signs a confidentiality agreement with Zydus providing that such records, and books of account shall be treated as Confidential Information which may not be disclosed to Supernus or any Third Party. Supernus' External Auditor shall only disclose to Supernus the results of the Supernus' External Auditor's audit, which results shall be concurrently disclosed to Zydus. Any underpayment of amounts due hereunder as reflected by Supernus' External Auditor's results shall be promptly paid by Zydus to Supernus.

4.9 Inspection Costs. Supernus shall be solely responsible for its and Supernus' External Auditor's costs in making any such review and audit, unless Supernus' External Auditor identifies a discrepancy in the calculation of royalties paid to Supernus under this License Agreement in any calendar year from those properly payable for that calendar year of ** or greater, in which event Zydus shall be solely responsible for the cost of such review and audit and shall pay Supernus any payment due. All information disclosed by Zydus or its Affiliates pursuant to this Section 4 shall be deemed Confidential Information.

4.10 Payment Method. All payments to be made by Zydus to Supernus under this License Agreement shall be in United States dollars in immediately available funds and shall be made by wire transfer to an account designated by Supernus, such account to be designated by Supernus at least ** prior to the date any such payment is due. Any payments to be made by Supernus to Zydus under this License Agreement shall be in United States dollars in immediately available funds and shall be made by wire transfer to an account designated by Zydus for such purpose.

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4.11 Late Payments. In addition to any other rights and remedies, in the event payments required to be made under this License Agreement are not made on or prior to the required payment date, or cured within ** thereafter, the amount of the late payment shall bear interest at the lesser of ** above the prime rate reported in The Wall Street Journal (Eastern Edition) on the date such payment was due and the maximum permissible rate under the Law commencing on the date such payment is due until such date as the payment is made.

4.12 Taxes. Supernus shall be responsible for and shall pay all taxes payable on any income or any payments by Zydus to Supernus. Zydus and Supernus shall bear sole responsibility for payment of compensation to their respective personnel, employees or subcontractors and for all employment taxes and withholding with respect to such compensation pursuant to Applicable Law. Zydus shall have the right to withhold taxes in the event that the revenue authorities in any country require the withholding of taxes on amounts paid hereunder to Supernus. Zydus shall secure and promptly send to Supernus proof of such taxes, duties or other levies withheld and paid by Zydus for the benefit of Supernus. Each Party agrees to cooperate with the other Party in claiming exemptions from such deductions or withholdings under any agreement or treaty from time to time in effect.

5. Confidentiality

5.1 Confidentiality Obligation. The Parties shall keep and maintain, and shall cause their respective Affiliates and their respective employees, directors, officers, consultants and contractors to keep and maintain, as confidential any Confidential Information supplied by the other Party during the Term. The confidentiality and non-disclosure obligations contained in the Settlement Documents shall not apply to, and definition of Confidential Information shall not include, any information to the extent that such information is:

5.1.1 at the time of disclosure by one Party to the other, in the public domain or otherwise publicly known;

5.1.2 after disclosure by one Party to the other becomes part of the public domain, other than by breach by a Party of any obligation of confidentiality;

5.1.3 information which the receiving Party can establish by competent evidence was already in its possession at the time of receipt or was independently developed by the receiving Party; or

5.1.4 received from a Third Party who was lawfully entitled to disclose such information free of an obligation of confidentiality.

5.2 Exceptions. Notwithstanding Section 5.1, in addition to any disclosure allowed under Section 11.5, the Party receiving Confidential Information may disclose such Confidential Information to the extent that such disclosure has been ordered by a court of law or directed by a Governmental Authority, provided that, the disclosure is limited to the extent

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ordered or directed and wherever practicable, the Party that owns the Confidential Information has been given sufficient written notice in advance to enable it to seek protection or confidential treatment of such Confidential Information.

5.3 Expiration of Confidentiality. The confidentiality obligation contained in this Section 5 shall survive the termination or expiry of this License Agreement for so long as such Confidential Information remains confidential.

5.4 Disclosure. If a Party is subpoenaed or otherwise requested by any Person, including any Governmental Authority, (i) to give testimony or provide information which in any way relates to the Settlement Documents, or (ii) to disclose through testimony or otherwise disclose Confidential Information of the other Party which in any way relates to the Zydus Product or practices associated with the Zydus Product, then in each case such Party shall give the other Party prompt notice of such request, and unless otherwise required by Law, shall make no disclosure until such other Party has had a reasonable opportunity to contest the right of the requesting Person to such disclosure. Notwithstanding the foregoing, either Party may state publicly that the Pending Litigation has been settled on terms that are confidential.

5.5 Enforcement. The Parties agree that equitable relief, including injunctive relief and specific performance, is appropriate in enforcing the confidentiality provisions of the Settlement Documents. In the event of any such action, the prevailing Party will be entitled to recover, in addition to any charges fixed by the court, its costs and expenses of suit, including reasonable attorney's fees. Such remedies shall not be deemed to be the exclusive remedies for a breach of this provision, but shall be in addition to all other remedies available at law or equity.

6. Representations and Warranties of Parties

6.1 Supernus represents and warrants to Zydus that Supernus possess the rights and authority to grant the License and Authorization to Zydus.

6.2 Each of Supernus and Zydus represents, warrants, and covenants, to the other Party that:

6.2.1 Organization and Authority . Such Party is a corporation or other legal entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation. Such Party has the requisite power and authority to enter into the Settlement Documents. Such Party has the requisite power and authority to execute and deliver the Settlement Documents and to perform all of its obligations hereunder. The execution and delivery of the Settlement Documents and the performance by such Party of its obligations hereunder have been authorized by all requisite action on its part. The Settlement Documents have been validly executed and delivered by such Party, and, assuming that such documents have been duly authorized, executed and delivered by the other Party, constitutes a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

6.2.2 Consents and Approvals . Except as otherwise set forth in this License Agreement or other Settlement Documents, no material filing with, and

no material permit, authorization, consent, or approval, of or from any Governmental Authority is required to be obtained by or on behalf of such Party with respect to the transactions contemplated by the Settlement Documents, except for those filings, permits, authorizations, consents or approvals, the failure of which to be made or obtained would not materially impair such Party's ability to consummate the transactions contemplated hereby or materially delay the consummation of the transactions contemplated hereby.

6.2.3 **No Violations** . Neither the execution nor the delivery of the Settlement Documents by such Party, nor the performance by such Party of its obligations hereunder, will (i) violate the certificate of incorporation, certificate of formation, by-laws or other organizational document of such Party; (ii) conflict in any material respect with or result in a material violation or breach of, or constitute a material default under, any material contract, agreement or instrument to which such Party is a party; or (iii) violate or conflict in any material respect with any material Law applicable to such Party.

7. Indemnities; Product Liability; Insurance

7.1 **Indemnity by Supernus** . Supernus shall defend, indemnify and hold harmless each of Zydus and its Affiliates and its and their directors, officers, employees and contractors (each a " **Zydus Party** ") from and against any and all Losses, arising from or in connection with:

7.1.1 any Claim resulting from any negligent acts or acts of willful misconduct of any Supernus Party in connection with the performance of its obligations under this License Agreement; or

7.1.2 the breach by Supernus of any of its representations or warranties contained in this License Agreement,

except, in each case, to the extent such Losses are caused by the negligence, breach of the terms of this License Agreement, or willful misconduct of a Zydus Party.

7.2 **Indemnity by Zydus** . Zydus shall defend, indemnify and hold harmless each of Supernus and its Affiliates and its and their directors, officers, employees and contractors (each, a " **Supernus Party** ") from and against any and all Losses arising from or in connection with:

7.2.1 any Claim resulting from any negligent acts or acts of willful misconduct of any Zydus Party in connection with the performance of its obligations under this License Agreement;

7.2.2 any Claim based on or arising out of the use, Manufacturing, Labeling, Packaging or Marketing of Zydus Product, including, any investigation by a Governmental Authority or any claim for personal injury or property damage

asserted by any user of Zydus Product (but ** any ** based on or arising out of any portion of the ** of the ** that, pursuant to **, is required to be the same as the ** for the **); or

7.2.3 the breach by Zydus of any of its representations or warranties contained in this License Agreement,

except, in each case, to the extent that such Losses are caused by the negligence, breach of the terms of this License Agreement, or willful misconduct of a Supernus Party.

7.3 Control of Proceedings . A Party seeking indemnification hereunder shall provide prompt written notice thereof to the other Party (and, in any event, within thirty (30) days) of the assertion of any Claim against such indemnified Party as to which indemnity is to be requested hereunder. The indemnifying Party shall have the sole control over the defense of any Claim, provided that, the indemnifying Party shall obtain the written consent of the indemnified Party prior to settling or otherwise disposing of such Claim if as a result of the settlement or Claim disposal the indemnified Party's interests are in any way adversely affected.

7.4 No Admissions . The indemnified Party shall not make any payment or incur any expenses in connection with any liability for which such Party is seeking indemnification, or make any admissions or do anything that may compromise or prejudice the defense of any Claim without the prior written consent of the indemnifying Party.

7.5 Claim Information . Each Party shall promptly:

7.5.1 inform the other by written notice of any actual or threatened Claim to which Sections 7.1 or 7.2 apply;

7.5.2 provide to the other Party copies of all papers and official documents received in respect of any such Claim; and

7.5.3 cooperate as reasonably requested by the other Party in the defense of any such Claim, provided any actual out of pocket costs incurred in connection with such cooperation shall be at the expense of the indemnifying Party.

7.6 Limitation of Liability . Except as may be included in a Claim under Section 7.1, 7.2 or 7.8, or a breach by any Party of Section 3, Section 5 or Section 11.5, in no event shall any Party or its Affiliates be liable for special, punitive, indirect, incidental or consequential loss or damage based on contract, tort or any other legal theory arising out of this License Agreement.

7.7 Product Liability Insurance . Each Party shall maintain, at its own cost, general commercial liability insurance (including comprehensive product liability) in such amount as such Party customarily maintains with respect to its other products and which is reasonable and customary in the U.S. pharmaceutical industry for companies of comparable size

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** This portion has been redacted pursuant to a confidential treatment request.

and activities, but in any event not less than $** per occurrence and $** in the aggregate. In the event the insurance policy obtained by a Party is a "claims made" policy (as opposed to an "occurrence" policy), such Party shall obtain comparable insurance for not less than ** following the expiry or termination of this License Agreement (or, in Zydus' case, the cessation of sales of the Zydus Product hereunder). Notwithstanding anything to the contrary contained herein, either Party may fulfill all of its obligations hereunder through the purchase of commercial insurance, self-insurance or through a combination of both.

7.8 Irreparable Harm . Zydus and its Affiliates acknowledge that in the event of a Zydus Launch or continued Marketing or Shipping by Zydus or its Affiliates of Zydus Product or any other Generic Equivalent Product in the Territory other than as permitted under this License Agreement, the damages to Supernus and its business (including, but not limited to, lost sales of the Trokendi XR Product) would be difficult to calculate and the adequacy of monetary damages calculated at Law would be uncertain. Accordingly, Zydus and its Affiliates agree that in any action by Supernus seeking injunctive or other equitable relief in connection with any such Zydus Launch or continued Marketing or Shipping, other than as permitted under this License Agreement, Zydus and its Affiliates shall not assert or plead the availability of an adequate remedy at Law as a defense to the obtaining of any such remedy. Zydus and its Affiliates hereby waive any equitable defense to such injunction including, laches, unclean hands, acquiescence or any estoppel arguments. The foregoing shall not be in lieu of any other remedy to which Supernus may be entitled hereunder in equity or at law as a result of such a breach.

7.9 Limitation on Representations, Warranties and Indemnification. NEITHER PARTY SHALL BE DEEMED TO MAKE ANY REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED BY EACH PARTY.

8. Force Majeure

8.1 Force Majeure . Neither Party shall be entitled to terminate this License Agreement or shall be liable to the other under this License Agreement for loss or damages attributable to any Force Majeure, provided the Party affected shall give prompt notice thereof to the other Party. Subject to Section 8.2, the Party giving such notice shall be excused from such of its obligations hereunder for so long as it continues to be affected by Force Majeure.

8.2 Continued Force Majeure . If any Force Majeure continues unabated for a period of at least ninety (90) days, the Parties shall meet to discuss in good faith what actions to take or what modifications should be made to this License Agreement as a consequence of such Force Majeure in order to alleviate its consequences on the affected Party.

** This portion has been redacted pursuant to a confidential treatment request.

9. Trademarks and Trade Names

9.1 This License Agreement conveys no rights to either Party to use any trademark or trade dress of the other Party, and conveys no rights to any other intellectual property of either Party other than pursuant to the License and Authorization.

10. Term and Termination

10.1 Term . Unless sooner terminated in accordance with the terms hereof, the term of this License Agreement shall extend from the Effective Date until the expiration of the Licensed Patents (the " Term ").

10.2 Termination . In addition to Supernus' right to immediately terminate this License Agreement as set forth in Section 3, either Party shall be entitled to terminate this License Agreement by written notice to the other if:

10.2.1 the other Party commits a material breach of this License Agreement, and fails to remedy it within sixty (60) days of receipt of notice from the first Party of such breach and of its intention to exercise its rights under this Section 10.2; or

10.2.2 an order is made or a resolution is passed for the winding up of the other Party (other than voluntarily for the purposes of solvent amalgamation or reconstruction) or an order is made for the appointment of an administrator to manage the other Party's affairs, business and property or if a receiver (which expression shall include an administrative receiver) is appointed over any of the other Party's assets or undertaking or if circumstances arise which entitle the court or a creditor to appoint a receiver or manager or which entitle the court to make a winding-up order or if a voluntary arrangement is proposed in respect of the other Party or if the other Party takes or suffers any similar or analogous action in consequence of debt, and such order, appointment or similar action is not removed within ninety (90) days.

10.3 Effect of Termination . In the event of expiry or termination of this License Agreement for any reason, each Party shall promptly return all Confidential Information of the other Party provided during the Term or destroy and certify the destruction of such Confidential Information.

10.4 Liability on Termination . The termination or expiry of this License Agreement shall not release either of the Parties from any liability which at the time of termination or expiry has already accrued to the other Party, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this License Agreement to survive such termination or expiry.

10.5 Surviving Sections . The provisions of Sections 1, 4.4-4.12, 5, 6, 7, 9, 10.3-10.5, 11 shall continue in force in accordance with their respective terms notwithstanding expiry or termination of this License Agreement for any reason.

11. Miscellaneous

11.1 Notice .

11.1.1 Any notice or other document given under the Settlement Documents shall be in writing in the English language and shall be given by hand or sent by prepaid overnight mail, or by confirmed fax transmission to the address of the receiving Party as set out in Section 11.2 below unless a different address or fax number has been notified to the other in writing for this purpose.

11.1.2 Each such notice or document shall: (i) if sent by hand, be deemed to have been given when delivered at the relevant address; (ii) if sent by prepaid overnight mail, be deemed to have been given one (1) Business Day after posting; or (iii) if sent by confirmed fax transmission be deemed to have been given when transmitted, provided that, a confirmatory copy of such fax or other electronic method of transmission shall have been sent by prepaid overnight mail within one (1) Business Day of such transmission.

11.2 Address for Notice . The address for services of notices and other documents on the Parties shall be:

To Supernus

Supernus Pharmaceuticals, Inc.
1550 East Gude Drive
Rockville, MD 20850
Attn: President
Fax: **

with a copy to:

Edgar H. Haug
HAUG PARTNERS LLP
745 Fifth Avenue
New York, NY 10151
Fax: (212) 588-0500

To Zydus

Zydus Pharmaceutical (USA) Inc.
73 Route 31 N.
Pennington, NJ 08534
Attn: Chief Executive Officer
Fax: **

** This portion has been redacted pursuant to a confidential treatment request.

with a copy to:

Zydus Pharmaceutical (USA) Inc.
73 Route 31 N.
Pennington, NJ 08534
Attn: Executive Vice President and Chief Legal Officer
Fax: **

and a copy to:

Michael Gaertner
LOCKE LORD LLP
111 South Wacker Drive
Chicago, IL 60606
Fax: 312-443-0336

11.3 Assignment .

11.3.1 Subject to Section 11.3.2, neither Party shall assign or transfer any of its rights or obligations under the Settlement Documents without the prior written consent of the other Party, not to be unreasonably withheld or delayed.

11.3.2 Each Party shall be entitled, without prior written consent of the other Party, to assign all, but not less than all, of its rights under the Settlement Documents to an Affiliate or transfer such rights to a successor entity by way of merger or acquisition of substantially all of the assets of such Party (whether by consolidation, sale of assets, or otherwise); provided the Affiliate or other successor entity expressly assumes in writing those rights, duties and obligations under the Settlement Documents and the Affiliate or other successor is a financially capable business entity. The assignment of the Settlement Documents by a Party and its Affiliates shall not in any way affect such Party's or its Affiliates' duties, obligations and admissions in the Settlement Documents.

11.3.3 Subject to the foregoing, the Settlement Documents shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Any assignment or transfer in contravention of the terms of the Settlement Documents shall be null and void.

11.4 Amendment . The Settlement Documents may not be varied, changed, amended, supplemented, waived, discharged or terminated, including by course of conduct or trade usage, except by an instrument in writing signed by the Party against which enforcement of such variation, change, amendment, supplement, waiver, discharge or termination is sought.

** This portion has been redacted pursuant to a confidential treatment request.

11.5 Public Announcements . The Parties shall maintain in confidence the terms of the Settlement Documents and the negotiations of the Parties pertaining thereto. Without limiting the generality of the foregoing, neither Party nor its counsel shall provide discovery (including without limitation documents, oral testimony or statements whether by deposition or otherwise, the work of outside experts or consultants, or work product embodying any of the above) to any Third Party in any judicial or arbitral proceeding pertaining to the Settlement Documents in the Territory. Notwithstanding these obligations, (i) either Party may, without the consent of the other Party, issue a press release which states publicly that the Pending Litigation has been settled, that Zydus may launch the Zydus Product on January 1, 2023 (or earlier under certain circumstances) and that the remaining terms are confidential (and such additional information as may be permitted pursuant to clause (vii) below), provided that such other Party shall be given the opportunity to review and comment on the proposed disclosure reasonably in advance of the disclosure; (ii) either Party may reference or repeat information previously disclosed in a press release or other public disclosure made in accordance with this Section 11.5; (iii) either Party may disclose such terms in discovery as otherwise required by court order, provided that the other Party shall be given the opportunity to (a) review and comment on the proposed disclosure reasonably in advance of the disclosure, and (b) quash such order and to obtain a protective order requiring that the information and documents that are the subject of such order be held in confidence by such court; (iv) either Party may disclose such terms on a need-to-know basis to such Party's actual and prospective investors, prospective acquirers, underwriters and lenders, attorneys, accountants, insurers and FDA consultants, so long as the disclosed-to entity is bound by rules of professional conduct, or has agreed in writing and in advance to maintain the confidentiality of such information under terms no less restrictive than those set forth herein; (v) Supernus may disclose the terms of the Settlement Documents to a Third Party litigant in any patent litigation or other legal proceeding (or settlements thereof) relating to the Litigated Patents or the Trokendi XR Product, (vi) Zydus may disclose such terms to the FDA as may be necessary or useful in obtaining and maintaining Regulatory Approval of the Zydus ANDA and Launching the Zydus Product as provided by the Settlement Documents, so long as Zydus requests that the FDA maintain such terms in confidence, and (vii) either Party may disclose such terms as otherwise required by Law, including without limitation securities reporting requirements, or by the rules or regulations of any stock exchange to which the Parties are subject; provided that the Parties will coordinate in advance with each other in connection with the redaction of certain provisions of the Settlement Documents with respect to any securities filings, and each Party shall use reasonable efforts to seek confidential treatment for such terms; provided, however, that each Party shall ultimately retain control over what information to disclose to the securities regulators or any other such Governmental Authorities.

11.6 Merger and Integration . The Settlement Documents supersede all prior discussions and writings of the Parties and constitute the entire agreement between the Parties with respect to the subject matter contained therein. Any breach of the License Agreement or Settlement Agreement shall constitute a breach of the Settlement Documents as a whole. Each of the Settlement Documents shall be deemed of equal dignity to each other and shall be construed together in a consistent manner as reflecting a single intent and purpose. It is agreed that: (i) neither Party has entered into any of the Settlement Documents in reliance upon any representation, warranty or undertaking of the other Party which is not expressly set out in the Settlement Documents; (ii) neither Party shall have any remedy in respect of misrepresentation

or untrue statement made by the other Party or for any breach of warranty which is not contained in Settlement Documents; and (iii) this Section 11.6 shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

11.7 Governing Law . The Settlement Documents shall be governed by the/ Laws of the State of New York without regard to the conflicts of law provisions thereof. The Parties irrevocably agree that the United States District Court for the Southern District of New York shall have exclusive jurisdiction to deal with any disputes arising out of or in connection with the Settlement Documents and that, accordingly, any proceedings arising out of or in connection with the Settlement Documents shall be brought in the United States District Court for the Southern District of New York. Notwithstanding the foregoing, if there is any dispute for which the United States District Court for the Southern District of New York does not have subject matter jurisdiction, the state courts in the county and state of New York shall have jurisdiction. In connection with any dispute arising out of or in connection with the Settlement Documents, each Party (i) hereby expressly consents and submits to the personal jurisdiction of the federal and state courts in the State of New York and (ii) hereby irrevocably waives any right to a trial by jury.

11.8 Agreement Costs . Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of the Settlement Documents.

11.9 Counterparts . The Settlement Documents may be executed in any number of counterparts and may be executed by the Parties on separate counterparts (including fax or electronic counterparts), each of which is an original but all of which together constitute the same instrument.

11.10 Severability . If and to the extent that any provision of the Settlement Documents is held to be illegal, void or unenforceable, such provision shall be given no effect and shall be deemed not to be included in the Settlement Documents but without invalidating any of the remaining provisions of the Settlement Documents.

11.11 Relationship of the Parties . In making and performing the Settlement Documents, the Parties are acting, and intend to be treated, as independent entities; and nothing contained in the Settlement Documents shall be construed or implied to create an agency, partnership, joint venture, or employer and employee relationship between Supernus and Zydus. Except as otherwise provided herein, neither Party may make any representation, warranty or commitment, whether express or implied, on behalf of or incur any charges or expenses for or in the name of the other Party.

11.12 Construction . The language in all parts of the Settlement Documents shall be construed, in all cases, according to its fair meaning. Supernus and Zydus acknowledge that each Party and its counsel have reviewed and revised the Settlement Documents and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation thereof. The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import, when used in the Settlement Documents, shall refer to the agreements as a whole and not to any particular provision thereof. The terms defined in the

singular shall have a comparable meaning when used in the plural, and vice versa. Whenever used herein, the words "include," "includes" and "including" shall mean "include, without limitation," "includes, without limitation" and "including, without limitation," respectively. The masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others whenever the context so indicates. With respect to any particular action or agreement, the use of the words "Supernus shall" or "Supernus will" herein shall also mean "Supernus shall cause" the particular action to be performed. Similarly, with respect to any particular action or agreement, the use of the words "Zydus shall" or "Zydus will" herein shall also mean "Zydus shall cause" the particular action to be performed. Nothing in the Settlement Documents shall operate to exclude any provision implied into the Settlement Documents by Law and which may not be excluded by Law or limit or exclude any liability, right or remedy to a greater extent than is permissible under Law.

11.13 Dispute Resolution .

11.13.1 Preliminary Process . If there is a disagreement between the Parties as to the interpretation of the Settlement Documents in relation to any aspect of the performance by either Party of its obligations thereunder, the Parties shall, within thirty (30) days of receipt of a written request from either Party, meet in good faith and try to resolve the disagreement without recourse to legal proceedings.

11.13.2 Escalation of Dispute . If resolution of the disagreement does not occur within ten (10) Business Days after such meeting, the matter shall be escalated to applicable Zydus and Supernus Presidents (or other ranking senior executive) for resolution.

11.13.3 Equitable Relief . Nothing in this Section 11.13 restricts either Party's freedom to seek urgent relief to preserve a legal right or remedy, or to protect a proprietary or trade secret right, or to otherwise seek legal remedies through any available channel if resolution is not otherwise achieved under this Section 11.13.

11.14 Cumulative Rights . Except as expressly set forth in the Settlement Documents, the rights and remedies of each of the Parties under or pursuant to the Settlement Documents are cumulative, may be exercised as often as such Party considers appropriate and are in addition to its rights and remedies under general law.

11.15 No Third Party Benefit . The Settlement Documents shall be binding upon and inure solely to the benefit of the Parties hereto, their Affiliates, successors and permitted assigns, and nothing in the Settlement Documents, express or implied, is intended to or shall confer upon any other Person or Persons any right, benefits or remedies of any nature whatsoever under or by reason of any of the Settlement Documents.

11.16 Further Assurance . Each of the Parties shall do, execute and perform and shall procure to be done and perform all such further acts, deeds, documents and things as the

other Party may reasonably require from time to time to give full effect to the terms of the Settlement Documents.

11.17 Waiver . No failure or delay by either Party in exercising any right or remedy provided by law under or pursuant to the Settlement Documents shall impair such right or remedy or operate or be construed as a waiver, acquiescence or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy. A waiver by a Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Party would otherwise have on any future occasion.

[Signature Page Follows]

[Signature Page to
Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: /s/ Jack Khattar

Name: Jack Khattar

Title: President & CEO

ZYDUS PHARMACEUTICAL (USA) INC.

By: _____

Name: _____

Title: _____

CADILA HEALTHCARE LIMITED

By: _____

Name: _____

Title: _____

[Signature Page to
Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

ZYDUS PHARMACEUTICAL (USA) INC.

By: /s/ Brij Khera

Name: Brij Khera

Title: Executive Vice President &
Chief Legal Officer

CADILA HEALTHCARE LIMITED

By: /s/ Pankaj Patel

Name: Pankaj Patel

Title: Chairman & Managing Director

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

SUPERNUS PHARMACEUTICALS, INC.

Plaintiff, C.A. No. 2:14-cv-07272-SDW-SCM

v.

ZYDUS PHARMACEUTICAL (USA) INC.
and CADILA HEALTHCARE LIMITED

Defendants.

STIPULATION AND ORDER OF DISMISSAL WITHOUT PREJUDICE

This action for patent infringement having been brought by Plaintiff Supernus Pharmaceuticals, Inc. ("Supernus") against Defendants Zydus Pharmaceutical (USA) Inc., and Cadila Healthcare Limited (collectively, "Zydus").

Pursuant to Fed. R. Civ. P. 41, Supernus and Zydus by and through their undersigned counsel, hereby stipulate, that:

1. All claims, counter-claims and defenses asserted by Supernus and Zydus are dismissed without prejudice; and

2. Each party shall bear its own costs and attorneys' fees with respect to the matters dismissed hereby.

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Chicago, IL 60606
(312) 443-0700

Attorneys for Defendants Zydus Pharmaceutical (USA) Inc. and Cadila Healthcare Limited

SO ORDERED

Dated: _____

THE HON. SUSAN D. WIGENTON
UNITED STATES DISTRICT JUDGE

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

Highly Confidential
For Settlement Purposes Only
Offered Under FRE 408

THIS TERM SHEET AGREEMENT , (this "Term Sheet") is entered into as of March 6, 2017 (the "Effective Date") by and between, Supernus Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, having offices located at 1550 East Gude Drive, Rockville, Maryland 20850, ("Supernus" or "Plaintiff"), on the one hand, and Actavis Laboratories, FL, Inc., a corporation organized and existing under the laws of Florida having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("AF"), Actavis Pharma, Inc., a corporation organized and existing under the laws of Delaware having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Actavis Pharma"), and Watson Laboratories, Inc., a corporation organized and existing under the laws of Nevada having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Watson Laboratories") (collectively "Actavis" or "Defendants"), on the other hand. Supernus and Actavis are collectively referred to herein as the "Parties," or each individually as a "Party."

This Term Sheet sets forth all the material terms and conditions of the Settlement Agreement and the License Agreement (the "Agreements") to be entered into between Supernus and Actavis with respect to Actavis's ANDA No. 206210 ("Actavis ANDA") for topiramate extended release capsule 25, 50, 100, and 200 mg products ("the Actavis Topiramate XR Product") and currently in litigation under Civil Action No. 14-cv-6102, pending in the United States District Court for the District of New Jersey (the "Pending Litigation"). This Term Sheet is intended to be a legally binding and enforceable agreement between the Parties and their respective successors and assigns. After the execution and delivery of this Term Sheet but prior to March 10, 2017, the Parties will enter into the Agreements.

I. Settlement Agreement with Respect to the Pending Litigation

1. Consent Judgment and Dismissal . The Parties will agree to enter into and file with the Court a Consent Judgment for Civil Action No. 14-cv-6102 in the United States District Court for the District of New Jersey. The Consent Judgment will enter judgment of non-infringement as to U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; and 8,889,191 and will dismiss with prejudice Supernus's claims and Actavis's counterclaims as to U.S. Patent Nos. 8,877,248; and 8,992,989. Additionally, the Parties will dismiss Actavis, Inc. (n/k/a Allergan Finance LLC) and Actavis plc (n/k/a Allergan plc) from the Pending Litigation prior to entering the consent judgment in the Pending Litigation, as those parties no longer exist in the same corporate form and no longer have any ownership interest in the Actavis ANDA.

II. License Agreement Concerning the Actavis Topiramate XR Product under Actavis's ANDA

1. Grant . Supernus hereby grants Actavis and its affiliates a non-exclusive license (i) under U.S. Patent Nos. 8,298,576; 8,298,580; 8,663,683; 8,877,248; 8,889,191; and 8,992,989 (the

"Patents-in-Suit") and all continuations, continuations-in-part, divisionals, re-examinations, and reissues thereof as well as (ii) any patent that may be listed in the Orange Book as covering Trokendi XR® extended release capsules or its uses now or in the future, in case of each of (i) and (ii) to make, have made, use, offer for sale, sell and import in and for the United States, its territories and possessions (the "Territory"), the Actavis Topiramate XR Product under the Actavis ANDA (the "Topiramate XR Product License").

a. License Effective Date . The Topiramate XR Product License shall become effective on the "License Effective Date," which shall be the ** of:

i. January 1, 2023;

ii. the date of a ** that is no longer ** to ** (other than a ** to the ** for a ** all of the then ** and ** of the ** that have not ** to be ** or **;

iii. the date of a ** that is no longer ** to ** (other than a ** to the ** for a ** all of the then ** and ** of the ** that have not ** to be ** by a ** that has ** or ** from the **;

iv. the ** date of any ** to the ** that ** to any ** for any **;

v. the date of a ** by any ** of a ** that is the subject of an ** or a **;

vi. the date an ** of an ** is ** by ** or any **;

vii. the date the ** are ** from the ** for **;

viii. the date on which ** an ** for the ** of ** or ** that is not (i) " ** of ** that can be **" as ** in the ** or (ii) otherwise ** by the **; or

ix. the date that is the ** of (A) the date that is the ** of (i) the ** following the ** of a ** in which the ** of ** during such ** are at least ** than the ** of ** (defined as the ** of ** during any such ** as ** by ** (whether ** or **)) for the ** (defined as the ** in which the ** are **) for the immediately **, (ii) the day following the ** day of a ** that is, on a **, the ** during which the ** for ** has ** at least ** as ** the **, where such ** is as ** by ** for such ** period(s), or (iii) the day following the ** day of any **, ** period during which the ** of ** has declined **, in the **, during such ** period, where such ** is as ** by ** for each of the ** included in such ** and (B) **. The foregoing shall ** in the event such ** in ** can be ** to (i) ** and ** issues (**) or (ii) a ** or **. Supernus shall provide Actavis with prompt written notice of any such ** or ** which may be expected to ** a ** in **.

b. Royalty . During the term of the license agreement (which shall expire no later than the expiration of the last valid claim of the Patents-in-Suit) Actavis will pay a royalty on the

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** This portion has been redacted pursuant to a confidential treatment request.

** of the Actavis Topiramate XR Product of: (i) ** when there are **; (ii) ** when there is **; (iii) ** when there are **, and (iv) ** (i.e., **) when there are ** until the expiration of the ** valid claim of the **. Notwithstanding the foregoing, with respect to any ** pursuant to ** set forth in ** of this **, ** will pay a ** on the ** of such ** of **. For clarity, such ** shall cease to apply to any ** a License Effective Date.

i. The royalty terms in the definitive agreement shall use the defined terms set forth in, and the calculation and true-up processes contemplated by, Attachment A to this Term Sheet.

c. Effect of a ** for **, ** and **. Should a ** be deemed to be a "**" (as defined in **) with respect to the **, ** and **, and such ** be deemed by ** to have ** its **, then Actavis will be the ** (** as to **) for the **, ** and ** for the first ** that such ** or is otherwise entitled to sell its **, ** and **, by **, **, or **. At ** option upon written notice delivered to ** no ** than ** after the ** by the **, ** shall continue to ** on a ** for a period of up to ** from the date of the ** with **, ** and ** on a ** and upon ** agreed to by ** and **. Such ** may be ** upon ** by the parties. The ** for ** will be ** in favor of **. Within ** prior to the ** of this **, or any **, the Parties agree to discuss in good faith a mutually agreeable ** to the ** or **, as applicable. All other "accelerators" defined in sections (a)(ii)-(a)(ix) will continue to apply, as applicable.

d. Waiver of Regulatory Exclusivities. Supernus hereby unconditionally and irrevocably waives, with respect to the Actavis Topiramate XR Product, any and all regulatory exclusivities that may prevent approval or marketing of the Actavis Topiramate XR Product in the Territory under the Actavis ANDA prior to the License Effective Date.

e. Assignment. The Agreements will be applicable and/or assignable to all successors and permitted assigns of either Party.

2. Restricted Right of Entry. In the event that an unlicensed generic Trokendi XR® product is launched commercially in the United States ("Unlicensed Launch") by any entity other than Actavis or its affiliates or a third party acting pursuant to an agreement or understanding or otherwise in privity with Actavis or its affiliates (the "Unlicensed Launch Date"), ** shall have the **, **, to **, **, **, **, ** and ** the ** in and for the ** on (i) if ** with the ** a ** for ** and/or ** ("**") ** or ** of the **, the earlier of (x) ** after the **, (y) if the ** was ** in an **, the date the ** the **, and (z) if the ** was ** in a ** and the ** the ** the later of (a) ** after the date the ** the **, and (b) if ** a ** for a ** or ** of the ** in an **, the date the ** the **; and (ii) if ** does ** with the ** a ** for ** or ** of the **, ** after the **; provided, in each case, that the ** which is the subject of the ** continues to be ** in the ** on such date. However, if ** subsequently ** a ** said ** or such ** is otherwise no longer being ** in the ** for any reason, ** shall ** its **, **, ** and ** of the **. A "Business Day" means any day other than a Saturday,

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** This portion has been redacted pursuant to a confidential treatment request.

Sunday, or a day on which banks in New York, New York are authorized or required by law to close.

3. Admissions, Representations, and Covenants

a. Supernus hereby covenants not to sue Actavis and its affiliates with respect to any and all patents in Supernus's ownership or control, whether currently issued or to be issued at a later date, related to the Actavis Topiramate XR Product and such covenant shall be effective on the License Effective Date.

b. Unless required or requested by the FDA, including in connection with any pediatric studies as referenced in the August 16, 2013 letter from FDA to Supernus, Supernus hereby covenants that, on or prior to the ninetieth (90th) day after the Topiramate XR Product License Effective Dates, neither Supernus nor any of its affiliates will apply for approval under the NDA No. 201635 (the "Supernus NDA") to make, use, sell, offer for sale or import any dosage strengths of the products described in NDA No. 201635 (the "Supernus Product") in the Territory other than the dosage strengths currently set forth in the Supernus NDA.

c. Supernus and its affiliates shall not ** or ** to ** with the FDA approval of the Actavis ANDA, or the ** of the ** as of the License Effective Date, including by: (i) **, **, ** as "**" or ** the ** prior to the ** day after ** of the ** in the **; (ii) ** or ** any ** with respect to the ** from the **; (iii) ** for ** prior to the ** of the ** in the **; (iv) **, **, to **, or otherwise ** the ** of the ** (** due to a ** or ** issue) prior to ** of the ** in the **; (v) ** or otherwise ** any ** with the ** to ** any of the ** from the ** (** due to a ** or ** issue) prior to the ** day after ** of the ** in the **; or (vi) filing any ** with the ** relating to ** the sole purpose of which is to ** in ** of the **.

d. Actavis represents and warrants that it has not granted or assigned to any third party, directly or indirectly, any right or license under or to the Actavis ANDA or the Actavis Topiramate XR Products, and covenants that it shall not do any of the foregoing.

e. Solely with respect to the Actavis ANDA, Actavis Topiramate XR Products, and the Pending Litigation, Actavis hereby admits that Patents-in-Suit are valid and enforceable and will agree not to assist, coordinate with, or otherwise help any other third parties in prosecuting, defending, or settling their litigations concerning their abbreviated new drug applications to market generic versions of Supernus's Trokendi XR® product, except as required by law. Actavis will agree not to itself, or assist or enable a third party, to: (i) challenge the validity or enforceability of the Patents-in-Suit with respect to the Actavis ANDA or a generic Trokendi XR® Product; or (ii) make, use, sell, offer for sale, and/or import, or otherwise contract with any third party regarding making, using, sale, offer for sale, and/or importation of a generic Trokendi XR® product. Actavis'

** This portion has been redacted pursuant to a confidential treatment request.

Wholesaler and API affiliates (to be defined in the Settlement Agreement) will not be subject to this restriction. Solely with respect to the Actavis ANDA, Actavis Topiramate XR Products, and the Pending Litigation, Actavis hereby admits, but for the license granted herein, that U.S. Patent Nos. 8,877,248 and 8,992,989 would be infringed by the making, using, selling, offering for sale or importing of the Actavis Topiramate XR Products. For the avoidance of doubt, nothing in sub-sections d or f preclude Actavis from filing or maintaining its PIV certifications against the Licensed Patents with respect to the Actavis ANDA, challenging the Licensed Patents with respect to another product other than Trokendi XR®.

f. Nothing will be deemed to prevent or restrict Actavis from marketing of a generic Trokendi XR® product the marketing, manufacturing, and the using of which would not directly infringe, or induce or contribute to the infringement by a third party of, the Patents-in-Suit.

g. Actavis and its affiliates will not release (including any oral or written release or waiver of any right) or grant a waiver of conflict of interest or otherwise take any action which would allow or permit any attorney (including any of the attorneys or law firms of record in the Pending litigation) or any expert, agent, or consultant (whether retained by Actavis, its affiliates, or by any attorney that represents Actavis) to: (i) assist, or cooperate with, any third party (including any current or future litigant in a litigation against Supernus) with respect to a generic Trokendi XR® product, or (ii) take any action on behalf of a third party which, if taken by Actavis, would be prohibited.

h. Supernus will explicitly retain the right itself, or through an affiliate, to market at any time an authorized generic product, and to grant one or more licenses under the Patents-in-Suit to third parties, and/or, except as set forth in Paragraph II.1.c, supply authorized generic product to third parties at any time, including, without limitation, in settlement of litigation related to a generic Trokendi XR® product.

4. Additional **. In addition to the Topiramate XR Product License granted in Paragraph II.1, Supernus hereby grants Actavis a ** (i) starting ** to a reasonably anticipated **, to **, **, and/or ** the ** under the ** solely for the purpose of ** for a ** of such ** in or for the ** on the ** and (ii) starting ** to a reasonably anticipated **, to engage in ** including ** and ** in **, and ** into ** beginning ** to a reasonably anticipated **.

5. Most Favored Nation . Supernus represents, warrants and covenants to Actavis that the ** and ** being offered to Actavis are and will be ** to or ** than the terms ** by Supernus to any ** with respect to any **. If Supernus has entered or enters into a ** providing any such ** with ** and **, then the applicable terms in the Agreements would be ** to provide such ** to Actavis. Supernus will notify Actavis within ** of entering into any such **.

** This portion has been redacted pursuant to a confidential treatment request.

6. Change in Label . ** to the License Effective Date, Supernus will provide written notice to Actavis within ** each time either (i) Supernus submits a document to FDA seeking a change in the label for Trokendi XR®, including any specific labeling amendments or supplements to the Supernus NDA or (ii) FDA communicates to Supernus a suggestion or directive to make a change to the label for Trokendi XR®. In each case such notice shall include the text of the proposed or directed label change.

III. Governing Law of this Term Sheet

1. Governing Law . This Term Sheet shall be governed, interpreted and construed in accordance with the laws of the State of New York, without giving effect to choice of law principles. The Parties expressly exclude application of the United Nations Convention for the International Sale of Goods. The Parties irrevocably agree that the federal district court in the State of New York shall have exclusive jurisdiction to deal with any disputes arising out of or in connection with this Term Sheet and, accordingly, any such proceeding arising out of or in connection with this Term Sheet shall be brought in the United States District Court for the Southern District of New York. Notwithstanding the foregoing, if there is any dispute for which the federal district court in the State of New York does not have subject matter jurisdiction, the courts located in the State and City of New York shall have jurisdiction. In connection with any dispute arising out of or in connection with this Term Sheet, each Party hereby expressly consents and submits to the personal jurisdiction of the federal and state courts located in the State of New York.

2. Counterparts . This Term Sheet shall become binding when any one or more counterparts hereof, individually or taken together, bears the signatures of each of the Parties hereto. This Term Sheet may be executed in any number of counterparts (including facsimile or e-mail counterparts), each of which shall be an original as against a Party whose signature appears thereon, but all of which taken together shall constitute one and the same instrument.

3. Antitrust Review . This Term Sheet and the Agreements will be submitted to the federal antitrust agencies pursuant to the Medicare Modernization Act within ten (10) business days of their execution. To the extent that any legal or regulatory issues or barriers arise with respect to this Term Sheet or the Agreements, or any subpart thereof, the Parties will work together in good faith and use reasonable efforts to modify this Term Sheet or the Agreements to overcome any such legal or regulatory issues (including, for example, objections by the federal antitrust agencies or any applicable court) in a mutually acceptable fashion, but in no event shall either Party be required to agree to any modification of this Term Sheet or the Agreements that materially affects the economic value of the transactions contemplated hereby.

4. Publicity and Confidentiality . No Party shall make any announcement or other publicity relating to this Term Sheet or the transactions contemplated by this Term Sheet without the prior written consent of the other Party, which consent may be withheld at such other Party's sole discretion. Additionally, each Party shall protect the confidentiality of information exchanged during the course of the negotiation of this Term Sheet and the transaction

** This portion has been redacted pursuant to a confidential treatment request.

contemplated by this Term Sheet and neither Party shall disclose to any third party the confidential information of the other Party received in connection with the negotiation of this transaction. The foregoing notwithstanding, (i) either Party may disclose such terms as otherwise required by applicable law or regulation, including without limitation securities reporting requirements, or by the rules or regulations of any stock exchange to which such Party is subject; and (ii) either Party may, without the consent of the other Party, issue a press release which states publicly that the Pending Litigation has been settled, that Actavis may launch the Actavis Topiramate XR Products on January 1, 2023 (or earlier under certain circumstances) and that the remaining terms are confidential (and such additional information as may be permitted pursuant to clause (i) above).

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: /s/ Jack Khattar

Name: Jack Khattar

Title: President & CEO

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

ACTAVIS LABORATORIES, FL, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

ACTAVIS PHARMA, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

WATSON LABORATORIES, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

ATTACHMENT A

Royalty Related Definitions and Terms

"**" means ** (as defined below) ** (i) **, (ii) ** and (iii) ** (each as defined below).

"Net Sales" shall mean, with respect to the Teva Product sold in the Territory, the ** by Teva and its Affiliates on an arms-length basis to Third Parties in the Territory, ** the following **, all determined in accordance with ** for other pharmaceutical products, **:

(i) ** of ** in the Territory to cover ** given by Teva (and its Affiliates);

(ii) reasonable ** for any ** on account of **, **, **, **, **, or other similar ** affecting the product;

(iii) reasonable ** for **, **, **, **, and ** to ** and other **, **, **, **, **, other ** or ** or other **;

(iv) reasonable ** for amounts due to ** on account of **, including **, or other ** provided, based on ** by Teva and its Affiliates to any ** or ** in respect of ** or **, ** or similar **;

(v) reasonable ** for ** and ** to ** on account of **, **, ** or **;

(vi) any government mandated **, including, without limitation, the ** imposed pursuant to the ** (as amended or replaced);

(vii) the ** associated with any ** required ** and ** for the Teva Product; and

(viii) other specifically identifiable amounts that have been ** or ** the Teva Product's ** and are substantially similar to those ** and ** listed above.

"Teva's **" means, with respect to the Teva Product, (i) the costs of ** (including ** and **), **, **, ** and other costs directly incurred by Teva in connection with the manufacture of the Teva Product; (ii) ** and ** (including, without limitation, **, **, **, **, ** and **, ** of the ** and ** of the **) attributable to the manufacture of the Teva Product; and (iii) the costs of ** and ** acquired by Teva in connection with the manufacture of the Teva Product, ** of **, to the extent not included in clause (i); in each case in accordance with GAAP as reflected in Teva's or one of its Affiliates' financial statements and as applied on a consistent basis and measured in United States dollars.

"Teva's **" means ** of ** of the **.

"Teva's Sales and Marketing Costs" means ** of ** of the **.

True-Up.

(a) During the applicable term, on an ** basis, following the ** from **, Teva shall perform a "true

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** This portion has been redacted pursuant to a confidential treatment request.

up" reconciliation (and shall provide XXX with a written report of such reconciliation) of the ** outlined in the definition of "**." The reconciliation shall be based on ** or ** an ** for any ** related to the product, but ** at the ** of the **. If the foregoing reconciliation report shows either an underpayment or an overpayment between the Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within ** after the date of delivery of such report.

(b) Within ** after the ** or ** of the applicable agreement, Teva shall perform a "true-up" reconciliation (and shall provide XXX with a written report of such reconciliation) of the items comprising ** from **. If the foregoing reconciliation report shows either an underpayment or an overpayment between the Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within ** after the date of delivery of such report.

Royalty Reporting — ** after **
Royalty Payments — ** after **
Product Invoice Payments — ** from ** date if Teva is purchasing.

** This portion has been redacted pursuant to a confidential treatment request.

Exhibit 10.3

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

EXECUTION VERSION

SETTLEMENT AGREEMENT

BY AND BETWEEN

SUPERNUS PHARMACEUTICALS, INC.

AND

ACTAVIS LABORATORIES, FL, INC.,

ACTAVIS PHARMA, INC., and

WATSON LABORATORIES, INC.

DATED AS OF MARCH 13, 2017

THIS SETTLEMENT AGREEMENT , (this "Settlement Agreement") is entered into as of March 13, 2017 (the "Effective Date") by and between, Supernus Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, having offices located at 1550 East Gude Drive, Rockville, Maryland 20850, ("Supernus"), on the one hand, and Actavis Laboratories, FL, Inc., a corporation organized and existing under the laws of Florida having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("AF"), Actavis Pharma, Inc., a corporation organized and existing under the laws of Delaware having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Actavis Pharma"), and Watson Laboratories, Inc., a corporation organized and existing under the laws of Nevada having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Watson Laboratories") (collectively "Actavis"), on the other hand. Supernus and Actavis are collectively referred to herein as the "Parties," or each individually as a "Party."

RECITALS:

WHEREAS , Supernus is the owner of New Drug Application No. 201635, which was approved by the Food and Drug Administration ("FDA") for the manufacture and sale of an extended release topiramate oral capsule product, which Supernus sells under the trade name Trokendi XR;

WHEREAS , Supernus owns U.S. Patent Nos. 8,298,576, 8,298,580, 8,663,683, 8,877,248, 8,889,191, 8,992,989, 9,549,940, and 9,555,004 which cover Trokendi XR brand topiramate extended-release 25 milligram, 50 milligram, 100 milligram, and 200 milligram capsule products, which products Supernus sells in the United States of America, including its territories, possessions and the Commonwealth of Puerto Rico (the "Territory"), under NDA 201635;

WHEREAS , AF submitted Abbreviated New Drug Application No. 206210 (together with any amendments, or supplements thereto, the "Actavis ANDA") to the FDA under Section 505(j) of the Federal Food, Drug, and Cosmetic Act (codified at 21 U.S.C. §355(j)) seeking approval to engage in the manufacture, use, sale, offer for sale, or importation of extended release topiramate 25 milligram, 50 milligram, 100 milligram, and 200 milligram oral capsule products that are the subject of the Actavis ANDA (the "Actavis Product");

WHEREAS , the filing of the Actavis ANDA included a "paragraph IV certification" seeking approval to engage in the manufacture, use and sale of the Actavis Product prior to the expiration of United States Patent Nos. 8,298,576 (the "'576 Patent"), 8,298,580 (the "'580 Patent"), 8,663,683 (the "'683 Patent"), 8,877,248 (the "'248 patent"), 8,889,191 (the "'191 Patent"), and 8,992,989 (the "'989 Patent," and together with the '576 Patent, the '580 Patent, the '683 Patent, the '248 Patent, and the '191 Patent, the "Litigated Patents");

WHEREAS , Supernus has prosecuted, and Actavis has defended, an action for patent infringement in the United States District Court for the District of New Jersey (the "Court") regarding the Actavis ANDA and the Actavis Product, which action is captioned *Supernus Pharmaceuticals, Inc. v. Actavis, Inc., et. al.* , (Civil Action No. 2:14-cv-06102-SDW-SCM) (the

"Pending Litigation");

WHEREAS , Supernus and Actavis wish to settle the Pending Litigation and have reached an agreement, encompassing the terms and conditions set forth in this Settlement Agreement together with a License Agreement (the "License Agreement," attached hereto as Exhibit A), an agreed Stipulation of Dismissal ("Stipulation of Dismissal" attached hereto as Exhibit B), and an agreed Consent Judgment and Stipulation of Dismissal (the "Consent Judgment and Dismissal" attached hereto as Exhibit C, and with the Stipulation of Dismissal, Settlement Agreement, and the License Agreement being collectively referred to as the "Settlement Documents");

WHEREAS , neither Supernus nor Actavis have received any consideration from the other for their entry into this Settlement Agreement other than that which is set forth in the Settlement Documents; and

WHEREAS , the Settlement Documents constitute Actavis's and Supernus' best independent judgment as to the most convenient, effective and expeditious way to mutually settle all disputes that have arisen associated with the Actavis ANDA.

NOW, THEREFORE , in consideration of the mutual covenants and agreements described herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions . Capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the License Agreement.

2. Jurisdiction of the Court . The Parties consent to the jurisdiction of the Court for the purposes of the settlement of the Pending Litigation.

3. Venue . The Parties agree that the Court has jurisdiction over the Pending Litigation and over Supernus and Actavis, and that venue is proper in the District of New Jersey.

4. Infringement . Actavis admits that U.S. Patent Nos. 8,877,248 and 8,992,989, and all the claims contained therein, were infringed by the filing of the Actavis ANDA and, absent a license from Supernus, would be infringed by the manufacture, use, sale, offer for sale, or importation of the Actavis Product in the Territory.

5. Validity and Enforceability . Actavis admits, solely with respect to the Actavis ANDA, the Actavis Product and the Pending Litigation, that the Litigated Patents, and all the claims contained therein, are valid and enforceable.

6. Ownership and Enforcement of the Litigated Patents . Supernus represents, warrants, and covenants that Supernus is the sole owner of the Litigated Patents and that Supernus possesses the sole right to enforce the Litigated Patents.

7. Actavis ANDA; Actavis Product . Actavis represents and warrants that it has not granted or assigned to any Third Party, directly or indirectly, any right or license under or to the

Actavis ANDA or the Actavis Product, and covenants that it shall not do any of the foregoing, except in accordance with the License Agreement.

8. Released Claims . In consideration of the mutual execution of the Settlement Documents and the mutual agreement to be legally bound by the terms hereof, in addition to the dismissal of the Pending Litigation, as set forth in the Stipulation of Dismissal and the Consent Judgment and Dismissal, Supernus and Actavis make the following releases, which shall be effective upon the grant of the Stipulation of Dismissal and the Consent Judgment and Dismissal by the Court in the Pending Litigation: Supernus and Actavis, with the intention of binding themselves and their respective predecessors, successors, heirs and assigns, directors, officers, employees and representatives, hereby fully, finally and irrevocably release and discharge each other, and their respective predecessors, successors, heirs and assigns, directors, officers, employers and representatives, from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, liabilities, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims, demands, costs, expenses, losses, liens and obligations, whatsoever, in law or equity, whether known or unknown, and waive any and all defenses, occurring before or as of the Effective Date related to the Litigated Patents, solely (i) in connection with the Pending Litigation, (ii) associated with the Actavis ANDA and Actavis Product, and including Supernus' assertion of the Litigated Patents against Actavis, or (iii) in connection with all other claims that were asserted or could have been asserted in the Pending Litigation. For purposes of clarity, nothing herein shall prevent any Party from enforcing the terms of the Settlement Documents; or Supernus from enforcing any patent, including the Litigated Patents against Third Parties; or, notwithstanding the foregoing or anything to the contrary in this Settlement Documents, Actavis from (a) asserting counterclaims or defenses of non-infringement, invalidity, or unenforceability of the Litigated Patents in any proceeding the subject matter of which is not the Actavis Product; (b) filing and/or maintaining Paragraph IV certifications with respect the Actavis ANDA against the Litigated Patents or any other patent owned, licensed to, or subsequently acquired by Supernus that is now or comes to be listed in the Orange Book; and (c) in the event Supernus or its Affiliates initiate suit against Actavis or its Affiliates alleging that a product other than the Actavis Product infringes the Litigated Patents or any other patent owned, licensed to, or subsequently acquired by Supernus that is now or comes to be listed in the Orange Book, seeking reexamination, inter partes review, or any other post-grant review of the Litigated Patent(s) asserted against Actavis or its Affiliates with respect to a product other than the Actavis Product.

THE PARTIES ACKNOWLEDGE THAT THEY MAY HEREAFTER DISCOVER CLAIMS OR FACTS IN ADDITION TO OR DIFFERENT FROM THOSE WHICH THEY NOW KNOW OR BELIEVE TO EXIST WITH RESPECT TO THE RELEASED CLAIMS, THE FACTS AND CIRCUMSTANCES ALLEGED IN THE PENDING LITIGATION, AND/OR THE SUBJECT MATTER OF THIS SETTLEMENT AGREEMENT, WHICH, IF KNOWN OR SUSPECTED AT THE TIME OF EXECUTING THIS SETTLEMENT AGREEMENT, MAY HAVE MATERIALLY AFFECTED THIS SETTLEMENT AGREEMENT. NEVERTHELESS, UPON THE EFFECTIVENESS OF THE RELEASE OF THE RELEASED CLAIMS AS SET FORTH IN THIS SECTION ABOVE, THE PARTIES HEREBY ACKNOWLEDGE THAT THE RELEASED CLAIMS INCLUDE WAIVERS OF ANY RIGHTS, CLAIMS OR CAUSES OF ACTION THAT MIGHT ARISE AS A RESULT OF SUCH DIFFERENT OR

ADDITIONAL CLAIMS OR FACTS. THE PARTIES ACKNOWLEDGE THAT THEY UNDERSTAND THE SIGNIFICANCE AND POTENTIAL CONSEQUENCES OF SUCH A RELEASE OF UNKNOWN UNITED STATES JURISDICTION CLAIMS AND OF SUCH A SPECIFIC WAIVER OF RIGHTS. THE PARTIES INTEND THAT THE CLAIMS RELEASED BY THEM UNDER THIS RELEASE BE CONSTRUED AS BROADLY AS POSSIBLE TO THE EXTENT THEY RELATE TO UNITED STATES JURISDICTION CLAIMS. THE PARTIES ARE AWARE OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

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

THE PARTIES AGREE TO EXPRESSLY WAIVE ANY RIGHTS THEY MAY HAVE UNDER THIS CODE SECTION OR UNDER FEDERAL, STATE OR COMMON LAW STATUTES OR JUDICIAL DECISIONS OF A SIMILAR NATURE, AND KNOWINGLY AND VOLUNTARILY WAIVE SUCH UNKNOWN CLAIMS.

9. Authority and Power . Supernus and Actavis each represents and warrants that it has the full right, authority and power to enter into the Settlement Documents on its own behalf, and on behalf of its Affiliates, and that the Settlement Documents shall create and constitute a binding obligation on its part as of the Effective Date.

10. Legal Fees . Supernus and Actavis each will bear its own costs and expenses, including attorney fees, incurred in connection with the Pending Litigation and in connection with the preparation and execution of this Agreement.

11. License Agreement . Contemporaneously with the execution of this Agreement, Supernus and Actavis shall enter into the License Agreement.

12. Stipulation and Order . From the execution of the Settlement Documents, and unless the Settlement Documents are terminated, neither Party will actively pursue litigation activities related to the Pending Litigation, except to the extent required by court order or other Applicable Law. In consideration of the benefits of entering into the Settlement Documents, the Parties, through their respective attorneys, shall, within two (2) Business Days of the Effective Date, jointly seek that the Court enter the Stipulation of Dismissal and the Consent Judgment and Dismissal. Additionally, the Parties will dismiss Actavis, Inc. (n/k/a Allergan Finance LLC), Actavis plc (n/k/a Allergan plc) and ANDA, Inc. from the Pending Litigation prior to entering the consent judgment in the Pending Litigation, as those parties no longer exist in the same corporate form and no longer have any ownership interest in the Actavis ANDA. If the Court does not grant the Stipulation of Dismissal and the Consent Judgment and Dismissal substantially in the forms annexed hereto as Exhibit B and Exhibit C, the Parties agree to confer in good faith and revise those documents consistent with the requirements of the Court, provided that nothing contained herein shall be deemed to require a Party to agree to a modification of the Stipulation of Dismissal, the Consent Judgment and Dismissal or any other Settlement Document that materially affects the economic value of the transactions contemplated hereby.

13. Legal Compliance . The Parties shall submit the Settlement Documents to the Federal Trade Commission Bureau of Competition (the "Commission") and the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice (the "DOJ") as soon as practicable following the Effective Date and in no event later than ten (10) Business Days following the Effective Date. The Parties shall use all reasonable efforts to coordinate the making of such filings, and shall respond promptly to any requests for additional information made by either of such agencies. Each Party reserves the right to communicate with the Commission or the DOJ regarding such filings as it believes appropriate. Each Party shall keep the other reasonably informed of such communications and shall not disclose the confidential information of the other without such other Party's consent (not to be unreasonably withheld). To the extent that any legal or regulatory issues or barriers arise with respect to the Settlement Documents, or any subpart thereof, the Parties shall work together in good faith and use reasonable efforts to modify the Settlement Documents to overcome any such legal or regulatory issues (including, for example, objections by the Commission, the DOJ or any applicable court) in a mutually acceptable fashion, but in no event shall either Party be required to agree to any modification of the Settlement Documents that materially affects the economic value of the transactions contemplated hereby. Should the Commission or DOJ or any applicable court, as the case may be, object to any such modifications, the Parties agree to continue to use reasonable efforts to modify, as many times as necessary, the Settlement Documents as required above in this Section 13. For purposes of this Settlement Agreement, "reasonable efforts" shall mean such reasonable, diligent and good-faith efforts as a Party would normally use to accomplish a similar objective under similar circumstances.

14. Term and Termination . This Settlement Agreement shall continue from the Effective Date until the later of: (a) the expiration of the last to expire of the Litigated Patents; and (b) the date of expiration of and regulatory exclusivity for Trokendi XR in the Territory. The releases and discharges set forth in Section 8 of this Settlement Agreement shall survive the termination of this Settlement Agreement. The License Agreement shall remain in full force and effect pursuant to its own terms notwithstanding the expiration or termination of this Settlement Agreement.

15. Miscellaneous . The Settlement Documents are governed under the provisions of the following Sections of the License Agreement: 5 (Confidentiality); 10.1 and 10.2 (Notice); 10.3 (Assignment); 10.4 (Amendment); 10.5 (Public Announcement); 10.6 (Merger and Integration); 10.7 (Governing Law); 10.8 (Agreement Costs); 10.9 (Counterparts); 10.10 (Severability); 10.11 (Relationship of the Parties); 10.12 (Construction); 10.13 (Dispute Resolution); 10.14 (Cumulative Rights); 10.15 (No Third Party Benefit); 10.16 (Further Assurance); and 10.17 (Waiver).

[Signature Page Follows]

[Signature Page to Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: /s/ Jack Khattar

Name: Jack Khattar

Title: President & CEO

[*Signature Page to Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]*

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

ACTAVIS LABORATORIES, FL, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

ACTAVIS PHARMA, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

WATSON LABORATORIES, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

EXHIBIT A

LICENSE AGREEMENT

BY AND BETWEEN

SUPERNUS PHARMACEUTICALS, INC.

AND

ACTAVIS LABORATORIES, FL, INC.,

ACTAVIS PHARMA, INC., and

WATSON LABORATORIES, INC.

DATED AS OF MARCH 13, 2017

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "License Agreement") is entered into as of March 13, 2017 (the "Effective Date") by and between, Supernus Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, having offices located at 1550 East Gude Drive, Rockville, Maryland 20850, ("Supernus"), on the one hand, and Actavis Laboratories, FL, Inc., a corporation organized and existing under the laws of Florida having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("AF"), Actavis Pharma, Inc., a corporation organized and existing under the laws of Delaware having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Actavis Pharma"), and Watson Laboratories, Inc., a corporation organized and existing under the laws of Nevada having offices located at 400 Interspace Parkway, Parsippany, New Jersey 07054 ("Watson Laboratories") (collectively "Actavis"), on the other hand. Supernus and Actavis are collectively referred to herein as the "Parties," or each individually as a "Party."

RECITALS:

WHEREAS , Supernus and Actavis are parties to a certain Settlement Agreement of even date herewith (the "Settlement Agreement"), pursuant to which Supernus and Actavis are settling the Pending Litigation; and

WHEREAS , in accordance with the Settlement Agreement, Supernus and Actavis have agreed to enter into this License Agreement as part of the Settlement Documents.

NOW THEREFORE , in consideration of the foregoing premises, the mutual covenants and agreements described herein and in the Settlement Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions .

1.1 "Actavis" shall have the meaning assigned to such term in the preamble to this License Agreement.

1.2 "Actavis ANDA" shall mean ANDA No. 206210 (together with any amendments, supplements, replacements or other changes thereto) seeking approval to engage in the Manufacture, use and sale of an extended release oral capsule product containing the Compound as its sole active ingredient.

1.3 "Actavis **" means ** of ** of the **.

1.4 "Actavis ** " means, with respect to the Actavis Product, (i) the costs of ** (including ** and **), **, **, ** and other costs directly incurred by Actavis in connection with the manufacture of the Actavis Product; (ii) ** and ** (including, without limitation, ** costs, **, **, **,

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** This portion has been redacted pursuant to a confidential treatment request.

** and **, ** of the ** and ** of the **) attributable to the manufacture of the Actavis Product; and (iii) the costs of ** and ** acquired by Actavis in connection with the manufacture of the Actavis Product, ** of **, to the extent not included in clause (i); in each case in accordance with GAAP as reflected in Actavis' or one of its Affiliates' financial statements and as applied on a consistent basis and measured in United States dollars.

1.5 "Actavis License Date" means the ** of:

1.5.1 January 1, 2023;

1.5.2 the date of a ** all of the ** of the ** then ** and ** a ** with respect to a ** that have not ** to be ** or **;

1.5.3 the date of a ** all of the ** of the ** then ** and ** a ** with respect to a ** that have not ** to be ** by a ** that has received ** or **;

1.5.4 the ** date of any ** to the ** that ** to any ** to ** in the**;

1.5.5 the date of the ** by any ** of an ** in the **;

1.5.6 the date an ** is ** by ** or any ** in the **;

1.5.7 the date the ** are ** from the ** for **;

1.5.8 the date on which ** an ** for the ** of ** or ** that is not (i) "** of ** that can be **" as ** in the ** or (ii) otherwise ** or ** by the **; or

1.5.9 the date that is the ** of (A) the date that is the ** of (i) the ** following the close of a ** in which the ** of ** during such ** are at least ** than the ** of ** (defined as the ** of ** during any such ** quarter as ** by ** (whether reported ** or **) for the ** (defined as the ** in which the ** are **) for the immediately **, (ii) the day following the ** day of a ** that is, on a **, the ** during which the ** for ** has ** at least ** as ** the **, where such ** is as ** by ** for such ** period(s), or (iii) the day following the ** day of any **, ** period during which the ** of ** has declined **, in the **, during such ** period, where such ** is as ** by ** for each of the ** included in such ** and (B) **. The foregoing shall ** in the event such ** in ** can be ** to (i) ** and ** issues (**) or (ii) a ** or **. Supernus shall provide Actavis with prompt written notice of any such ** or ** which may be expected to ** a ** in **.

1.6 "Actavis Party" shall have the meaning assigned to such term in Section 7.1.

** This portion has been redacted pursuant to a confidential treatment request.

1.7 **"Actavis Product"** means an extended release oral capsule product containing the Compound as its sole active ingredient, which is the subject of the Actavis ANDA, including all formulations and strengths thereof, described therein now or hereafter.

1.8 **"Affiliate"** means, with respect to a Party, a Person that controls, is controlled by or is under common control with such Party. For the purposes of this definition, the word "control" (including, with correlative meaning, the terms "controlled by" or "under common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct the management and policies of such Person, whether by the ownership of fifty percent (50%) or more of the voting interest of such Person (it being understood that the direct or indirect ownership of a lesser percentage of such interest shall not necessarily preclude the existence of control), or by contract or otherwise.

1.9 **"AG Product"** means a product that is not Labeled with the Trokendi XR® trademark containing the Compound as its sole active ingredient that is Marketed or supplied under the Supernus NDA, described therein now or hereafter.

1.10 **"ANDA"** means an Abbreviated New Drug Application to the FDA for approval to Manufacture, and Market a pharmaceutical product in or for the Territory.

1.11 **"Applicable Law"** means the applicable Laws, rules, regulations, guidelines and requirements of any Governmental Authority related to the development, registration, Manufacture, Marketing or importation of the Actavis Product in or for the Territory or the performance of either Party's obligations under this License Agreement.

1.12 **"Authorized Generic ANDA Product"** means a ** authorized, whether pursuant to a ** or **, for Marketing pursuant to an agreement between Supernus and a Third Party. For the avoidance of doubt, if Supernus enters into an agreement with a Third Party that ** the ** of a ** in the Territory, and such agreement includes a **, **, **, ** or the like with respect to ** of such **, such ** shall not be considered an ** by virtue of such **, **, **, ** or the like, provided such ** is no longer being Marketed in the Territory.

1.13 **"Average Quarterly ** "** means the average of the ** during any **.

1.14 **"Business Day"** means any day other than a Saturday, Sunday or a day on which banks in New York, New York are authorized or required by Law to close.

1.15 **"Claim"** means any Third Party claim, lawsuit, investigation, proceeding, regulatory action or other cause of action.

1.16 **"Calendar Quarter"** means the period beginning on the Effective Date and ending on the last day of the calendar quarter in which the Effective Date falls, and thereafter each successive period of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31.

** This portion has been redacted pursuant to a confidential treatment request.

1.17 **"Calendar Year"** means the period beginning on the Effective Date and ending on December 31 of the year in which the Effective Date falls and thereafter each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.18 **"Compound"** means topiramate.

1.19 **"Confidential Information"** means any scientific, technical, formulation, process, Manufacturing, clinical, non-clinical, regulatory, Marketing, financial or commercial information or data relating to the business, projects, employees or products of either Party and provided by one Party to the other by written, oral, electronic or other means in connection with the Settlement Documents.

1.20 **" ** "** means ** less (i) **, (ii) ** and (iii) ** and **.

1.21 **"Covenant Not to Sue"** shall have the meaning assigned to such term in Section 3.4.

1.22 **"Effective Date"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.23 **" ** "** means the number of Trokendi XR ** in the ** (whether ** or **).

1.24 **"FDA"** means the United States Food and Drug Administration or any successor agency thereof.

1.25 **"Final Court Decision"** means a final decision of any Federal court from which no appeal has been taken or can be taken within the time permitted therefor (other than a petition to the United States Supreme Court for a *writ of certiorari*).

1.26 **"First Commercial Sale"** means the Shipment by a Third Party of commercial quantities of product for immediate commercial sale to major retail chains, major pharmaceutical wholesalers, or managed care providers in the Territory, which Supernus determines in good faith to have occurred, based on independent and reliable information (including information gained from reliable sources in the trade).

1.27 **"**"** shall have the meaning assigned to such term in **.

1.28 **"Force Majeure"** means any circumstances reasonably beyond a Party's control, including, acts of God, civil disorders or commotions, acts of aggression, terrorism, fire, explosions, floods, drought, war, sabotage, embargo, utility failures, supplier failures, material shortages, labor disturbances, a national health emergency, or appropriations of property.

1.29 **"GAAP"** means generally accepted accounting principles in effect in the United States from time to time, consistently applied.

** This portion has been redacted pursuant to a confidential treatment request.

1.30 **"Generic Equivalent Product"** means an extended release oral capsule product containing the Compound as its sole active ingredient which is submitted to the FDA for Regulatory Approval pursuant to an ANDA or 505(b)(2) application as a Therapeutic Equivalent to Trokendi XR. For clarity, Generic Equivalent Product shall not include AG Product.

1.31 **"Governmental Authority"** means any court, tribunal, arbitrator, agency, legislative body, commission, official or other instrumentality of: (i) any government of any country; or (ii) a federal, state, province, county, city or other political subdivision thereof.

1.32 **" ** "** Data shall mean ** data.

1.33 **"Label"** means any Package labeling designed for use with a product, including the package insert for such product that is approved by the FDA, and " **Labeled** " or " **Labeling** " shall have the correlated meaning.

1.34 **"Law"** or **"Laws"** means all laws, statutes, rules, codes, regulations, orders, judgments and ordinances of any Governmental Authority.

1.35 **"Licensed Patents"** means: (i) the Litigated Patents and any patent that issues as a result of a continuation, continuation-in-part, divisional, reexamination or reissue thereof; and (ii) any other present or future U.S., international, or foreign patent owned or controlled by Supernus or any of its Affiliates which claims cover the Actavis Product, including any patent that may be listed in the Orange Book as covering Trokendi XR extended release capsules or its uses now or in the future.

1.36 **"Litigated Patents"** shall have the meaning assigned to such term in the Settlement Agreement.

1.37 **"Losses"** means any liabilities, damages, costs or expenses, including reasonable attorneys' fees and expert fees, incurred by any Party that arises from any claim, lawsuit or other action by a Third Party.

1.38 **"Manufacture"** means all activities related to the manufacturing, development and use of a pharmaceutical product, or any ingredient thereof, including, manufacturing Compound or supplies for development, manufacturing a product for commercial sale, packaging, in-process and finished product testing, release of product or any component or ingredient thereof, quality assurance activities related to manufacturing and release of product, ongoing stability tests and regulatory activities related to any of the foregoing, and " **Manufactured** " or " **Manufacturing** " shall have the correlated meaning.

1.39 **"Market"** means to distribute (including through multiple tiers of distribution), promote, advertise, market, offer for sale or sell or have sold, to a Third Party, and " **Marketing** " or " **Marketed** " shall have the correlated meaning.

** This portion has been redacted pursuant to a confidential treatment request.

1.40 **"NDA"** means a New Drug Application (or equivalent regulatory mechanism) filed with the FDA pursuant to and under 21 U.S.C. § 355(b) (as amended, supplemented or replaced), together with the FDA's implementing rules and regulations.

1.41 **"Net Sales"** shall mean, with respect to the Actavis Product sold in the Territory, the ** by Actavis and its Affiliates on an arms-length basis to Third Parties in the Territory, ** the following **, all determined in accordance with ** for other pharmaceutical products, **:

1.41.1 ** of ** in the Territory to cover ** given by Actavis (and its Affiliates);

1.41.2 reasonable ** for any ** on account of **, **, **, **, **, or other similar ** affecting the product;

1.41.3 reasonable ** for **, **, **, **, and ** to ** and other **, **, **, **, **, other ** or ** or other **;

1.41.4 reasonable ** for amounts due to ** on account of **, including **, or other ** provided, based on ** by Actavis and its Affiliates to any ** or ** in respect of ** or **, ** or similar **;

1.41.5 reasonable ** for ** and ** to ** on account of **, **, ** or **;

1.41.6 any government mandated **, including, without limitation, the ** imposed pursuant to the ** (as amended or replaced);

1.41.7 the ** associated with any ** required ** and ** for the Actavis Product; and

1.41.8 other specifically identifiable amounts that have been ** or ** the Actavis Product's ** and are substantially similar to those ** and ** listed above.

1.42 **"Orange Book"** means the "Approved Drug Products with Therapeutic Equivalence Evaluations" published by FDA.

1.43 **"Package"** means all primary containers, including bottles, cartons, shipping cases or any other like matter used in packaging or accompanying a product, and " **Packaged** " or " **Packaging** " shall have the correlated meaning.

1.44 **"Party"** or **"Parties"** shall have the meaning assigned to such term in the preamble to this License Agreement.

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1.45 **" ** Quarter"** means the ** in which the ** are ** in the immediately ** period.

1.46 **"Pending Litigation"** shall have the meaning assigned to such term in the Settlement Agreement.

1.47 **"Person"** means any individual, partnership, association, corporation, limited liability company, trust, or other legal person or entity.

1.48 **"Regulatory Approval"** means final Marketing approval by the FDA for the sale and Marketing of a pharmaceutical product in the Territory.

1.49 **"Settlement Agreement"** shall have the meaning assigned to such term in the Recitals.

1.50 **"Shipped"** means, with respect to a product, when a Person has delivered shipments of such product to a common carrier for shipment to such Person's customers for resale; in each instance, a **"Shipment," "Ship"** or **"Shipping"** shall have the correlated meaning.

1.51 **"Supernus"** shall have the meaning assigned to such term in the preamble to this License Agreement.

1.52 **"Supernus NDA"** means Supernus' NDA No. 201635, as amended, or supplemented, for the Regulatory Approval of the product sold under the Trokendi XR ® trademark or any successor trademark thereto.

1.53 **"Supernus Party"** shall have the meaning assigned to such term in Section 7.2.

1.54 **"Supernus' External Auditor"** shall have the meaning assigned to such term in Section 4.8

1.55 **"Tentative Regulatory Approval"** means notification to an applicant by FDA that an ANDA is ready for Regulatory Approval .

1.56 **"Term"** shall have the meaning assigned to such term in Section 10.1.

1.57 **"Territory"** means the United States of America, and its territories, commonwealths, districts and possessions, including the Commonwealth of Puerto Rico.

1.58 **"Therapeutic Equivalent"** shall have the meaning given to it by the FDA in the current edition of the Orange Book as may be amended from time to time during the Term.

1.59 **"Third Party"** or **"Third Parties"** means any Person or entity other than a Party or its Affiliates.

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1.60 **"Third Party Agreement"** shall have the meaning assigned to such term in Section 3.9.

1.61 **"Trokendi XR"** means the pharmaceutical product that contains the Compound as its sole active ingredient which is approved for Marketing pursuant to the Supernus NDA and is sold in the Territory under the Trokendi XR ® or any successor trademark.

1.62 **"TRO/PI"** shall have the meaning assigned to such term in **.

1.63 **"Wholesaler or API Affiliate"** means a subsidiary or Affiliate of a Party whose primary business is wholesale distribution of pharmaceutical products or the production of active pharmaceutical ingredients for incorporation into Third Parties' finished dosage products. For clarity, Actavis' Wholesaler or API Affiliates as of the Effective Date are **, **, **, and **. Notwithstanding the foregoing or anything to the contrary in this License Agreement, a Wholesaler Affiliate or API Affiliate shall not be deemed an ** of ** for any purposes under this License Agreement.

2. License and Authorization

2.1 Supernus hereby grants to Actavis and its Affiliates a non-exclusive, non-transferable (except as set forth in Section 10.3) license, without the right to sublicense, under the Licensed Patents to: (i) on and after the applicable **, to **, **, **, ** for **, ** and ** the ** in or for the **; (ii) starting ** to a reasonably anticipated **, to **, **, and/or ** the ** solely for the purpose of ** for a ** of such Actavis Product in or for the ** on the **; and (iii) starting ** to a reasonably anticipated **, to engage in ** including ** and ** in **, and enter into ** beginning ** to a reasonably anticipated **. To the extent Supernus owns or controls any regulatory exclusivities granted by the FDA that may prevent Regulatory Approval or Marketing of the Actavis Product Supernus hereby unconditionally and irrevocably waives, effective as of the date that Actavis is licensed to conduct the applicable activity hereunder, such regulatory exclusivities and shall, if requested by Actavis and if applicable, send the FDA a written confirmation of Supernus' agreement to waive, effective as of the date that Actavis is licensed to conduct the applicable activity hereunder, such regulatory exclusivities with respect to the Actavis Product or the Actavis ANDA. Supernus will also cooperate with Actavis to submit a letter pursuant to 21 C.F.R. §314.94(a)(12)(v), attached hereto as Attachment A.

2.2 Except as set forth in Section 2.1 or expressly set forth in this License Agreement or other Settlement Documents, there are no authorizations, licenses or rights granted by either Party under this License Agreement, by implication, estoppel or otherwise, including any right granted to Actavis or its Affiliates to Market or Manufacture any Generic Equivalent Product except under the Actavis ANDA. All rights not expressly granted by Supernus herein are hereby retained by Supernus. In addition, except as expressly set forth in this License Agreement or other Settlement Documents, ** explicitly ** the ** itself or through an Affiliate to ** an **, and ** is ** to ** a ** the ** or, subject to the requirements of **, ** to any **.

** This portion has been redacted pursuant to a confidential treatment request.

2.3 Restricted Right of Entry . In the event that an unlicensed Generic Equivalent Product is launched commercially in the United States ("Unlicensed Launch") by any entity other than Actavis or its Affiliates or a Third Party acting pursuant to an agreement or understanding or otherwise in privity with Actavis or its Affiliates (the "Unlicensed Launch Date"), Actavis shall have the **, **, to **, **, **, **, ** and ** the ** in and for the ** on (i) if ** with the ** a ** for ** and/or ** or ** of the **, the earlier of (x) ** after the **, (y) if the ** was ** in an **, the date the ** the **, and (z) if the ** was ** in a ** and the ** the ** the later of (a) ** after the date the ** the **, and (b) if ** a ** for a ** or ** of the ** in an **, the date the ** the **; and (ii) if ** does ** with the ** a ** for ** or ** of the **, ** after the **; provided, in each case, that the ** which is the subject of the ** continues to be ** in the ** on such date. However, if ** subsequently ** a ** said ** or such ** is otherwise no longer being ** in the ** for any reason, ** shall ** its **, **, ** and ** of the **.

3. Conditions

3.1 Actavis and its Affiliates hereby agree not to Market Actavis Product in the Territory prior to the applicable Actavis License Date, except pursuant to Sections 2.1(ii) and 2.1(iii). For the avoidance of doubt, nothing in this Section 3.1 (or any other provision of the Settlement Documents) shall in any way preclude or prohibit (i) any act reasonably related to obtaining FDA approval of the Actavis ANDA, (ii) any act protected by 35 U.S.C. § 271(e)(1), (iii) the manufacturing of batches of Actavis ANDA Products necessary for FDA approval (e.g., ** for the purposes of **), or (iv) ** or ** from ** or ** or ** at any time or ** the ** to any ** for ** into a **. The foregoing shall not be interpreted or construed as the ** of any ** or ** to any ** or **, and ** shall be ** to pursue **, including **, ** any of ** or ** that ** or ** a ** or ** that is not ** or ** by **.

3.2 Actavis shall not assist, coordinate with, or otherwise help any Third Parties in prosecuting, defending, or settling such Third Parties' litigations concerning such Third Parties' ANDAs to Market Generic Equivalent Product, except as required by Law. Actavis and its Affiliates hereby agree not to (i) subject to subsection (B) below, which allows Actavis to challenge the validity or enforceability of a Litigated Patent (including but not limited to a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR)) asserted against Actavis or its Affiliates with respect to a product other than the Actavis Product or a Generic Equivalent Product, challenge the validity or enforceability of the Litigated Patents (including but not limited to a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR)); (ii) aid, abet, assist, enable or participate with any Third Party in a challenge to the validity or enforceability of the Litigated Patents or the non-infringement by a Generic Equivalent Product of the Litigated Patents in or for the Territory; (iii) Market or Manufacture a Generic Equivalent Product other than the Actavis Product pursuant to the License and Authorization; or (iv) aid, abet, enable or contract with any Third Party regarding the Marketing or Manufacturing of any Generic Equivalent Product in or for the Territory other than the Actavis Product. Nothing in this Section 3.2 or elsewhere in this Agreement shall preclude Actavis or its Affiliates from (A) asserting any claim or counterclaim challenging the validity, enforceability, or infringement of any patents or patent applications

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other than the Licensed Patents or (B) in the event Supernus or its Affiliates initiate suit against Actavis or its Affiliates alleging that a product other than the Actavis Product or a Generic Equivalent Product infringes the Litigated Patents, challenging the validity or enforceability of the Litigated Patent(s) (including but not limited to a petition for ex parte reexamination, Inter Partes Review (IPR), and Post Grant Review (PGR)) asserted against Actavis or its Affiliates with respect to a product other than the Actavis Product or a Generic Equivalent Product. Notwithstanding the foregoing, nothing in this Agreement precludes Actavis from (y) maintaining and/or (e.g., in the case of a recertification pursuant to 21 C.F.R.§ 314.96(d)) filing Paragraph IV certifications with respect the Actavis ANDA against the Licensed Patents, or (z) challenging the validity, enforceability and/or infringement of the Licensed Patents in connection with another ANDA or ANDA product owned or sold by Actavis that is not seeking Regulatory Approval of a Generic Equivalent Product.

3.3 Nothing set forth herein or in the other Settlement Documents shall be deemed to give Supernus any control over any Marketing exclusivity that may be granted to Actavis by the FDA in connection with the Actavis ANDA or the Actavis Product. Nothing set forth herein or in the other Settlement Documents shall be deemed to prevent or restrict Actavis from Manufacturing or Marketing any Generic Equivalent Product which would not infringe the Licensed Patents, and nothing herein shall prohibit Actavis from entering into any agreement with a Third Party related to any Generic Equivalent Product that does not infringe the Licensed Patents.

3.4 Covenant Not to Sue . Supernus, on behalf of itself and its Affiliates, hereby covenants not to sue Actavis or its Affiliates or any of their shareholders, licensees, sublicensees, customers, suppliers, importers, manufacturers, distributors, insurers, or any heirs, administrators, executors, predecessors, successors, or assigns of the foregoing, or cause or authorize any person or entity to do any of the foregoing, claiming or otherwise asserting that the manufacture, use, sale, offer for sale, or importation of the Actavis Product infringes (whether direct or indirect, including induced or contributory) the Licensed Patents (the "Covenant Not to Sue"). For any of the Licensed Patents listed in the Orange Book for Trokendi XR, the Covenant Not to Sue will hereby be treated as a non-exclusive license, so that Actavis or its Affiliates may file and maintain with the FDA "Paragraph IV Certifications" under 21 U.S.C. § 355(j)(2)(A)(vii)(IV) (as amended or replaced) and 21 U.S.C. § 355(b)(2)(A)(iv) (as amended or replaced) with respect to the Actavis ANDA.

3.5 Assignment of Licensed Patents by Supernus or Its Affiliates . Supernus agrees, on behalf of itself and its Affiliates, that all of the licenses, covenants, releases, and other rights granted by them, and all their obligations set forth in this Agreement shall run with the Licensed Patents. Supernus will impose the Covenant Not to Sue on any Third Party to which Supernus may assign, grant a right to enforce, or otherwise transfer (by any means) any of the Licensed Patents subject to the foregoing Covenant Not to Sue.

3.6 Supernus and its affiliates shall not ** or ** to ** with the FDA approval of the Actavis ANDA, or the ** of the ** as of the License Effective Date, including by: (i) **, **, **

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as "**" or ** the ** prior to the ** after ** of the ** in the **; (ii) ** or ** any ** with respect to the ** from the **; (iii) ** for ** prior to the ** of the ** in the **; (iv) **, **, ** to **, or otherwise ** the ** of the ** (** due to a ** or ** issue) prior to ** of the ** in the **; (v) ** or otherwise ** any ** with the ** to ** any of the ** from the ** (** due to a ** or ** issue) prior to the ** after ** of the ** in the **; or (vi) filing any ** with the ** relating to ** the sole purpose of which is to ** in ** of the **.

3.7 Unless required or requested by the **, including in connection with any ** as referenced in the ** from ** to **, Supernus hereby covenants that, on or prior to the ** the **, neither Supernus nor any of its Affiliates will ** for ** the ** to **, **, **, ** or ** any ** of the ** in the ** other than the ** in the **.

3.8 Actavis and its Affiliates will not release (including any oral or written release or waiver of any right) or grant a waiver of conflict of interest or otherwise take any action which would allow or permit any attorney (including any of the attorneys or law firms of record in the Pending Litigation) or any expert, agent, or consultant (whether retained by Actavis, its affiliates, or by any attorney that represents Actavis) to: (i) assist, or cooperate with, any Third Party (including any current or future litigant in a litigation against Supernus) with respect to a Generic Equivalent Product, or (ii) take any action on behalf of a Third Party which, if taken by Actavis, would be prohibited.

3.9 Most Favored Nation . Supernus represents, warrants and covenants to Actavis that the ** terms and the ** set forth in ** are and will be ** to or ** than the terms ** by Supernus to any ** with respect to any **. If Supernus has entered or enters into a ** providing such ** with ** or **, then the applicable terms in this License Agreement shall be ** to provide such ** to Actavis. Supernus will notify Actavis within ** of entering into any such **.

3.10 Effect of a ** for **, ** and ** . Should a ** be deemed to be a "**" (as defined in **) with respect to the **, ** and **, and such ** be deemed by ** to have ** its **, then Actavis will be a ** of ** (** as to **) for the **, ** and ** for the first ** that such ** or is otherwise entitled to sell its **, ** and **, by **, **, or **. At ** option upon written notice delivered to Supernus no ** than ** after the launch by the **, ** shall continue to ** on a ** for a period of up to ** from the date of the ** with **, ** and ** on a ** and upon ** agreed to by ** and **. Such ** may be ** upon ** by the Parties. The ** for ** will be ** in favor of **. Within ** to the ** of this **, or any **, the Parties agree to discuss in good faith a mutually agreeable ** to the ** or **, as applicable. All other terms and conditions for ** of ** will be set forth in an ** to be negotiated in good faith by the Parties. The Parties agree to negotiate and execute a ** governing the ** within ** of the execution of this Agreement. Notwithstanding the foregoing, this Section 3.11 in no way ** or ** the ** of any **.

3.11 ** to the Actavis License Date, Supernus will provide written notice to Actavis within ** each time either (i) Supernus submits a document to FDA seeking a change in the label for Trokendi XR, including any specific labeling amendments or supplements to the Supernus NDA or (ii) FDA communicates to Supernus a suggestion or directive to make a

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change to the label for Trokendi XR. In each case such notice shall include the text of the proposed or directed label change.

3.12 Actavis shall use commercially reasonable efforts to obtain Regulatory Approval of the Actavis ANDA.

4. Marketing of Actavis Product

4.1 Actavis shall, at its sole cost and expense, utilize commercially reasonable efforts in Marketing the Actavis Product in the Territory to maximize sales of the Actavis Product. Actavis will have sole discretion, however, in setting the price for the sale of the Actavis Product in the Territory.

4.2 Only Actavis and its Affiliates shall be permitted to Market Actavis Product under this License Agreement.

4.3 **Actavis Royalty** . For any Actavis Product sold during the Term, Actavis will pay to Supernus a royalty as follows:

4.3.1 ** of ** on Actavis Product sold (as determined by ** for other pharmaceutical products, **) during any period when the ** is only ** or **;

4.3.2 ** of ** on Actavis Product sold (as determined by ** for other pharmaceutical products, **) during any period when the Actavis Product is ** with ** or **;

4.3.3 ** of ** on Actavis Product sold (as determined by ** for other pharmaceutical products, **) during any period when the Actavis Product is ** with ** or **;

4.3.4 ** of ** on Actavis Product sold when there are ** or **;

4.3.5 Notwithstanding Sections 4.3.1 through 4.3.4, with respect to any Actavis Product sold pursuant to Actavis' Restricted Right of Entry set forth in Section 2.5 of this Term Sheet, Actavis will pay a ** on the ** of such Actavis Product of **. For clarity, such ** shall ** to ** to any Actavis Product sold ** any applicable **.

4.4 **Royalty Payments** . Payments due under this Section 4 shall be made within ** from the end of each ** in which Actavis Product is sold. All such payments shall include a report provided consistent with the antitrust laws which details the calculation of **, ** and the royalties payable hereunder.

4.5 ** **True-Up** . Within ** after the end of each ** during the Term in which fees are payable to Supernus pursuant to this Section 4, Actavis shall perform a "true up"

** This portion has been redacted pursuant to a confidential treatment request.

reconciliation (and shall provide Supernus with a written report of such reconciliation) of the ** outlined in the definition of "**." The reconciliation shall be based on ** or ** an ** for any ** related to the product, but ** at the ** of the ** year. If the foregoing reconciliation report shows either an underpayment or an overpayment between the Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within ** after the date of delivery of such report.

4.6 ** **True-Up** . Within ** of the end of the last ** during the Term in which fees are payable to Supernus pursuant to this Section 4, Actavis shall perform a "true-up" reconciliation (and shall provide Supernus with a written report of such reconciliation) of the items comprising ** from **. If the foregoing reconciliation report shows either an underpayment or an overpayment between the Parties, the Party owing payment to the other Party shall pay the amount of the difference to the other Party within ** after the date of delivery of such report.

4.7 **Maintenance of Records** . During the Term, and for a period of ** thereafter, Actavis shall, and shall ensure that its Affiliates shall, keep a copy of the records and books of account sufficient to confirm the calculation of the gross sales, ** and the royalties payable hereunder.

4.8 **Inspection** . No more than ** time per ** during any period for which royalties may be payable by Actavis to Supernus hereunder and on no less than ** notice from Supernus, Actavis shall use commercially reasonable efforts to make the records, books of account, information and data referred to in this Section 4.8 of this License Agreement available for inspection during normal business hours by an internationally recognized independent accounting firm selected by Supernus and reasonably acceptable to Actavis that is not paid in whole or in part by a contingent fee arrangement, ("Supernus' External Auditor") for the purpose of reviewing the calculation of the royalty, if any, payable by Actavis to Supernus pursuant to this License Agreement.. Upon reasonable belief of discrepancy or dispute, Supernus' External Auditor shall be entitled to take copies or extracts from such records, and books of account (but only to the extent related to the contractual obligations set out in this License Agreement) during any review or audit, provided Supernus' External Auditor signs a confidentiality agreement with Actavis providing that such records, and books of account shall be treated as Confidential Information which may not be disclosed to Supernus or any Third Party. Supernus' External Auditor shall only disclose to Supernus the results of the Supernus' External Auditor's audit, which results shall be concurrently disclosed to Actavis. Any underpayment or overpayment of amounts due hereunder as reflected by Supernus' External Auditor's results shall be promptly paid, but in no event less than ** from the date of receipt by the Parties of such report, by the Party owing such overpayment or underpayment.

4.9 **Inspection Costs** . Supernus shall be solely responsible for its and Supernus' External Auditor's costs in making any such review and audit, unless Supernus' External Auditor identifies a discrepancy, inuring to Supernus' benefit, in the calculation of royalties paid to Supernus under this License Agreement in any calendar year from those

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** This portion has been redacted pursuant to a confidential treatment request.

properly payable for that calendar year of ** or greater, in which event Actavis shall be solely responsible for the reasonable cost of such review and audit and shall pay such auditor any payment due. All information disclosed by Actavis or its Affiliates pursuant to this Section 4 shall be deemed Confidential Information.

4.10 Payment Method . All payments to be made by one Party to other under this License Agreement shall be in United States dollars in immediately available funds and shall be made by wire transfer to an account designated by the Party eligible to receive such payment, such account to be designated by such Party at least ** prior to the date any such payment is due.

4.11 Late Payments . In addition to any other rights and remedies, in the event payments required to be made under this License Agreement are not made on or prior to the required payment date, or cured within ** thereafter, the amount of the late payment shall bear interest at the lesser of ** above the prime rate reported in The Wall Street Journal (Eastern Edition) on the date such payment was due and the maximum permissible rate under the Law commencing on the date such payment is due until such date as the payment is made. For the avoidance of doubt, (i) payments made under and in compliance with ** and ** are not payments subject to this Section 4.11; and (ii) the period to cure will be tolled for the duration of any a ** regarding the amount of any payment and any additional payments made in connection with the resolution of any such ** will not be considered late, provided that any such toll period shall not exceed **.

4.12 Taxes . Supernus shall be responsible for and shall pay all taxes payable on any income or any payments by Actavis to Supernus. Actavis and Supernus shall bear sole responsibility for payment of compensation to their respective personnel, employees or subcontractors and for all employment taxes and withholding with respect to such compensation pursuant to Applicable Law. Actavis shall have the right to withhold taxes in the event that the revenue authorities in any country require the withholding of taxes on amounts paid hereunder to Supernus. Actavis shall secure and promptly send to Supernus proof of such taxes, duties or other levies withheld and paid by Actavis for the benefit of Supernus. Each Party agrees to cooperate with the other Party in claiming exemptions from such deductions or withholdings under any agreement or treaty from time to time in effect.

5. Confidentiality

5.1 Confidentiality Obligation . The Parties and their respective employees, directors, officers, consultants and contractors shall keep and maintain as confidential any Confidential Information supplied by the other Party during the Term. The confidentiality and non-disclosure obligations contained in the Settlement Documents shall not apply to the extent that, such Confidential Information is:

5.1.1 at the time of disclosure by one Party to the other, in the public domain or otherwise publicly known;

** This portion has been redacted pursuant to a confidential treatment request.

5.1.2 after disclosure by one Party to the other becomes part of the public domain, other than by breach by a Party of any obligation of confidentiality;

5.1.3 information which the receiving Party can establish by competent evidence was already in its possession at the time of receipt or was independently developed by the receiving Party; or

5.1.4 received from a Third Party who was lawfully entitled to disclose such information free of an obligation of confidentiality.

5.2 Exceptions . Notwithstanding Section 5.1, in addition to any disclosure allowed under Section 10.5, the Party receiving Confidential Information may disclose such Confidential Information to the extent that such disclosure has been ordered by a court of law or directed by a Governmental Authority, provided that, the disclosure is limited to the extent ordered or directed and wherever practicable, the Party that owns the Confidential Information has been given sufficient written notice in advance to enable it to seek protection or confidential treatment of such Confidential Information.

5.3 Expiration of Confidentiality . The confidentiality obligation contained in this Section 5 shall survive the termination or expiry of this License Agreement for so long as such Confidential Information remains confidential.

5.4 Disclosure . If a Party is subpoenaed or otherwise requested by any Person, including any Governmental Authority, to give testimony or provide information which in any way relates to the Settlement Documents, the Actavis Product or practices associated with the Actavis Product, such Party shall give the other Party prompt notice of such request, and unless otherwise required by Law, shall make no disclosure until such other Party has had a reasonable opportunity to contest the right of the requesting Person to such disclosure. Notwithstanding the foregoing, either Party may state publicly that the Pending Litigation has been settled on terms that are confidential.

5.5 Enforcement . The Parties agree that equitable relief, including injunctive relief and specific performance, is appropriate in enforcing the confidentiality provisions of the Settlement Documents. Such remedies shall not be deemed to be the exclusive remedies for a breach of this provision, but shall be in addition to all other remedies available at law or equity.

6. Representations and Warranties of Parties

Supernus represents and warrants to Actavis that Supernus possess the rights and authority to grant the licenses set forth herein to Actavis and its Affiliates and, with respect to Sections 6.1 and 6.2 below, each of Supernus and Actavis represents, warrants, and covenants, to the other Party that:

6.1 Organization and Authority . Such Party is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its formation. Such Party has the requisite power and authority to enter into the Settlement Documents. Such Party has the requisite power and authority to execute and deliver the Settlement Documents and to

perform all of its obligations hereunder. The execution and delivery of the Settlement Documents and the performance by such Party of its obligations hereunder have been authorized by all requisite action on its part. The Settlement Documents have been validly executed and delivered by such Party, and, assuming that such documents have been duly authorized, executed and delivered by the other Party, constitutes a valid and binding obligation of such Party, enforceable against such Party in accordance with its terms.

6.2 Consents and Approvals; No Violations .

6.2.1 Except as otherwise set forth in this License Agreement or other Settlement Documents, no material filing with, and no material permit, authorization, consent, or approval, of or from any Governmental Authority is required to be obtained by or on behalf of such Party with respect to the transactions contemplated by the Settlement Documents, except for those filings, permits, authorizations, consents or approvals, the failure of which to be made or obtained would not materially impair such Party's ability to consummate the transactions contemplated hereby or materially delay the consummation of the transactions contemplated hereby.

6.2.2 Neither the execution nor the delivery of the Settlement Documents by such Party, nor the performance by such Party of its obligations hereunder, will (i) violate the certificate of incorporation, certificate of formation, by-laws or other organizational document of such Party; (ii) conflict in any material respect with or result in a material violation or breach of, or constitute a material default under, any material contract, agreement or instrument to which such Party is a party; or (iii) violate or conflict in any material respect with any material Law applicable to such Party.

7. Indemnities; Product Liability; Insurance

7.1 Indemnity by Supernus . Supernus shall defend, indemnify and hold harmless each of Actavis and its Affiliates and its and their directors, officers, employees and contractors (each an "Actavis Party") from and against any and all Losses, arising from or in connection with:

7.1.1 any Claim resulting from any acts of ** or ** of any Supernus Party in connection with the performance of its obligations under this License Agreement; or

7.1.2 the breach by Supernus of any of its representations or warranties contained in this License Agreement,

except, in each case, to the extent such Losses are caused by the breach of the terms of this License Agreement, or the gross negligence or willful misconduct of a Actavis Party.

** This portion has been redacted pursuant to a confidential treatment request.

7.2 Indemnity by Actavis . Actavis shall defend, indemnify and hold harmless each of Supernus and its Affiliates and its and their directors, officers, employees and contractors (each, a "Supernus Party") from and against any and all Losses arising from or in connection with:

7.2.1 any Claim resulting from any acts of ** or ** of any Actavis Party in connection with the performance of its obligations under this License Agreement;

7.2.2 any Claim based on or arising out of the **, **, **, ** or ** of Actavis Product, including, any ** by a ** or any ** for ** or ** by any ** Actavis Product; or

7.2.3 the breach by Actavis of any of its representations or warranties contained in this License Agreement,

except, in each case, to the extent that such Losses are caused by the breach of the terms of this License Agreement, or the ** or ** of a Supernus Party. The Parties agree that the foregoing indemnities shall expressly exclude Claims based on a ** to ** where Actavis' product was ** by ** to have, and in fact had, ** or ** information that was the "**" (as that term is used in **) as Supernus' ** and ** information.

7.3 Control of Proceedings . A Party seeking indemnification hereunder shall provide prompt written notice thereof to the other Party (and, in any event, within thirty (30) days) of the assertion of any Claim against such indemnified Party as to which indemnity is to be requested hereunder. The indemnifying Party shall have the sole control over the defense of any Claim, provided that, the indemnifying Party shall obtain the written consent of the indemnified Party prior to settling or otherwise disposing of such Claim if as a result of the settlement or Claim disposal the indemnified Party's interests are in any way adversely affected.

7.4 No Admissions . The indemnified Party shall not make any payment or incur any expenses in connection with any liability for which such Party is seeking indemnification, or make any admissions or do anything that may compromise or prejudice the defense of any Claim without the prior written consent of the indemnifying Party.

7.5 Claim Information . Each Party shall promptly:

7.5.1 inform the other by written notice of any actual or threatened Claim to which Sections 7.1 or 7.2 apply;

7.5.2 provide to the other Party copies of all papers and official documents received in respect of any such Claim; and

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** This portion has been redacted pursuant to a confidential treatment request.

7.5.3 cooperate as reasonably requested by the other Party in the defense of any such Claim, provided any actual out of pocket costs incurred in connection with such cooperation shall be at the expense of the indemnifying Party.

7.6 Limitation of Liability . Except as may be included in a Claim under Section 7.1, 7.2 or 7.8, or a breach by any Party of Section 10.5, in no event shall any Party or its Affiliates be liable for special, punitive, indirect, incidental or consequential loss or damage based on contract, tort or any other legal theory arising out of this License Agreement.

7.7 Irreparable Harm . Actavis and its Affiliates acknowledge that in the event of a launch or continued Marketing or Shipping by Actavis or its Affiliates of Actavis Product or any other Generic Equivalent Product in the Territory other than as permitted under this License Agreement, the damages to Supernus and its business (including, but not limited to, lost sales of Trokendi XR) would be difficult to calculate and the adequacy of monetary damages calculated at Law would be uncertain.

7.8 Limitation on Representations, Warranties and Indemnification. NEITHER PARTY SHALL BE DEEMED TO MAKE ANY REPRESENTATIONS OR WARRANTIES, WHETHER EXPRESS OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED BY EACH PARTY.

8. Trademarks and Trade Names

8.1 This License Agreement conveys no rights to either Party to use any trademark or trade dress of the other Party, and conveys no rights to any other intellectual property of either Party other than pursuant to the licenses granted expressly herein.

9. Term and Termination

9.1 Term . Unless sooner terminated in accordance with the terms hereof, the term of this License Agreement shall extend from the Effective Date until the expiration of the last valid claim of the Licensed Patents (the "Term").

9.2 Termination . Either Party shall be entitled to terminate this License Agreement by written notice to the other if:

9.2.1 the other Party commits a material breach of this License Agreement, and fails to remedy it within ninety (90) days of receipt of notice from the first Party of such breach and of its intention to exercise its rights under this Section 10.2; or

9.2.2 an order is made or a resolution is passed for the winding up of the other Party (other than voluntarily for the purposes of solvent amalgamation or reconstruction) or an order is made for the appointment of an administrator to manage the other Party's affairs, business and property or if a receiver (which expression shall include an administrative receiver) is appointed over any of the

other Party's assets or undertaking or if circumstances arise which entitle the court or a creditor to appoint a receiver or manager or which entitle the court to make a winding-up order or if a voluntary arrangement is proposed in respect of the other Party or if the other Party takes or suffers any similar or analogous action in consequence of debt, and such order, appointment or similar action is not removed within ninety (90) days.

9.3 Termination by Supernus . Supernus shall be entitled to terminate this Agreement upon written notice to Actavis in the event Actavis is in breach of ** or ** and fails to remedy such breach within ** days of receipt of notice from Supernus of such breach.

9.4 Effect of Termination . In the event of expiry or termination of this License Agreement for any reason, each Party shall promptly return all Confidential Information of the other Party provided during the Term or destroy and certify the destruction of such Confidential Information.

9.5 Liability on Termination . The termination or expiry of this License Agreement shall not release either of the Parties from any liability which at the time of termination or expiry has already accrued to the other Party, nor affect in any way the survival of any other right, duty or obligation of the Parties which is expressly stated elsewhere in this License Agreement to survive such termination or expiry.

9.6 Surviving Sections . The provisions of this Section 9.6, Sections 4.7, 9.4, 9.5 10.1, 10.2, 10.3, 10.6, 10.7, 10.9, 10.10, 10.11, 10.12, 10.14, 10.15 and 10.17, and Articles 1, 5, 7 and 8 shall continue in force in accordance with their respective terms notwithstanding expiry or termination of this License Agreement for any reason.

10. Miscellaneous

10.1 Notice .

10.1.1 Any notice or other document given under the Settlement Documents shall be in writing in the English language and shall be given by hand or sent by prepaid overnight mail, or by confirmed fax transmission to the address of the receiving Party as set out in Section 10.2 below unless a different address or fax number has been notified to the other in writing for this purpose.

10.1.2 Each such notice or document shall:

(i) if sent by hand, be deemed to have been given when delivered at the relevant address;

(ii) if sent by prepaid mail, be deemed to have been given five (5) days after posting; or

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(iii) if sent by confirmed fax transmission be deemed to have been given when transmitted, provided that, a confirmatory copy of such fax or other electronic method of transmission shall have been sent by prepaid overnight mail within one (1) Business Day of such transmission.

10.2 Address for Notice . The address for services of notices and other documents on the Parties shall be:

To Supernus
Supernus Pharmaceuticals, Inc.
1550 East Gude Drive
Rockville, MD 20850
Attn: President
Fax: **

with a copy to:

Edgar H. Haug
HAUG PARTNERS LLP
745 Fifth Avenue
New York, NY 10151
Fax: (212) 588-0500

To Actavis

Staci L. Julie
SVP and Chief IP Counsel
Teva Pharmaceuticals USA, Inc.
425 Privet Rd.
Hosham, PA 19044

with a copy to:

Jay P. Lefkowitz
Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022
Fax: (212) 446-4900

10.3 Assignment .

10.3.1 Subject to Section 10.3.2, neither Party shall assign or transfer any of its rights or obligations under the Settlement Documents without the prior written consent of the other Party, not to be unreasonably withheld or delayed.

** This portion has been redacted pursuant to a confidential treatment request.

10.3.2 Each Party shall be entitled, without prior written consent of the other Party, to assign all, but not less than all, of its rights or obligations under the Settlement Documents to an Affiliate or transfer such rights and obligations to a successor entity by way of merger or acquisition of substantially all of the assets of such Party (whether by consolidation, sale of assets, or otherwise); provided the Affiliate or other successor entity expressly assumes in writing those rights, duties and obligations under the Settlement Documents and the Affiliate or other successor is a financially capable business entity. The assignment of the Settlement Documents by Actavis and its Affiliates shall not in any way affect Actavis's or its Affiliates' duties, obligations and admissions in the Settlement Documents.

10.3.3 Subject to the foregoing, the Settlement Documents shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Any assignment or transfer in contravention of the terms of the Settlement Documents shall be null and void.

10.4 Amendment . The Settlement Documents may not be varied, changed, amended, supplemented, waived, discharged or terminated, including by course of conduct or trade usage, except by an instrument in writing signed by the Party against which enforcement of such variation, change, amendment, supplement, waiver, discharge or termination is sought.

10.5 Public Announcements . The Parties shall maintain in confidence the terms of the Settlement Documents and the negotiations of the Parties pertaining thereto. Notwithstanding these obligations, (i) either Party may disclose such terms in discovery as otherwise required by court order, provided that the other Party shall be given the opportunity to (a) review and comment on the proposed disclosure reasonably in advance of the disclosure, and (b) quash such order and to obtain a protective order requiring that the information and documents that are the subject of such order be held in confidence by such court; (ii) either Party may disclose such terms on a need-to-know basis to such Party's actual and prospective investors, prospective acquirers, underwriters and lenders, attorneys, accountants, insurers and FDA consultants, so long as the disclosed-to entity is bound by rules of professional conduct, or has agreed in writing and in advance to maintain the confidentiality of such information under terms no less restrictive than those set forth herein; (iii) Actavis may disclose such terms to the FDA as may be necessary or useful in obtaining and maintaining Regulatory Approval of the Actavis ANDA and launching the Actavis Product as provided by the Settlement Documents, so long as Actavis requests that the FDA maintain such terms in confidence, and (iv) either Party may disclose such terms as otherwise required by Law, including without limitation SEC reporting requirements, or by the rules or regulations of any stock exchange to which the Parties are subject; provided that the Parties will coordinate in advance with each other in connection with the redaction of certain provisions of the Settlement Documents with respect to any SEC filings, and each Party shall use reasonable efforts to seek confidential treatment for such terms; provided, however, that each Party shall ultimately retain control over what information to disclose to the SEC or any other such agencies. The foregoing notwithstanding, either Party may, without the consent of the other Party, issue a press release which states publicly that the Pending Litigation has been settled, that Actavis may launch the Actavis Products on January 1, 2023 (or earlier under certain circumstances) and that the remaining terms are

confidential (and such additional information as may be permitted pursuant to remainder of this Section 10.5.

10.6 Merger and Integration . The Settlement Documents supersede all prior discussions and writings of the Parties and constitute the entire agreement between the Parties with respect to the subject matter contained therein. Any breach of the License Agreement or Settlement Agreement shall constitute a breach of the Settlement Documents as a whole. Each of the Settlement Documents shall be deemed of equal dignity to each other and shall be construed together in a consistent manner as reflecting a single intent and purpose. It is agreed that: (i) neither Party has entered into any of the Settlement Documents in reliance upon any representation, warranty or undertaking of the other Party which is not expressly set out in the Settlement Documents; (ii) neither Party shall have any remedy in respect of misrepresentation or untrue statement made by the other Party or for any breach of warranty which is not contained in Settlement Documents; and (iii) this Section 10.6 shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

10.7 Governing Law . The Settlement Documents shall be governed by the Laws of the State of New York without regard to the conflicts of law provisions thereof. The Parties irrevocably agree that the Court (as such term is defined in the Settlement Agreement) shall have exclusive jurisdiction to deal with any disputes arising out of or in connection with the Settlement Agreement. The Parties irrevocably agree that the United States District Court for the Southern District of New York shall have exclusive jurisdiction to deal with any disputes arising out of or in connection with this License Agreement and that, accordingly, any proceedings arising out of or in connection with this License Agreement shall be brought in the United States District Court for the Southern District of New York. Notwithstanding the foregoing, if there is any dispute for which the United States District Court for the Southern District of New York does not have subject matter jurisdiction, the state courts in the county and state of New York shall have jurisdiction. In connection with any dispute arising out of or in connection with this License Agreement, each Party (i) hereby expressly consents and submits to the personal jurisdiction of the federal and state courts in the State of New York and (ii) hereby irrevocably waives any right to a trial by jury.

10.8 Agreement Costs . Each Party shall pay its own costs, charges and expenses incurred in connection with the negotiation, preparation and completion of the Settlement Documents.

10.9 Counterparts . The Settlement Documents shall become binding when any one or more counterparts hereof, individually or taken together, bears the signatures of each of the Parties hereto. The Settlement Documents may be executed in any number of counterparts (including facsimile or e-mail counterparts), each of which shall be an original as against a Party whose signature appears thereon, but all of which taken together shall constitute one and the same instrument.

10.10 Severability . If and to the extent that any provision of the Settlement Documents is held to be illegal, void or unenforceable, such provision shall be given no effect and shall be deemed not to be included in the Settlement Documents but without invalidating any of the remaining provisions of the Settlement Documents.

10.11 Relationship of the Parties . In making and performing the Settlement Documents, the Parties are acting, and intend to be treated, as independent entities; and nothing contained in the Settlement Documents shall be construed or implied to create an agency, partnership, joint venture, or employer and employee relationship between Supernus and Actavis. Except as otherwise provided herein, neither Party may make any representation, warranty or commitment, whether express or implied, on behalf of or incur any charges or expenses for or in the name of the other Party.

10.12 Construction . The language in all parts of the Settlement Documents shall be construed, in all cases, according to its fair meaning. Supernus and Actavis acknowledge that each Party and its counsel have reviewed and revised the Settlement Documents and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation thereof. The words "hereof," "herein," "hereto" and "hereunder" and words of similar import, when used in the Settlement Documents, shall refer to the agreements as a whole and not to any particular provision thereof. The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Whenever used herein, the words "include," "includes" and "including" shall mean "include, without limitation," "includes, without limitation" and "including, without limitation," respectively. The masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others whenever the context so indicates. With respect to any particular action or agreement, the use of the words "Supernus shall" or "Supernus will" herein shall also mean "Supernus shall cause" the particular action to be performed. Similarly, with respect to any particular action or agreement, the use of the words "Actavis shall" or "Actavis will" herein shall also mean "Actavis shall cause" the particular action to be performed. Nothing in the Settlement Documents shall operate to exclude any provision implied into the Settlement Documents by Law and which may not be excluded by Law or limit or exclude any liability, right or remedy to a greater extent than is permissible under Law.

10.13 Dispute Resolution .

10.13.1 Preliminary Process. If there is a disagreement between the Parties as to the interpretation of the Settlement Documents in relation to any aspect of the performance by either Party of its obligations thereunder, the Parties shall, within thirty (30) days of receipt of a written request from either Party, meet in good faith and try to resolve the disagreement without recourse to legal proceedings.

10.13.2 Escalation of Dispute. If resolution of the disagreement does not occur within ten (10) Business Days after such meeting, the matter shall be escalated to applicable Actavis and Supernus Presidents (or other ranking senior executive) for resolution.

10.13.3 Equitable Relief. Nothing in this Section 10.13 restricts either Party's freedom to seek urgent relief to preserve a legal right or remedy, or to protect a proprietary or trade secret right, or to otherwise seek legal remedies through any available channel if resolution is not otherwise achieved under this Section 10.13.

10.14 Cumulative Rights . The rights and remedies of each of the Parties under or pursuant to the Settlement Documents are cumulative, may be exercised as often as such Party considers appropriate and are in addition to its rights and remedies under general law.

10.15 No Third Party Benefit . The Settlement Documents shall be binding upon and inure solely to the benefit of the Parties hereto, their Affiliates, successors and permitted assigns, and nothing in the Settlement Documents, express or implied, is intended to or shall confer upon any other Person or Persons any right, benefits or remedies of any nature whatsoever under or by reason of any of the Settlement Documents.

10.16 Further Assurance . Each of the Parties shall do, execute and perform and shall procure to be done and perform all such further acts, deeds, documents and things as the other Party may reasonably require from time to time to give full effect to the terms of the Settlement Documents.

10.17 Waiver . No failure or delay by either Party in exercising any right or remedy provided by law under or pursuant to the Settlement Documents shall impair such right or remedy or operate or be construed as a waiver, acquiescence or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any other or further exercise of it or the exercise of any other right or remedy. A waiver by a Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which such Party would otherwise have on any future occasion.

[Signature Page Follows]

[Signature Page to Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

SUPERNUS PHARMACEUTICALS, INC.

By: /s/ Jack Khattar

Name: Jack Khattar

Title: President & CEO

[*Signature Page to Settlement Agreement Regarding Extended Release Topiramate Oral Capsule Product]*

IN WITNESS WHEREOF, the Parties hereto have each caused this Settlement Agreement to be executed by their authorized representatives as of the Effective Date.

ACTAVIS LABORATORIES, FL, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

ACTAVIS PHARMA, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

WATSON LABORATORIES, INC.

By: /s/ Daniel Motto

Name: Daniel Motto

Title: SVP Global Business Development

By: /s/ Colman B. Ragan

Name: Colman B. Ragan

Title: Associate General Counsel
U.S. IP Litigation

Attachment A
to
License Agreement

Draft Language for FDA Side Letter

Dear [FDA],

Pursuant to 21 C.F.R. §314.94(a)(12)(v), Supernus Pharmaceuticals, Inc. together with Actavis Laboratories FL, Inc. (collectively the "Parties") write to inform the United States Food and Drug Administration ("FDA") that the Parties have reached a settlement concerning the following litigation pending in the United States District Court for the District of New Jersey: *Supernus Pharmaceuticals, Inc. v. Actavis, Inc. et al* , (Civil Action No. 2:14-cv-06102-SDW-SCM) concerning ANDA No. 206210.

The terms of the settlement are confidential. However, provided that Actavis and Supernus abide by the settlement terms, no patent disputes between the Parties would prevent FDA from granting final approval to that ANDA

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

SUPERNUS PHARMACEUTICALS, INC.

Plaintiff, C.A. No. 2:14-cv-06102-SDW-SCM

v.

ACTAVIS, INC., et.al.

Defendants.

STIPULATION OF DISMISSAL

This action for patent infringement having been brought by Plaintiff Supernus Pharmaceuticals, Inc. ("Supernus") against Defendants Actavis, Inc. (n/k/a Allergan Finance LLC), Actavis plc (n/k/a Allergan plc), Actavis Laboratories FL, Inc., Actavis Pharma, Inc., Watson Laboratories, Inc. and ANDA, Inc. .

Supernus and Actavis consent to this Judgment and Order.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. Actavis, Inc. (n/k/a Allergan Finance LLC), Actavis plc (n/k/a Allergan plc), and ANDA, Inc. are dismissed from the case and are not parties to the Consent Judgment and Stipulation of Dismissal that has been or will be filed between the remaining parties.

2. Each party shall bear its own costs and attorneys' fees with respect to the matters dismissed hereby.

SAUL EWING LLP

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Attorneys for Defendants Actavis Laboratories, FL, Inc., Actavis Pharma, Inc., Watson Laboratories, Inc. and ANDA, Inc.

SO ORDERED

Dated: _____

THE HON. SUSAN D. WIGENTON
UNITED STATES DISTRICT JUDGE

EXHIBIT C

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

SUPERNUS PHARMACEUTICALS, INC.

Plaintiff, C.A. No. 2:14-cv-06102-SDW-SCM

v.

ACTAVIS, INC., et.al.

Defendants.

CONSENT JUDGMENT AND STIPULATION OF DISMISSAL

This action for patent infringement having been brought by Plaintiff Supernus Pharmaceuticals, Inc. ("Supernus") against Defendants Actavis Laboratories FL, Inc., Actavis Pharma, Inc., Watson Laboratories, Inc. (collectively, "Actavis").

Supernus and Actavis consent to this Judgment and Order.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED:

1. The U.S. Patent Nos. 8,298,576, 8,298,580, 8,663,683, and 8,889,191, and all the claims contained therein, are not infringed by the product described in ANDA No. 206210.

2. All affirmative defenses, claims and counterclaims which have been or could have been raised by Supernus and Actavis in this action with respect to U.S. Patent Nos. 8,877,248 and 8,992,989 are dismissed with prejudice.

3. Each party shall bear its own costs and attorneys' fees with respect to the matters dismissed hereby.

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Attorneys for Defendants Actavis Laboratories, FL, Inc., Actavis Pharma, Inc., Watson Laboratories, Inc. and ANDA, Inc.

SO ORDERED

Dated: _____

THE HON. SUSAN D. WIGENTON
UNITED STATES DISTRICT JUDGE

EXHIBIT 31.1

CERTIFICATION

I, Jack A. Khattar, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2017

By: /s/ Jack A. Khattar

Jack A. Khattar
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Gregory S. Patrick, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 9, 2017

By: /s/ Gregory S. Patrick

Gregory S. Patrick
Vice President and Chief Financial Officer

EXHIBIT 32.1

SUPERNUS PHARMACEUTICALS, INC.

CERTIFICATION PURSUANT TO

18 U.S.C. sec. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Supernus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack A. Khattar, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 9, 2017

By: /s/ Jack A. Khattar

Jack A. Khattar
President and Chief Executive Officer

EXHIBIT 32.2

SUPERNUS PHARMACEUTICALS, INC.

CERTIFICATION PURSUANT TO

18 U.S.C. sec. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Supernus Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory S. Patrick, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. sec. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 9, 2017

By: /s/ Gregory S. Patrick

Gregory S. Patrick
Vice President and Chief Financial Officer